
A Profile of Non-Labor Income

Selected Geographies:
Yellowstone County, MT

Benchmark Geographies:
U.S.

Produced by
Economic Profile System
EPS
May 21, 2015

About the Economic Profile System (EPS)

EPS is a free, easy-to-use software application that produces detailed socioeconomic reports of counties, states, and regions, including custom aggregations.

EPS uses published statistics from federal data sources, including Bureau of Economic Analysis and Bureau of the Census, U.S. Department of Commerce; and Bureau of Labor Statistics, U.S. Department of Labor.

The Bureau of Land Management and Forest Service have made significant financial and intellectual contributions to the operation and content of EPS.

See headwaterseconomics.org/EPS for more information about the other tools and capabilities of EPS.

For technical questions, contact Patty Gude at eps@headwaterseconomics.org, or 406-599-7425.



headwaterseconomics.org

Headwaters Economics is an independent, nonprofit research group. Our mission is to improve community development and land management decisions in the West.



www.blm.gov

The Bureau of Land Management, an agency within the U.S. Department of the Interior, administers 249.8 million acres of America's public lands, located primarily in 12 Western States. It is the mission of the Bureau of Land Management to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.



www.fs.fed.us

The Forest Service, an agency of the U.S. Department of Agriculture, administers national forests and grasslands encompassing 193 million acres. The Forest Service's mission is to achieve quality land management under the "sustainable multiple-use management concept" to meet the diverse needs of people while protecting the resource. Significant intellectual, conceptual, and content contributions were provided by the following individuals: Dr. Pat Reed, Dr. Jessica Montag, Doug Smith, M.S., Fred Clark, M.S., Dr. Susan A. Winter, and Dr. Ashley Goldhor-Wilcock.

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Note to Users:

This is one of fourteen reports that can be created and downloaded from EPS Web. You may want to run another EPS report for either a different geography or topic. Topics include land use, demographics, specific industry sectors, the role of non-labor income, the wildland-urban interface, the role of amenities in economic development, and payments to county governments from federal lands. Throughout the reports, references to online resources are indicated in parentheses. These resources are provided as hyperlinks on each report's final page. The EPS reports are downloadable as Excel, PDF, and Word documents. For further information and to download reports, go to:

headwaterseconomics.org/eps

Yellowstone County, MT **Non-Labor Income Relative Size**

How large is non-labor income relative to total personal income?

This page compares non-labor sources of income and labor earnings.

Non-Labor Share of Total Personal Income, 2013 (Thousands of 2014 \$s)

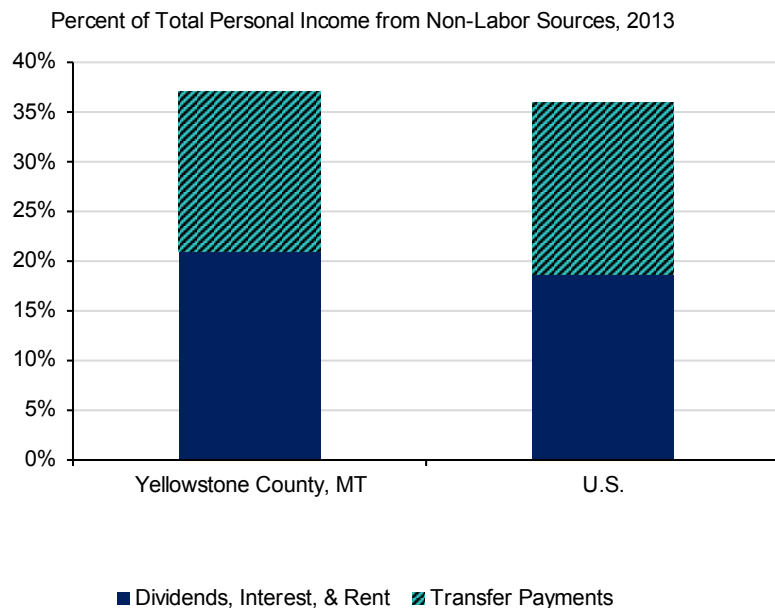
	Yellowstone County, MT	U.S.
Total Personal Income (\$1000)	6,677,890	14,377,850,291
Non-Labor Income	2,473,713	5,166,583,685
Dividends, Interest, & Rent	1,414,024	2,713,450,591
Transfer Payments	1,059,689	2,453,133,094
Labor Earnings	4,204,177	9,211,266,606

Percent of Total

Non-Labor Income	37.0%	35.9%
Dividends, Interest, & Rent	21.2%	18.9%
Transfer Payments	15.9%	17.1%
Labor Earnings	63.0%	64.1%

Non-labor income and Labor earnings may not add to total personal income because of adjustments made by the Bureau of Economic Analysis to account for contributions for social security, cross-county commuting, and other factors.

