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## WHY AMERICANS ARE RIGHT TO BE ANXIOUS IN CLINTON'S LACKLUSTER ECONOMY

Mark Wilson  
Rebecca Lukens Fellow in Labor Policy

Despite a flow of good economic news in recent months, many Americans are concerned about their economic security, stagnating family incomes, and less money in their paychecks after taxes. They have a sense the economy is performing below its full potential and do not accept President Clinton's claim that the economy is the "healthiest it has been in 30 years."<sup>1</sup>

A comparison of the current economic expansion and the three previous post-World War II expansions lasting longer than 58 months suggests that they are right. The economy is failing to perform as well as similar expansions, and over the past three years the job opportunities and real earnings of many Americans have declined.

In the current recovery, for example:

- ✗ **The gross domestic product** has increased less than half as much as the average of previous post-war recoveries.<sup>2</sup> Industrial production has increased just over half as much.
- ✗ **Total employment** has grown only half as much as the average of previous post-war recoveries.
- ✗ **The number of high-paying manufacturing jobs** has *declined* by 273,000, compared with an average *increase* of almost 2 million at a similar point during previous economic expansions.

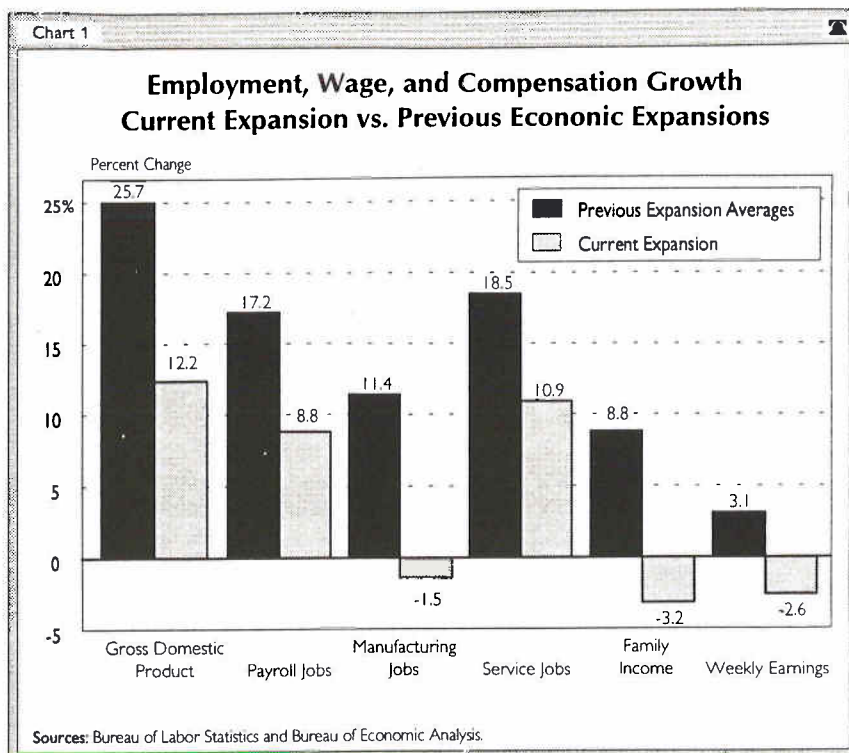
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1 State of the Union Address, January 1996.

2 Since the end of World War II, there have been four periods of economic growth longer than 58 months. These occurred from February 1961 to December 1969, from March 1975 to January 1980, from November 1982 to July 1990, and from March 1991 to the present. The data comparisons made in this section refer to similar points in time during these four expansions. For example, average employment growth from March 1991 to the present (59 months) is compared to the average employment growth from February 1961 to December 1965 (59 months), from March 1975 to January 1980, and from November 1982 to October 1987.

