

# ONE VALLEY PROSPERITY PROJECT

## State of the Valley Indicators

Data Sources and Methods, Spring 2017



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### CHART 1 – Population vs. Employment Change

#### Methods:

This chart compares trends in population and employment, which includes all full and part-time workers, wage and salary jobs (employees), and proprietors (the self-employed) reported by place of work.

#### Why Is This Important?

Steady population and employment growth are generally an indication of a healthy, prosperous economy. Growth can benefit the general population of a place, especially by providing economic opportunities, but it can also stress communities, and lead to income stratification. When considering the benefits of growth, it is important to distinguish between standard of living (such as earnings per job and per capita income) and quality of life (such as leisure time, crime rate, and sense of well-being).

### CHART 2 – Earnings per Job vs. Per Capita Income

#### Methods:

This chart describes how average earnings per job and per capita income (in real terms) have changed over time. Average earnings per job is a measure of the compensation of the average job. It is total earnings divided by total employment. Full-time and part-time jobs are counted at equal weight. Employees, sole proprietors, and active partners are included. Per capita income is a measure of income per person. It is total personal income (from labor and non-labor sources) divided by total population.

#### Why Is This Important?

Average earnings per job is an indicator of the quality of local employment. A higher average earnings per job indicates that there are relatively more high-wage occupations. It can be useful to consider earnings against local cost of living indicators.

There are a number of reasons why average earnings per job may stagnate or decline. These include: 1) more part-time and/or seasonal workers entering the workforce; 2) a rise in low-wage industries, such as tourism-related sectors; 3) a decline of high-wage industries, such as

manufacturing; 4) more lower-paid workers entering the workforce; 5) the presence of a university with increasing an enrollment of relatively low-wage students; 6) an influx of workers with low education levels that are paid less; 7) the in-migration of semi-retired workers who work part-time and/or seasonally; and 8) an influx of people who move to an area for quality of life rather than profit-maximizing reasons.

Per capita income is considered one of the most important measures of economic well-being. However, this measure can be misleading. Per capita income is total personal income divided by population. Because total personal income includes non-labor income sources (dividends, interest, rent and transfer payments), per capita income can be relatively high due to the presence of retirees and people with investment income.

### CHART 3 – Sources of Income by Industry

#### Methods:

This chart describes historical change in personal income (in real terms). Labor earnings (wage and salary) are reported by place of work and are organized into three major categories: nonservices related, services related, and government. Services consists of industries such as retail trade, finance, insurance, and real estate. Non-Services consists of industries such as farming, mining, and manufacturing. Government consists of federal, military, state and local government, and government enterprise. Non-Labor income consists of dividends, interest, and rent (money earned from investments), and transfer payments, which includes government retirement and disability insurance benefits, medical payments such as mainly Medicare and Medicaid, income maintenance benefits, unemployment insurance benefits, etc. Non-labor income is reported by place of residence.

The personal income data are organized according to the Standard Industrial Classification (SIC) system from 1970 to 2000, and according to the newer North American Industrial Classification System (NAICS) from 2001 to present. Trends in data prior to and after 2001 may be influenced by the difference in methods used to organize industry data. The SIC coding system organizes industries by the primary activity of the establishment. In NAICS industries are organized according to the production process. [Note: job numbers for some sectors may not be visible due to data disclosure restrictions.]

#### Why Is This Important?

Historical trend data for personal income are useful for understanding how the economy has evolved. They are also useful to see how the economy performed in the past (growth vs. decline, response to recessions, etc.), and whether the relationship between sectors has changed. If there has been a shift from non-services related industries to services related industries over time, this could signal a change in the competitive position of the local or regional economy. Most new jobs created in the U.S. economy in the last thirty years have been in services related sectors, a

category that includes a wide variety of high and low-wage occupations ranging from jobs in hotels to legal, health, business, and educational services. Income from Government employment (e.g., the Forest Service and Bureau of Land Management) may also be an important component of the economy, particularly in many small rural communities.

In many geographies non-labor income is the largest source of personal income and also the fastest growing. This is particularly the case in some rural areas and small cities. An aging population, stock market and investment growth, and a highly mobile population are some of the reasons behind the rapid growth in non-labor income. The growth in non-labor income can be an indication that a place is an attractive place to live and retire. The in-migration of people who bring investment and retirement income with them is associated with a high quality of life (for example, local recreation opportunities), good health care facilities, and affordable housing (important for those on a fixed income). Non-labor income can also be important to places with struggling economies, either as a source of income maintenance for the poor or as a more stable form of income in areas with declining industries and labor markets.

## CHART 4 –Jobs by Industry

### Methods:

This chart describes the percent of employment in various industries. Industries are colored according to three major categories (non-services related, services related, and government), which are described above in detail.

### Why Is This Important?

This chart shows a detailed view of the share of jobs contributed by specific industries. Recent employment data (2001 to present) offers great detail, particularly with regard to services related industries. This is especially useful since in most geographies the majority of new job growth in recent years has taken place in services related industries, which encompass a wide variety of high and low-wage occupations ranging from jobs in accommodation and food services to professional and technical services. Mouse-over the chart to display industry-specific data. Note that data sometimes are withheld by the federal government to avoid the disclosure of potentially confidential information.

## CHART 5 – Change in Jobs by Industry

### Methods:

This chart describes recent employment change by industry from 2005 to 2015. Industries are colored according to three major categories (non-services related, services related, and government), which are described above in detail.

### Why Is This Important?

This chart can be used to investigate which industries are most competitive or are declining in recent years. Recent employment data (2005 to present) offers great detail, particularly with regard to services related industries. This is especially useful since in most geographies the majority of new job growth in recent years has taken place in services related industries, which encompass a wide variety of high and low-wage occupations ranging from jobs in accommodation and food services to professional and technical services. Mouse-over the chart to explore the number of jobs gained or lost in the last decade within specific industries. Note that data sometimes are withheld by the federal government to avoid the disclosure of potentially confidential information.

### DATA SOURCE

All charts use the following data source:

U.S. Department of Commerce. 2016. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Further information on understanding local economies can be found at the Economic Profile System (EPS): <https://headwaterseconomics.org/tools/economic-profile-system/about/>

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