- In 2013, Yellowstone County, MT had the largest percent of total personal income from non-labor sources (37%), and the U.S. had the smallest (35.9%).
- In 2013, dividends, interest, & rent was the largest source of non-labor income in the Yellowstone County, MT (21.2%), and transfer payments was the smallest (15.9%).



Study Guide and Supplemental Information

How large is non-labor income relative to total personal income?

What do we measure on this page?

This page compares non-labor sources of income and labor earnings.

Labor Earnings: This represents net earnings by place of residence, which is earnings by place of work (the sum of wage and salary disbursements, supplements to wages and salaries, and proprietors' income) less contributions for government social insurance, plus an adjustment to convert earnings by place of work to a place of residence basis.

Non-Labor Income: Dividends, interest, and rent (money earned from investments), and transfer payments (includes government retirement and disability insurance benefits, medical payments such as mainly Medicare and Medicaid, income maintenance benefits, unemployment insurance benefits, etc.) make up non-labor income. Non-labor income is reported by place of residence.

Dividends, Interest, and Rent: This includes personal dividend income, personal interest income, and rental income of persons with capital consumption adjustment that are sometimes referred to as "investment income" or "property income."

Transfer Payments: This component of personal income is payments to persons for which no current services are performed. It consists of payments to individuals and to nonprofit institutions by federal, state, and local governments and by businesses.

Why is it important?

In many places non-labor income can be the single largest component of personal income, and also the largest source of new personal income. Nationally, non-labor income represented 33 percent of total personal income in 2008 and 26 percent of net new personal income from 1990 to 2008. With the baby boom generation reaching retirement age, it is likely non-labor income will continue to be a growing source of personal income.

Unlike most sources of labor income, non-labor income, which often arrives in the form of a dividend check or retirement benefit, can be more difficult to see in a local economy. Because non-labor income is often a large and growing source of personal income, it is important for public land managers to understand this portion of the economy.

When investigating non-labor income some important issues for public land managers include whether the area is attracting retirees and people with investment income, the role public lands play in attracting and retaining people with non-labor income, how these people use or enjoy public lands, and whether these uses or ways of enjoying public lands are at odds with current uses or management.

If public lands resources are one of the reasons growing areas are able to attract and retain non-labor sources of income, then public lands are important to local economic well-being by contributing to economic growth and per capita income. If, on the other hand, contracting populations or industries result in a shrinking labor market, non-labor income may be important as a remaining source of income and can help stabilize downturns.

Methods

The term "labor" is used in this report to differentiate labor from non-labor sources of income. As defined by the U.S. Department of Commerce, labor earnings are "net earnings by place of residence." For a glossary of terms used by the Bureau of Economic Analysis, see: bea.gov/regional/definitions (1).

Additional Resources

For more information about the age of the population, see the EPS-HDT Demographics report.

To read about baby boomers and the attraction of places with amenities and a high quality of life, see: Cromartie, J. and P. Nelson. 2009. "Baby Boomer Migration and Its Impact on Rural America." Economic Research Report (ERR-70), available through the U.S. Department of Agriculture's Economic Research Service: ers.usda.gov/publications/err-economic-research-report/err79.aspx (2).

To read about rural poverty and welfare, including details on income maintenance programs, see U.S. Department of Agriculture, Economic Research Service, Briefing Room, "Rural Income, Poverty, and Welfare: Rural Welfare," available at: ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being.aspx (3).

