Monthly GDP & Jobs Report

By; Chuck Vollmer, Jobenomics Founder & President

6 October 2018

Keywords: *President Trump, Trump Administration, Obama Administration, Bush Administration, 25 Million New Jobs, GDP, GDP Growth, Jobenomics National Grassroots Movement, Department of Labor, Bureau of Labor Statistics, Employment Situation Summary, ADP National Employment Report, U.S. Labor Force, Employment, Unemployment, Not in the Labor Force, Employment Report, Workforce Development, Economic Development, Business Development, Private Sector Jobs, Government Jobs, Federal Reserve, Consensus Bureau, Kauffman Foundation*

Caption: Record highs and lows indicate that the economy is booming and the labor force is waning.

Record highs and record lows indicate that the U.S. economy is booming and the U.S. labor force is waning. GDP growth reached the 4% mark and is projected to continue strong. Stock markets and consumer confidence are at all-time highs. Unemployment is at a 50-year low. The longest span of consecutive labor gains has been extended to 96 months, the longest run since WWII when record-keeping began. Conversely, the U.S. labor force is not keeping pace. A record high of 7 million job positions remains unfilled due to a lack of job skills. An all-time high number of 96 million citizens, who are capable of working, are no longer looking for a job. Other than a few unicorns and gazelles, the small business engine is faltering, and the number of business startups dropped to 30-year lows.

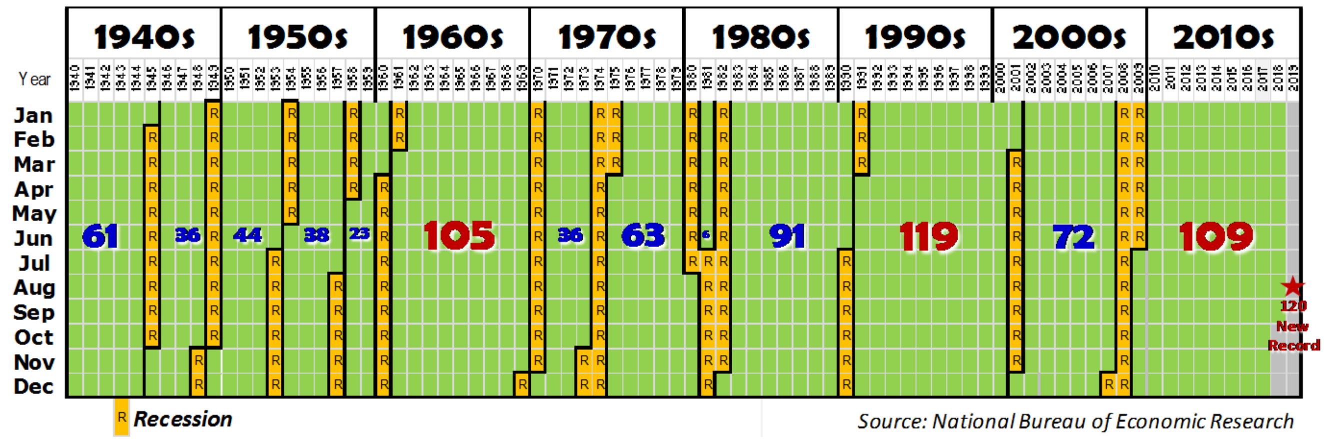
From the end of the Great Recession to 1 October 2018, the United States economy delivered 109 straight months of GDP growth, which puts this recession-free run in second place over the last eight decades. The 1990s had the longest run of 119 months, followed by 105 recession-free months in the 1960s. If the current economic expansion continues, the United States will upend the historical record of 119 months in August 2019—three quarters through President Trump's first term in office. While there is little evidence that time limits economic expansion, the Administration will have to shift emphasis from promoting an economic sprint to developing a workforce and small business engine capable of sustaining an economic marathon over the long-term.

Table of Contents

GDP & Jobs Overview.

Since the 1940s, the U.S. economy averaged three financial crises and 1.7 recessions (two-quarters of negative GDP growth) per decade. Unlike many parts of the world, the United States has been recession-free this decade largely due to a strong economy and the relative attractiveness of U.S. investment opportunities compared to the rest of the world. The question is how long can the U.S. economy continue to grow while remaining recession free?

Longest Running Post-Recession Recoveries (Months)



From the end of the Great Recession to 1 October 2018, the United States economy delivered 109 straight months of GDP growth, which puts this recession-free run in second place over the last eight decades. The 1990s had the longest run of 119 months, followed by 105 recession-free months in the 1960s. If the current economic expansion continues, the United States will upend the historical record of 119 months in August 2019—three quarters through President Trump's first term in office. While there is little evidence that time limits economic expansion, the Administration will have to shift emphasis from promoting an economic sprint to developing a workforce and small business engine capable of sustaining economic marathon over the long-term.

