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AN ANALYSIS OF THE RELATIVE DECLINE IN EMPLOYMENT INCOME IN GEORGIA

Introduction

Georgia's population and job growth were among the highest in the country in both the 1990-2000 and 2000-2008 periods. In the period from 1990 to 2000, Georgia ranked 10th among all states in the annual growth rate of per capita personal income. However, since 2000 the rate of growth in the average Georgian's personal income has declined sharply. The result is that per capita income in Georgia has declined relative to the U.S.

To an extent, the change in Georgia's rate of growth in per capita personal income relative to the nation can be explained by factors such as a changing age distribution and shifting components of income (wages, dividends, rents, social security payments, etc.). This brief concentrates on one component of personal income, employment income, which comprises about two-thirds (67.8 percent in 2007) of total personal income in the U.S.

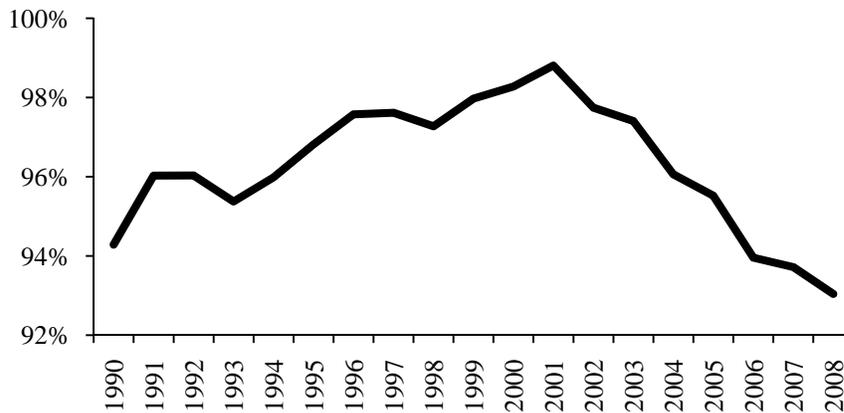
The story of employment income per job is similar to the story of per capita income.¹ Georgia had the 7th fastest growth rate of employment income per job of all states from 1990 to 2000, but from 2000 to 2008 Georgia's growth rate was next to last; higher only than Michigan. Figure 1 shows the trend of employment

income per job in Georgia compared to the overall U.S. employment income per job from 1990 to 2008. Until 2000, Georgia's increase in employment income per job was increasing steadily compared to the nation, but since 2001, a time when the nation was entering a recession, Georgia's comparative employment income per job fell sharply.

In 2001, Georgia's employment income per job was \$40,860, 98.9 percent of the national employment income per job. By 2008, Georgia's employment income per job had fallen to 93.0 percent of the national level. If the ratio of Georgia's employment income per job to that for the U.S. had not fallen from its 2001 peak, Georgia's 2008 employment income per job would have been \$49,659, or \$2,899 (6.2 percent) higher than it actually was.

This policy brief, which is drawn from the full report (Matthews 2009), examines the change in employment income per job to better understand why employment income in Georgia has increased much slower than in the rest of the U.S. This examination also points to emerging trends in the structure of the Georgia and Atlanta economies that underlie changes in employment income.

FIGURE 1. GEORGIA AVERAGE EMPLOYMENT INCOME AS A PERCENTAGE OF THE U.S



Employment Income Per Job

Comparison of Georgia and the Atlanta MSA

This section explores changes in employment income per job over the period 1990 to 2007 and how those changes differ between the Atlanta MSA and the rest of Georgia. In 1990, 52.7 percent of all jobs in Georgia were in the Atlanta Metropolitan Statistical Area (MSA). By 2000, the proportion had increased to 56.8 percent, and by 2007 to 58.0 percent. But, from 2000 to 2008 Georgia's growth in employment income per job was the second lowest among all states. Within the state, Atlanta had very low growth in employment income per job while the rest of Georgia had an average growth rate in employment income per job that was, until 2005, higher than the average growth rate for the U.S.

Figure 2 shows the annual average growth rate for employment income per job in the periods 1990 to 2000 and 2000 to 2007 (2008 data is not yet available for metro areas) for the U.S., Georgia, the Atlanta MSA, neighboring state MSAs that have one million or more jobs, and Detroit.² Note that among the regional economies shown, the Atlanta MSA had the highest average annual growth rate in the 1990 to 2000 period and next to lowest (virtually tied for lowest) from 2000 to 2007.

Comparisons Across Industrial Sectors

Table A shows the employment changes in Georgia by major sector from 2001 to 2007, the annual rate of change for employment by sector compared to the U.S., employment income per job, and the rate of change in employment income per job for each sector in 2001 and 2007.