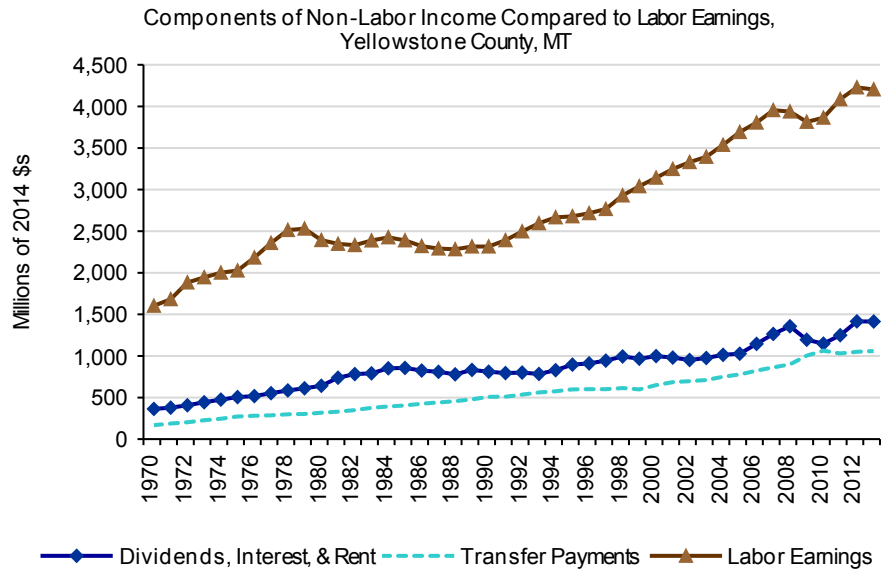
Data Sources

U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

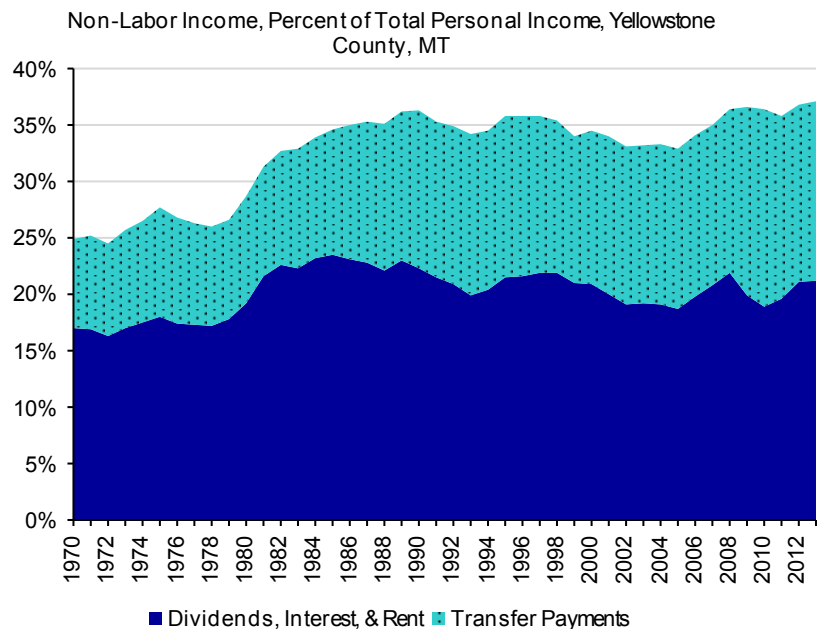
How has non-labor income changed?

This page describes trends in labor and non-labor sources of income (in real terms) over time.

- From 1970 to 2013, dividends, interest, and rent grew from \$363 million to \$1,414 million, an increase of 289 percent.
- From 1970 to 2013, transfer payments grew from \$168 million to \$1,060 million, an increase of 531 percent.
- From 1970 to 2013, labor earnings grew from \$1,603 million to \$4,204 million, an increase of 162 percent.



- In 1970, non-labor income represented 24.9 percent of total personal income. By 2013, non-labor income had increased to 37.1 percent of total personal income.
- In 1970, dividends, interest, and rent represented 17 percent of total personal income. By 2013, dividends, interest, and rent had increased to 21.2 percent of total personal income.
- In 1970, transfer payments represented 7.9 percent of total personal income. By 2013, transfer payments had increased to 15.9 percent of total personal income.



Data Sources: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Study Guide and Supplemental Information

How has non-labor income changed?

What do we measure on this page?

This page describes trends in labor and non-labor sources of income (in real terms) over time.

Labor Earnings: This represents net earnings by place of residence, which is earnings by place of work (the sum of wage and salary disbursements, supplements to wages and salaries, and proprietors' income) less contributions for government social insurance, plus an adjustment to convert earnings by place of work to a place of residence basis.

Non-Labor Income: Dividends, interest, and rent (money earned from investments), and transfer payments (includes government retirement and disability insurance benefits, medical payments such as mainly Medicare and Medicaid, income maintenance benefits, unemployment insurance benefits, etc.) make up non-labor income. Non-labor income is reported by place of residence.

Why is it important?

This page allows the user to see trends and the relative scale between labor and non-labor sources of income. The top figure, Components of Non-Labor Income Compared to Labor Earnings, is useful to determine whether non-labor income is significant, whether it has grown faster or slower than labor earnings, and whether it is more heavily weighted toward investment income or transfer payments. The bottom figure, Non-Labor Income, Percent of Total Personal Income, shows the region's dependence on non-labor income sources as a percent of total personal income.