Per the Bureau of Economic Analysis (BEA)[1], U.S. Q2 2018 GDP growth reached 4.2%. The last time that the United States breached 4% in a single quarter was in Q3 2014. Since the turn of the Century (the year 2000), out of a total of 74-quarters, only 11-quarters broke the 4% barrier. The highest rate of quarterly GDP growth was 7.5% in Q2 2000 and -8.4% was the lowest rate that occurred in Q4 2008 during the Great Recession. If President Trump can achieve his goal of sustained 4% GDP growth over the next decade, the U.S. economy will boom and American workers should be euphoric since this rate of GDP growth indicates that the President's goal of creating 25 million new jobs is also achievable.

---

[1] U.S. Bureau of Economic Analysis, Gross Domestic Product, 2nd quarter 2018 (third estimate); Corporate Profits, 2nd quarter 2018 (revised estimate), 27 September 2018, https://www.bea.gov/news/2018/gross-domestic-product-2nd-quarter-2018-third-estimate-corporate-profits-2nd-quarter-2018
https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=3&isuri=1&1921=survey&1903=1

Unfortunately, robust GDP growth has not yet translated into a commensurate number of new jobs. Over the first 21-months in office, the Trump Administration created 4,063,000 new jobs. To achieve the President's decade-long goal of 25 million new jobs, the United States must generate precisely 211,485 jobs per month for the remaining 99-months. A higher threshold of 250,000 new jobs per month is needed to compensate for unexpected financial downturns, human-made crises, and natural disasters. This threshold was exceeded 30-times over the recent 96-month run of consecutive job gains—the longest continuous span of labor force gains since the Bureau of Labor Statistics began record keeping in February 1939—or 31% of the time.

September's Bureau of Labor Statistics Employment Situation Report[2] did not provide a lot of reasons to celebrate. A combination of meager job gains, a steady stream of work-capable citizens who voluntarily departed the labor force and a reduction of the unemployment rate to a 50-year low, indicates a very tight labor market that is struggling to fill almost 7 million job vacancies.

Net U.S. Labor Force Gains/Losses

Source: U.S. Bureau Labor Statistics Employment Situation Report- September 2018

U.S. Labor Force *(Civilian Noninstitutional Population)*

Employment Gain/Loss	Unemployment (U3) Gain/Loss	Not-in-Labor Force Gain/Loss
134,000	**(270,000)**	**74,000**

September 2018 generated a total of 134,000 nonfarm (private sector and government) new jobs, which is well below the 250,000 job threshold needed to grow the U.S. economy and meet President Trump's 25 million new jobs over the next decade. Hurricane Florence is a major reason for this shortfall. The ADP Research Institute National Employment Report[3] (the other major jobs report) announced that the United States created 230,000 private sector jobs in September—substantially more than the 121,000 private sector jobs reported by the BLS.

The BLS unemployment rate declined to 3.7%, the third lowest rate since WWII (the lowest were 3.4% in May 1969 and 2.5% in 1953), and the number of unemployed persons decreased by 270,000 to 6.0 million. This rate is below the full-level of employment and is not likely to drop much further. To be counted as "unemployed," one must be actively looking for a job. If a citizen who is capable of working quits looking, they counted by the BLS as "not in the labor force."

The BLS Not-in-Labor-Force category (i.e., people who can work but don't work) increased by 74,000 voluntary workforce departures to an all-time high of 96,364,000 citizens, or 76% the size of the entire private sector workforce. The BLS reports that only 5,070,000 (5.3%) out of 96,364,000 people in the Not-in-Labor-Force cadre currently "want a job."[4] The remaining 91,294,000 seek livelihoods

[2] U.S. Bureau of Labor Statistics, Employment Situation Summary, https://www.bls.gov/news.release/empsit.nr0.htm
[3] ADP Research Institute, National Employment Report, https://www.adpemploymentreport.com/
[4] U.S. Bureau of Labor Statistics, Table A-38, Persons not in the labor force by desire and availability for work, age, and sex, https://www.bls.gov/web/empsit/cpseea38.htm

by other means including living on public/familial assistance, retirement income, student loans, or alternative lifestyles.

These less than stellar September 2018 employment reports do not diminish the impressive GDP and job performance of the Trump Administration over the last 21-months. Job creation generally follows GDP growth that has recently reached 4.2% that is almost double the average rate of GDP growth this decade. As indicated by the stock markets, low unemployment rates and consumer confidence the U.S. economy is booming. However, as indicated by the continued exodus of work-capable citizens to the netherworld of the Not-in-Labor-Force, the economy is not booming for everyone. The gap between skilled and unskilled workers, large and small businesses and the wealthy and poor are all continuing to increase.