Table A shows that, state-wide, manufacturing, information, and management of companies and enterprises are sectors that had absolute job loss. These sectors have very high employment income. But, sectors with large employment gains—administrative and waste services, accommodation and food services, and real estate and rental and leasing—have low employment income. Essentially, there is a shift in growth from industrial sectors that provide high employment income per job to industries that provide low average wages. This shift in growth between sectors helps explain the relative decline in employment income per job in Georgia.

Essentially the same thing has happened both in the Atlanta MSA and in Georgia outside of Atlanta. The Atlanta MSA had absolute job loss in the manufacturing, information, and management sectors, as did Georgia outside Atlanta. These are all relatively high paying industries. Both the Atlanta MSA and Georgia outside Atlanta saw large employment gains in the real estate and administration and waste management sectors; relatively low paying industries. Again, there is a shift in growth from industrial sectors that provide high employment income per job to industries that provide low average wages.

Figure 3 shows the relationship between job growth and average wage. For each industry the chart shows the 2001 to 2007 rate of job growth in Georgia less the national job growth rate for that industry. The industries have been arranged left to right from low to high average employment income per job. Because Georgia's employment increased faster than the average for the U.S., most of the industries showed an increase that exceeded the U.S. employment growth rate. For the period, total U.S. employment grew by 8.7 percent and total Georgia employment grew by 14.0 percent. Note the cluster of high paying jobs in the low and negative job growth part of the chart. Georgia has seen growth