Non-labor income may be an important source of spending power in many communities. If the non-labor income source comes from outside a place, it represents new dollars to that place. If non-labor income is more stable than labor earnings, it can help to stabilize the volatility of a local economy.

A large and growing share of total personal income from non-labor sources does not necessarily indicate a high quality of life. It can point to a relatively small labor market, and can include components of non-labor income that are indicators of poverty, such as welfare payments. For more details on the make-up of non-labor income see the section "non-labor income components" in this report.

Additional Resources

For information on population age and trends, see U.S. Census Bureau data, available at: [census.gov/population/age/](https://www.census.gov/population/age/) (4).

For information on the ratio between the elderly and working age population, see Bureau of Labor Statistics' Current Population Survey, available at: [bls.gov/cps/](https://www.bls.gov/cps/) (5).

For more information on the attraction of places with amenities and a high quality of life, see: McGranahan, D.A. 1999. "Natural Amenities Drive Rural Population Change." Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture. Agricultural Economic Report No. 781.

Clark, D.E., and W.J. Hunter. 1992. "The Impact of Economic Opportunity, Amenities and Fiscal Factors on Age-Specific Migration Rates." *Journal of Regional Science* 32(3): 349-65.

For more information on rural poverty, see U.S. Department of Agriculture, Economic Research Service, Briefing Room, "Rural Income, Poverty, and Welfare: High Poverty Counties" available at: ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being.aspx (6).

Data Sources

U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

What are the major components of non-labor income?

This page describes the components of non-labor income, how they have changed over time (in real terms).

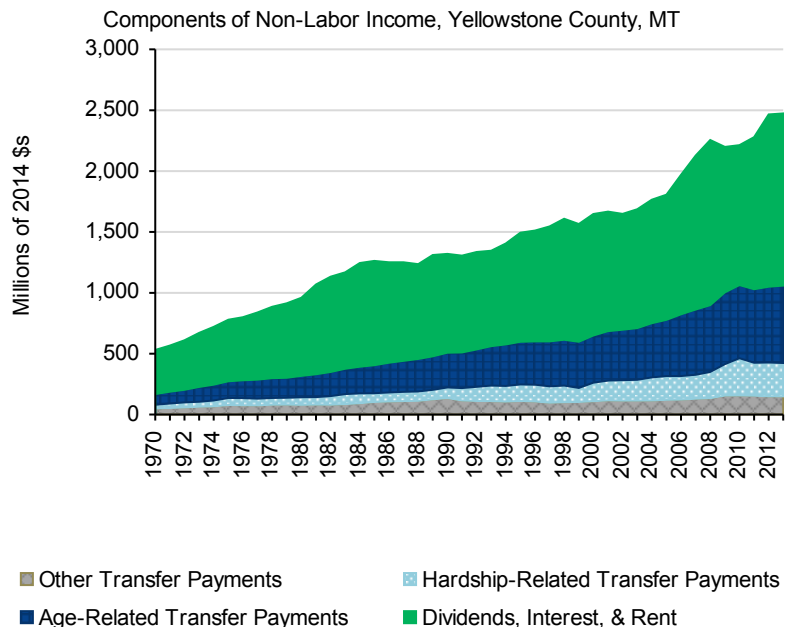
Components of Non-Labor Income, Yellowstone County, MT, 2013 (Thousands of 2014 \$s)

	Yellowstone County, MT	U.S.
Total Personal Income	6,677,890	14,377,850,291
Total Non-Labor Income	2,473,713	5,166,583,685
Dividends, Interest, Rent	1,414,024	2,713,450,591
Age-Related Transfer Payments	636,067	1,393,348,540
Social Security	403,418	811,828,730
Medicare	232,649	581,519,811
Hardship-Related Payments	273,337	797,560,025
Medicaid	164,867	461,697,847
Income maintenance ("welfare")	87,641	272,088,873
Unemployment ins. compensation	20,828	63,773,306
Other Transfer Payments	150,286	262,224,528
Veterans benefits	47,068	94,535,755
Education and training assistance	22,739	62,973,714
All other, incl. Workers' comp.	80,478	104,715,059