X **Real median family income** actually has declined 3.2 percent during the first four years of this expansion, compared with an average increase of 8.8 percent during the first four years of previous expansions.<sup>3</sup>

X **Real median weekly earnings for full-time workers** have declined by 2.6 percent during the current expansion, compared with an increase of 3.1 percent during the November 1982 to July 1990 expansion.<sup>4</sup>



To be sure, the economy is experiencing modest growth, but other economic statistics indicate a less rosy picture for many Americans in recent years. For example:

X **Since September 1993, real average hourly earnings have stagnated and real average weekly earnings have declined 1.5 percent.**<sup>5</sup>

X **Since the third quarter of 1993, the real median weekly earnings for women have decreased 3.0 percent, while men's real earnings have stagnated.**<sup>6</sup> Over the same period, real hourly compensation (combined wages and benefits) has not increased significantly.<sup>7</sup>

X **Fifty percent of major U.S. companies eliminated jobs** in the 12 months ending June 1995, up from 47 percent the year before.<sup>8</sup>

X **More Americans are working two or more jobs to make ends meet.** In March 1996, 7.9 million Americans were working two or more jobs, up 10.2 percent since March 1994.<sup>9</sup>

X **Less than one-third of all workers displaced from full-time jobs found new jobs that pay the same as their old ones.**<sup>10</sup> The median weekly earnings of their new jobs averaged 8.2 percent less than their old jobs, and over 14 percent less for workers 45 to 55 years old.

3 U.S. Bureau of the Census, "Income and Poverty 1994," <http://www.census.gov/fip/pub/hhes/www/incpov94.html>. These are the most recent data available.

4 Data on median weekly earnings are not available on a consistent basis prior to 1979.

5 Bureau of Labor Statistics, internet site <http://stats.bls.gov:80/cgi-bin/survey/most?ee>, or as published in "Employment and Earnings," various issues.

6 Bureau of Labor Statistics, "Usual Weekly Earnings of Wage and Salary Workers," various issues.

7 *Economic Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1996), p. 332.

8 American Management Association, "Corporate Downsizing, Job Elimination, and Job Creation," 1995.

9 Bureau of Labor Statistics, "The Employment Situation," BLS Press Release, April 1994 and April 1996.

10 Jennifer M. Gardner, "Worker Displacement: A Decade of Change," Bureau of Labor Statistics *Monthly Labor Review*, April

X From March 1995 to March 1996, 325,000 high-paying manufacturing jobs disappeared.<sup>11</sup> From March 1991 to March 1995, the first four years of the current expansion, manufacturing employment slowly increased (52,000 total new jobs). Over the past year, however, it declined by 1.8 percent.

Table 1

### Employment, Wage, and Compensation Growth Current Expansion vs. Previous Economic Expansions

	Previous Expansion* Averages	Current Expansion 3/91 to 2/96
<b>Gross Domestic Product</b>	+25.7%	+12.2%
Industrial Production	+36.8%	+20.8%
<b>Total Employment</b>	+13.8%	+6.8%
Employment Population Ratio**	+3.2 points	+1.1 points
<b>Total Payroll Jobs</b>	+17.2%	+8.8%
Manufacturing Jobs	+11.4%	-1.5%
<b>Service Producing Jobs</b>	+18.5%	+10.9%
Number of Unemployed	-31.0%	-15.6%
Number of Job Losers	-26.2%	-23.3%
Real Median Family Income	+8.8%	-3.2%
<b>Real Median Full-Time Weekly Earnings***</b>	+3.1%	-2.6%
Real Avg. Hourly Earnings***	+0.3%	0.0%
<b>Real Avg. Weekly Earnings***</b>	+0.3%	-1.6%
Real Hourly Compensation	+6.8%	+3.1%
<b>Real Disposable Per-Capita Income</b>	+16.9%	+6.8%

Notes: \* Average of the three previous post WWII expansions longer than 58 months unless otherwise noted.  
 \*\* The employment population ratio is the share of the population aged 16+ that is employed.  
 \*\*\* 1980 economic expansion only, data not available prior to 1979.  
 Sources: Bureau of Labor Statistics and Bureau of Economic Analysis.

American workers are right to feel that they should be better off today than they are. Graded on a curve, the economy gets a "D" for below-average performance when compared with other expansions. It is not quite failing, but it clearly is not performing up to its potential.

1995. The BLS definition of displaced workers refers to persons with 3 or more years of job tenure that lost their jobs because their plant or company closed or moved, there was insufficient work for them to do, or their positions or shifts were abolished.

11 Bureau of Labor Statistics, internet site <http://stats.bls.gov:80/cgi-bin/survey/most?ee>, or as published in "Employment and Earnings," various issues.