FIGURE 2. EARNINGS/JOB ANNUAL AVERAGE GROWTH RATE: 1990-2000 AND 2000-2007

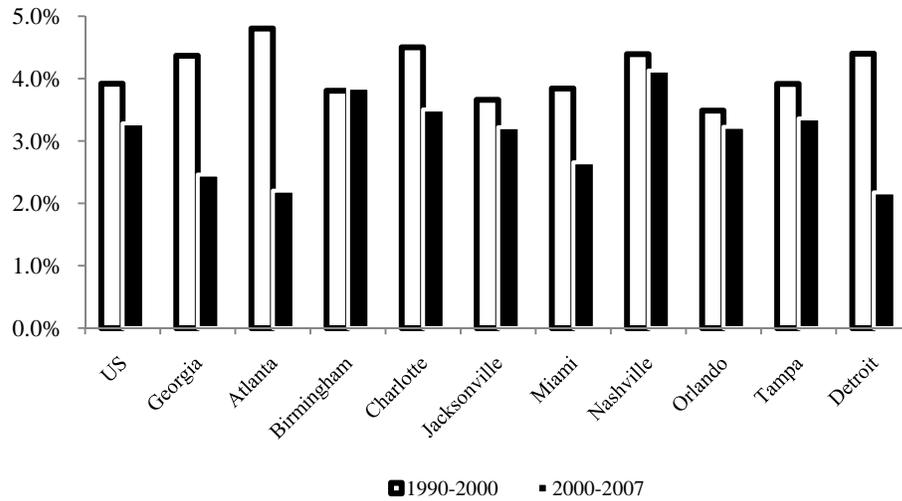


FIGURE 3. GEORGIA JOB GROWTH RATE COMPARED TO U.S. JOB GROWTH RATE

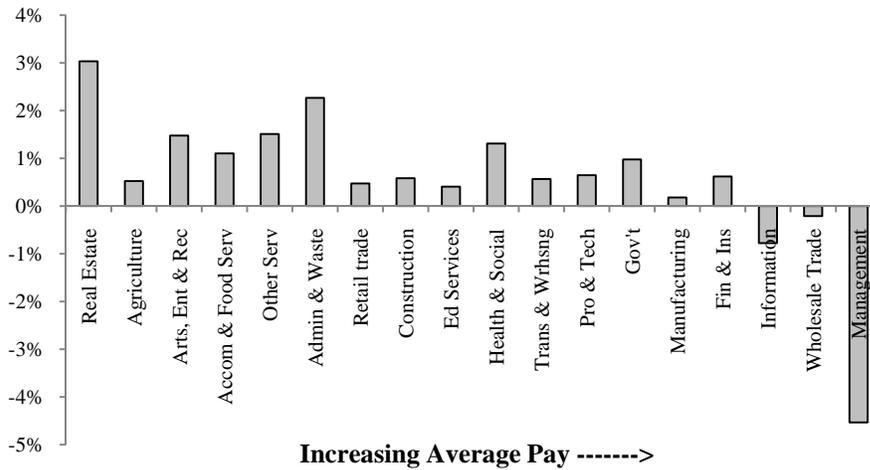


TABLE A. EMPLOYMENT CHANGE IN GEORGIA INDUSTRIAL SECTORS: 2001-2007

Sector	Georgia 2001 Employment	Georgia 2007 Employment	Georgia Job Change 2001-2007	Georgia Annual Ave Job Change	US Annual Ave Job Change	2001 Average Pay	2007 Average Pay	Georgia Annual Ave Pay Change	US Annual Ave Pay Change	Georgia LQ 2001	Georgia LQ 2007
Agriculture	115,099	110,431	(4,668)	-0.69%	-1.21%	17,249	14,442	-2.92%	2.93%	0.73	0.72
Construction	313,109	382,908	69,799	3.41%	2.83%	29,118	31,087	1.10%	2.27%	1.08	1.07
Manufacturing	520,835	449,574	(71,261)	-2.42%	-2.60%	44,726	56,558	3.99%	4.38%	1.04	1.01
Wholesale Trade	229,213	240,286	11,073	0.79%	1.00%	58,802	69,801	2.90%	3.61%	1.24	1.17
Retail Trade	549,060	587,745	38,685	1.14%	0.67%	22,479	25,303	1.99%	2.56%	1.01	0.99
Transportation and Warehousing	194,108	215,849	21,741	1.79%	1.22%	44,283	47,642	1.23%	2.14%	1.21	1.19
Information	154,864	128,775	(26,089)	-3.03%	-2.25%	62,783	79,515	4.02%	3.17%	1.30	1.18
Finance and Insurance	203,359	226,859	23,500	1.84%	1.22%	49,908	62,400	3.79%	4.75%	0.88	0.88
Real Estate and Rental and Leasing	156,853	272,216	115,363	9.62%	6.59%	15,679	13,597	-2.35%	-0.77%	0.96	1.09
Professional and Technical Services	293,582	342,160	48,578	2.58%	1.94%	46,723	53,644	2.33%	3.31%	0.94	0.94
Management of Companies and Enterprises	66,917	56,207	(10,710)	-2.87%	1.67%	66,098	98,471	6.87%	5.17%	1.28	0.93
Administrative and Waste Services	315,065	417,512	102,447	4.80%	2.54%	22,429	24,711	1.63%	2.91%	1.11	1.22
Educational Services	76,906	98,638	21,732	4.24%	3.83%	26,128	31,212	3.01%	2.65%	0.86	0.84
Health Care and Social Assistance	360,418	453,362	92,944	3.90%	2.59%	34,673	40,979	2.82%	3.85%	0.79	0.81
Arts, Entertainment, and Recreation	71,067	89,230	18,163	3.87%	2.39%	18,370	17,503	-0.80%	2.75%	0.75	0.78
Accommodation and Food Services	316,370	381,992	65,622	3.19%	2.09%	15,421	17,971	2.58%	3.49%	0.99	1.01
Other Services, Except Public Administration	252,261	308,835	56,574	3.43%	1.92%	17,908	19,759	1.65%	2.87%	0.95	0.99
Government and Government Enterprises	708,863	786,034	77,171	1.74%	0.76%	42,581	55,425	4.49%	4.80%	1.04	1.05
Federal Government, Civilian	93,199	95,999	2,800	0.49%	0.33%	70,504	96,717	5.41%	4.94%	1.16	1.12
Military	97,842	96,724	(1,118)	-0.19%	-0.47%	42,987	76,864	10.17%	10.00%	1.59	1.54
State and Local	517,822	593,311	75,489	2.29%	0.96%	37,487	45,249	3.19%	4.20%	0.96	0.99
State Government	150,313	168,372	18,059	1.91%	0.57%	39,443	46,175	2.66%	4.11%	1.02	1.05
Local Government	367,509	424,939	57,430	2.45%	1.10%	36,675	44,882	3.42%	4.24%	0.94	0.97

Source: BEA CA25N, CA06N, and computations.

TABLE B. BASE INDUSTRY EXTIMATED DIRECT AND INDIRECT CHANGE IN GEORGIA: 2001-2007

	Δ Base Jobs 2001-2007	Average Employment Income	Δ Total Employment Income	Δ Indirect Jobs 2001-2007	Average Employment Income	Δ Total Indirect Employment Income
Manufacturing	(16,338)	58,910	(962,455,424)	(30,896)	41,872	(1,293,678,529)
Wholesale	(14,163)	69,391	(982,744,064)	(15,282)	36,148	(552,412,752)
Transportation and Warehousing	249	46,204	11,487,801	180	37,053	6,669,500
Information	(23,280)	76,111	(1,771,843,200)	(23,005)	42,426	(976,010,763)
Management of companies and Enterprises	(22,671)	92,679	(2,101,152,762)	(28,896)	43,435	(1,255,088,851)
Administration and Waste	57,195	30,642	1,752,600,000	40,329	34,564	1,393,933,698
Accommodation & Food Services	6,984	17,814	124,404,576	2,305	34,883	80,405,200
Real Estate, Rental and Lease	30,774	13,890	427,456,000	22,542	32,250	726,985,683
Federal Government Civilian	(3,392)	147,531	(500,419,648)	(3,385)	32,723	(110,766,780)
Federal Government Military	(5,496)	82,497	(453,388,512)	(3,067)	32,721	(100,356,542)
Net	9,862		(4,456,055,233)	(39,175)		(2,080,320,136)

in industrial sectors that provide lower average wage income and has seen decline in industrial sectors that pay higher average wage.