Percent of Total Personal Income

Total Non-Labor Income	37.0%	35.9%
Dividends, Interest, Rent	21.2%	18.9%
Age-Related Transfer Payments	9.5%	9.7%
Social Security	6.0%	5.6%
Medicare	3.5%	4.0%
Hardship-Related Payments	4.1%	5.5%
Medicaid	2.5%	3.2%
Income maintenance ("welfare")	1.3%	1.9%
Unemployment ins. compensation	0.3%	0.4%
Other Transfer Payments	2.3%	1.8%
Veterans benefits	0.7%	0.7%
Education and training assistance	0.3%	0.4%
All other, incl. Workers' comp.	1.2%	0.7%

- From 1970 to 2013, dividends, interest, and rent grew from \$363 million to \$1,414 million, an increase of 289 percent.
- From 1970 to 2013, age-related transfer payments grew from \$87 million to \$636 million, an increase of 632 percent.
- From 1970 to 2013, income maintenance transfer payments grew from \$31 million to \$273 million, an increase of 771 percent.
- From 1970 to 2013, other transfer payments grew from \$50 million to \$150 million, an increase of 202 percent.



Study Guide and Supplemental Information

What are the major components of non-labor income?

What do we measure on this page?

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Dividends, Interest, and Rent: This includes personal dividend income, personal interest income, and rental income of persons with capital consumption adjustment that are sometimes referred to as "investment income" or "property income."

Age-Related Transfer Payments: This measures Medicare and Social Security benefits.

Hardship-Related Transfer Payments: These payments are associated with poverty and include Medicaid, Food Stamps (SNAP), Supplemental Security Income (SSI), Unemployment Insurance, and other income maintenance benefits.

Other Transfer Payments: All other components of transfer payments not identified in age and hardship-related categories including veterans benefits, education and training, Workers' Compensation Insurance, railroad retirement and disability, other government retirement and disability, and other receipts of individuals and non-profits.

Why is it important?

In some geographies, non-labor income has grown rapidly over the last three decades, while in others it has not. Also, some geographies are more dependent on non-labor sources of income than others.

Because non-labor income is often so significant, it is important to understand component details. Some places may rely more on investment income, others on retirement benefits, and still others on welfare-related income streams. The table shows absolute values and percent of total non-labor income, while the figure shows key long-term trends.

Some important metrics include the largest components of non-labor income, whether non-labor income is growing, which components are growing the fastest, whether investment earnings are significant and growing, and whether age-related components of transfer payments are significant and growing. Also worth considering is whether the growth in non-labor income stems from new investment and age-related income and whether poverty-related components of transfer payments are significant and growing.

If age-related transfer payments are significant and growing, it may be important to consider whether public lands resources are meeting the needs of an aging population. If poverty-related transfer payments are significant and growing, it may be important to consider whether there are environmental justice issues related to public lands management.

Additional Resources

See headwaterseconomics.org/land/reports/non-labor (7) for a set of resources on non-labor income including research and data visualizations.

For a glossary of terms used by the Bureau of Economic Analysis, see: bea.gov/regional/definitions (1).

For U.S. Census Bureau population age data, see: census.gov/population/age/ (4).

On the aging of the population and distribution of the elderly, see also: Frey, William H. 2007. "Mapping the Growth of Older America." Brookings Census Series 2000. Washington, D.C. Brookings Institution Metropolitan Policy Program, available at: freymetropolgrapher.org/reports.html (8).

The U.S. Environmental Protection Agency defines environmental justice as: "the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies." Environmental Protection Agency environmental justice resources are available at: epa.gov/compliance/ej (9).

Data Sources

U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

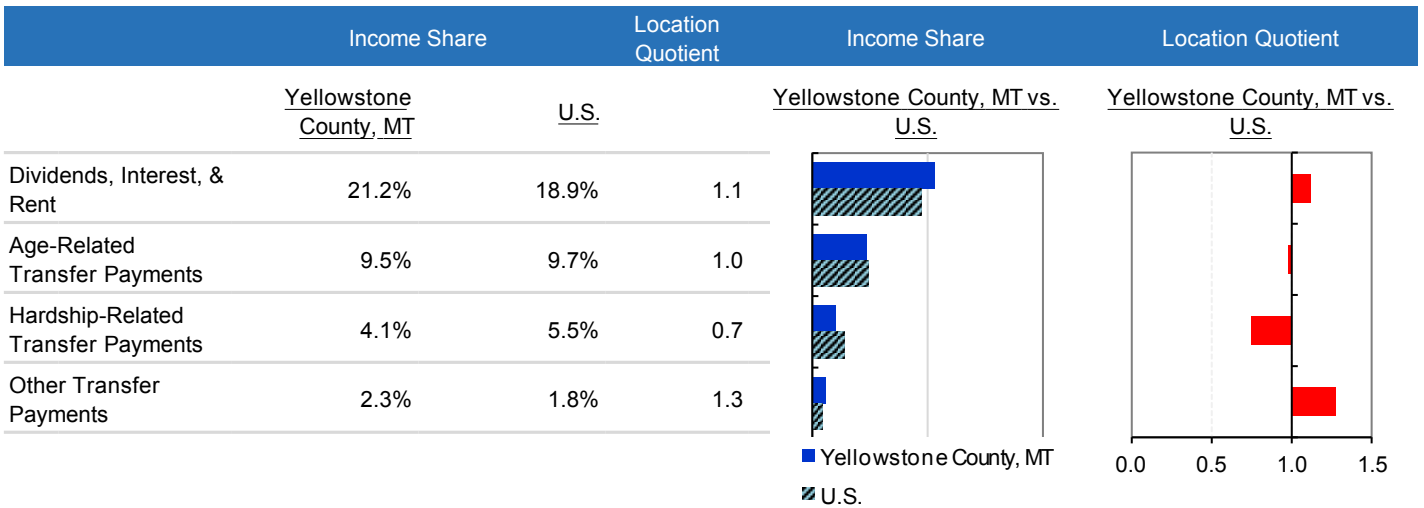
How does regional non-labor income compare to the U.S.?

This page describes how the region is specialized (or under-specialized) in components of non-labor income. The figure illustrates the difference between the region and the U.S. by comparing non-labor income as a share of total personal income and with location quotients.

A location quotient is generally the percent of local employment in a sector divided by the percent employment in the same sector in the U.S. It is a ratio that measures specialization, using the U.S. as a benchmark. A location quotient of more than 1.0 means the local area is more specialized in that sector relative to the U.S. A location quotient of less than 1.0 means it is less specialized.

While location quotients are normally used to calculate employment specialization, they are used here to measure the relative degree of specialization in non-labor income. Some economists use location quotients as a way to calculate basic activity - activities that bring outside money into the local economy. Non-labor income, much of which originates outside of a local market, is a part of the economic base in most geographies.

Percent Total Personal Income in Non-Labor Income, Yellowstone County, MT vs. U.S., 2013



- In 2013, other transfer payments had the highest location quotient score (1.3) and hardship-related transfer payments had the lowest (0.7).

Study Guide and Supplemental Information

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A location quotient (LQ) is generally the percent of local employment in a sector divided by the percent employment in the same sector in the U.S. It is a ratio that measures specialization, using the U.S. as a benchmark. An LQ greater than 1.0 means the local area is more specialized in that sector relative to the U.S. An LQ less than 1.0 means it is less specialized. While LQs are normally used to calculate employment specialization, they are used here to measure the relative degree of specialization in non-labor income. Some economists use LQs as a way to calculate basic activity: activities that bring outside money into the local economy. Non-labor income, much of which originates outside of a local market, is a part of the economic base in most geographies.

Dividends, Interest, and Rent: This includes personal dividend income, personal interest income, and rental income of persons with capital consumption adjustment that are sometimes referred to as "investment income" or "property income."

Age-Related Transfer Payments: This measures Medicare and Social Security benefits.

Hardship-Related Transfer Payments: These payments are associated with poverty and include Medicaid, Food Stamps (SNAP), Supplemental Security Income (SSI), Unemployment Insurance, and other income maintenance benefits.

Other Transfer Payments: All other components of transfer payments not identified in age and hardship-related categories including veterans benefits, education and training, Workers' Compensation Insurance, railroad retirement and disability, other government retirement and disability, and other receipts of individuals and non-profits.

The term "benchmark" in this report should not be construed as having the same meaning as in the National Forest management Act (NFMA).

Why is it important?

Non-labor income is a growing and often significant part of the economy. By comparing to the U.S., we can see whether the region is relatively specialized in non-labor sources of income. As with any sector, specialization has its plusses and minuses. On the one hand, an area that attracts retirement and investment income, for example, may have a high quality of life, a relatively low cost of living, and other competitive and comparative advantages. On the other hand, over-reliance on one form of income, such as investment income for example, can be risky when there are sharp declines in the stock market.

Areas where the region is less specialized (LQ < 1.0) can mean opportunities for expansion by attracting this form of personal income. Areas where the region is more specialized (LQ > 1.0) is an indication that the region attracts more non-labor income than the U.S. One caveat: LQs can change from year to year.

A few caveats: (1) A large location quotient for a particular sector does not necessarily mean that sector is a significant contributor to the economy. (2) LQs greater than 1.0 only suggest potential export capacity when compared to the U.S. and do not take into account local demand. Local demand may be greater than a national average, and therefore all goods and services may be consumed locally (i.e., not exported). (3) LQs can change from year to year. (4) LQs can vary whether one uses income or wage data rather than employment.