Base Employment Changes

Table B presents estimations of the effects of base employment change in base industries between 2001 and 2007 in the state. A base industry is one that exports most of its goods or services from the state or region; a non-basic industry is one that provides goods or services to support base industries and their workers and families. Base industries are important to the growth of a state or regional economy; they generate new income in local economies, which is spent on goods and services of the non-base industries, thereby creating non-basic or local jobs and thus expanding total employment. For example, Dalton's carpet mills sell to customers all over the world generating jobs and employment income in Dalton. This income, far greater than it would be if the mills had only local customers, creates a demand for support activities such as yarn and thread mills, wholesaling, and trucking as well as activities that support employees, e.g. hospitals and doctors' offices, daycare, and eating and drinking establishments. This is called a multiplier effect. Expansion of non-base industries in the absence of an increase in community income simply displaces existing employment in the same non-base industry. Thus, base industries are important for economic growth throughout a community.

There were actually over 9,800 new jobs estimated in base activities. But because the new jobs were in industries with low average wage and there were job losses in industries with higher average wages, the result is an estimated decrease of \$4.4 billion in base job payroll in 2007 as compared to 2001. Because of the reduced export based payroll and employee income, there is less new money to spend in the support segments of the state's economy. This leads to an estimated indirect net decrease of over 39,000 support jobs, with an additional estimated total payroll loss of over \$2 billion. The loss of payroll in base industries from 2001 to 2007 amounts to over \$6.5 billion, direct plus indirect, or more than 2.2 percent of the state's total estimated 2007 payroll.

The same type of thing has happened in both the Atlanta MSA and in Georgia outside the Atlanta area. In the Atlanta MSA the direct net effect is an estimated loss of about 12,000 base jobs and an estimated export based payroll decrease of \$6.1 billion. About 92,000 jobs in high paying sectors with an estimated weighted average employee income of about \$83,000 were lost to base activity while an estimated 80,000 jobs in low paying sectors with a weighted average employee

income of about \$20,000 were added to base activity. Substituting low paying jobs for high paying jobs lowers average employment income. In non-basic industries that provide support for export activities there is an estimated net decrease of over 100,000 jobs supported by export trade and a payroll diminishment of more than \$4.6 billion supported by export trade.

Outside the Atlanta MSA the net result is an estimated decrease in direct base employment of over 30,000 jobs and a decrease in export related payroll of over \$2 billion. The biggest loss is seen in manufacturing. The second biggest loss is in the military. (Note that the military is not usually thought of as a true industry. However, military payrolls have significant economic impact in non-basic local industries and businesses.) Indirectly, decreases in base activity in Georgia outside of the Atlanta MSA affects an estimated additional 54,000 jobs with an estimated additional loss of \$1.8 billion in payrolls.

Conclusion

Even with strong population and employment growth, Georgia's rate of per capita income growth and its rate of growth in income per job have fallen to the second lowest of any of the 50 states. Georgia's employment growth is occurring in low paying industries; high paying industries are losing jobs or are growing very slowly. These trends are strongest in the Atlanta MSA, which has seen an absolute loss of jobs in some high paying industrial groups (manufacturing, information, and management of companies and enterprises) while low paying industries such as real estate rental and leasing, and accommodation and food services have grown substantially. The rest of Georgia has seen substantial population and job growth from 2001 to 2007, but it remains that 64 percent of all job growth and 75 percent of all population growth was in the Atlanta MSA. The economic driver for non-Atlanta Georgia is manufacturing. While this sector did not suffer job losses at the same rate as the nation as a whole, there was a loss of almost 50,000 manufacturing jobs in the period.

Notes

¹Note that we focus on employment income per job and not employment income per employed worker.

²The data are taken from BEA Table CA04 <http://www.bea.gov/regional/reis/default.cfm?selTable=CA04> Earnings per job is calculated as "Earnings by Place of Work" (wages and salaries, insurance and pensions, proprietors' income) divided by "Total Employment" (employees [full and part-time], sole proprietors, and active partners).

References

Matthews, John (2009). "An Analysis of the Relative Decline in Employment Income in Georgia." FRC Report #205. Atlanta, GA: Fiscal Policy Center, Andrew Young School of Policy Studies, Georgia State University.

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