Methods

$LQ = (e_i/e) \text{ divided by } (E_i/E)$

Where: e_i = Local components i of non-labor income; e = Total personal income; E_i = U.S. components i of non-labor income; E = Total U.S. personal income

Additional Resources

A succinct definition of a location quotient is offered by Florida State University's Department of Urban and Regional Planning: mailer.fsu.edu/~tchapin/garnet-tchapin/urp5261/topics/econbase/lq.htm (10).

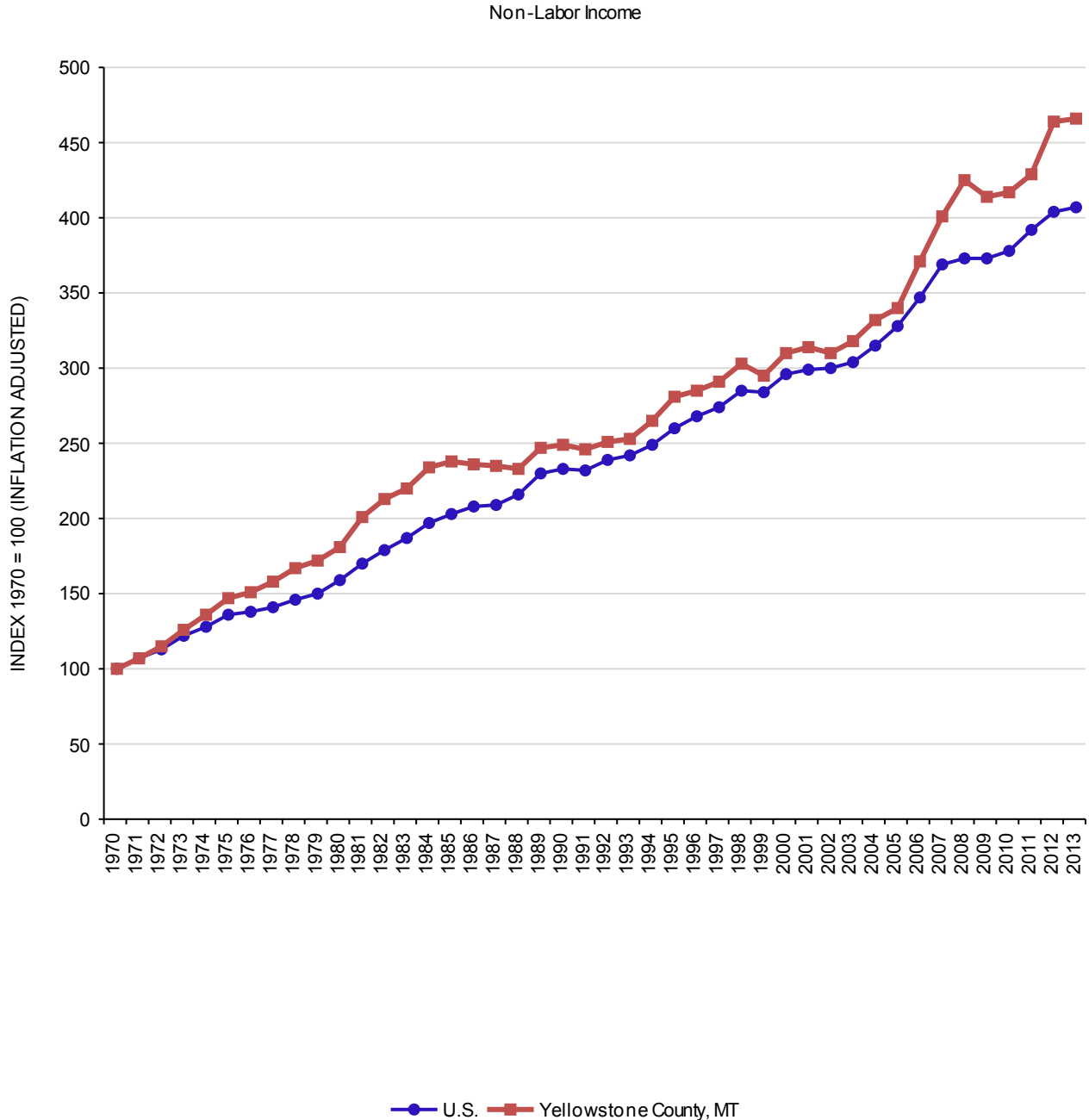
The Bureau of Labor Statistics has a useful online Location Quotient Calculator: data.bls.gov/location_quotient/ (11).

Data Sources

U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

How does non-labor income compare across geographies?

This page compares the change in non-labor income for the geographies selected and the U.S. The information is indexed (1970=100) so that data from geographies with different size economies can be compared and to make it easier to understand the relative rate of growth or decline of non-labor income over time.



- From 1970 to 2013, Yellowstone County, MT had the fastest rate of change in non-labor income, and Yellowstone County, MT had the slowest.

Study Guide and Supplemental Information

How does non-labor income compare across geographies?

What do we measure on this page?

This page compares the change in non-labor income for the geographies selected and the U.S. The information is indexed (1970=100) so that data from geographies with different size economies can be compared and to make it easier to understand the relative rate of growth or decline of non-labor income over time.

Index: Indexed numbers are compared with a base value. In the line chart, non-labor income in 1970 is the base value, and is set to 100. The non-labor income values for subsequent years are expressed as 100 times the ratio to the base value. The indexing used in the line chart enables easier comparisons between geographies over time.

The term "benchmark" in this report should not be construed as having the same meaning as in the National Forest Management Act (NFMA).

Note: If many counties are selected, it may be difficult to read the figure on this page.

Why is it important?

Not all geographies have attracted or lost non-labor income at the same rate. An indexed chart makes it clear where the rate of non-labor income growth or decline has been the fastest. Line charts above 100 indicate positive absolute growth while those below 100 show absolute decline. The steeper the curve the faster the rate of change.

This line chart can also be used to examine whether there are differences in volatility (i.e., year-to-year fluctuations) of growth or decline between geographies.

Additional Resources

To read about baby boomers and the attraction of places with amenities and a high quality of life, see for example: Cromartie, J. and P. Nelson. 2009. "Baby Boomer Migration and Its Impact of Rural America." Economic Research Report (ERR-70), available through the U.S. Department of Agriculture's Economic Research Service: ers.usda.gov/publications/err-economic-research-report/err79.aspx (2).

To read about rural poverty and welfare, including details on income maintenance programs, see for example: U.S. Department of Agriculture, Economic Research Service, Briefing Room, "Rural Income, Poverty, and Welfare:" ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being.aspx (3)

Data Sources

U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Data Sources

The EPS Measures report uses published statistics from government sources that are available to the public and cover the entire country. All data used in EPS can be readily verified by going to the original source. The contact information for databases used in this profile is:

- **Regional Economic Information System**
Bureau of Economic Analysis, U.S. Department of Commerce
<http://bea.gov/bea/regional/data.htm>
Tel. 202-606-9600

Methods

EPS core approaches: EPS is designed to focus on long-term trends across a range of important measures. Trend analysis provides a more comprehensive view of changes than spot data for select years. We encourage users to focus on major trends rather than absolute numbers. EPS displays detailed industry-level data to show changes in the composition of the economy over time and the mix of industries at points in time. EPS employs cross-sectional benchmarking, comparing smaller geographies such as counties to larger regions, states, and the nation, to give a sense of relative performance. EPS allows users to aggregate data for multiple geographies, such as multi-county regions, to accommodate a flexible range of user-defined areas of interest and to allow for more sophisticated cross-sectional comparisons.

Adjusting dollar figures for inflation: Because a dollar in the past was worth more than a dollar today, data reported in current dollar terms should be adjusted for inflation. The U.S. Department of Commerce reports personal income figures in terms of current dollars. All income data in EPS are adjusted to real (or constant) dollars using the Consumer Price Index. Figures are adjusted to the latest date for which the annual Consumer Price Index is available.

Links to Additional Resources

For more information about EPS see:

headwaterseconomics.org/EPS

Web pages listed under Additional Resources include:

Throughout this report, references to on-line resources are indicated with italicized numbers in parentheses. These resources are provided as hyperlinks here.

- 1 www.bea.gov/regional/definitions
- 2 www.ers.usda.gov/publications/err-economic-research-report/err79.aspx
- 3 www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being.aspx
- 4 www.census.gov/population/age/
- 5 www.bls.gov/cps
- 6 www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being.aspx
- 7 headwaterseconomics.org/land/reports/non-labor
- 8 www.frey-demographer.org/reports.html
- 9 www.epa.gov/compliance/ej
- 10 www.mailer.fsu.edu/~tchapin/garnet-tchapin/urp5261/topics/econbase/lq.htm
- 11 http://data.bls.gov/location_quotient/