Despite gains made by the recent economic boom, the U.S. labor force is weaker by almost 10 million people than it was in the year 2000—a disparity and private sector workforce burden made even worse if one includes population growth of 47 million additional Americans (282 million in 2000 versus 329 million today).

Net U.S. Labor Force Gains and Losses since the Year 2000

Source: U.S. Bureau of Labor Statistics

As of 1 October 2018	New Jobs	Unemployed (U3) Gain/Loss	Not-in-Labor Force Gain/Loss	Net Gains-Losses
Since 2000	18,711,000	311,000	27,709,000	(9,309,000)
Bush II Era	2,115,000	5,652,000	9,892,000	(13,429,000)
Obama Era	10,595,000	(3,784,000)	14,626,000	(247,000)
Trump Era	4,063,000	(1,538,000)	1,358,000	4,243,000

As shown, the U.S. labor force is now weaker by 9,309,000 citizens than it was at the turn of the 21st Century. During the 8-year G.W. Bush Administration, which was plagued by two recessions and multiple disasters, the U.S. labor force sustained a net loss of 13,429,000 citizens. While the 8-year Obama Administration added a substantial number of new jobs and decreased the number of unemployed, 14,626,000 citizens voluntarily departed the workforce, thereby negating the Obama Administration's positive job gains. Over the last 21-months, the Trump Administration is averaging a moderate level (193,000) of new jobs per month while maintaining the number of unemployed at historic low levels. On the other hand, the Trump Administration has not stemmed the outflow of people voluntarily departing the labor force that has grown by 1,538,000 during his tenure.

To stem this outflow, the Administration needs to increase its attention on small business and job creation at the base of the American socio-economic pyramid. Unfortunately, small and startup businesses are producing at half the rate of previous years. If the United States created new firms at the same rate as in the 1980s, America would generate more than 200,000 companies and 1.8 million jobs each year. Hopefully, the Administration will increase emphasis on the small business sector once President Trump's policy and regulatory reforms take root, and big business makes progress in re-shoring jobs and recapitalization of facilities.

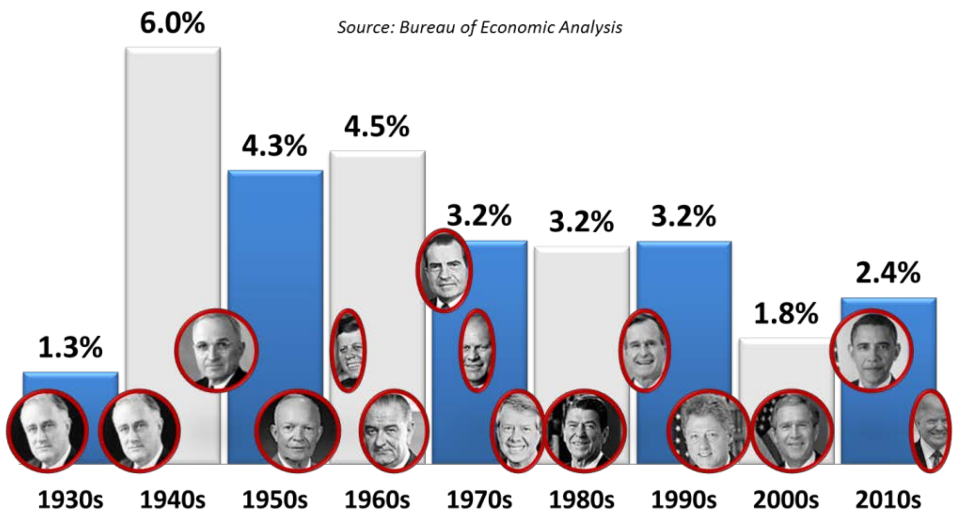
Gross Domestic Product (GDP) Analysis.

Congratulations to the Trump Administration for achieving a 4.2% GDP growth rate in the second quarter (Q2) of 2018. If President Trump can achieve his goal of sustained 4% GDP growth over the next decade, the U.S. economy will boom and American workers should be euphoric since this rate of GDP growth indicates that the President's goal of creating 25 million new jobs is also achievable.

The Bureau of Economic Analysis (BEA)[5], U.S. Q2 2018 GDP growth reached 4.2%. The last time that the United States breached 4% in a single quarter was in Q3 2014. Since the turn of the Century (the year 2000), out of a total of 74-quarters, only 11-quarters broke the 4% barrier. The highest rate of quarterly GDP growth was 7.5% in Q2 2000 and -8.4% was the lowest rate that occurred in Q4 2008 during the Great Recession. As of 3 October 2018, the Federal Reserve Bank of Atlanta's GDPNow[6] estimate for Q3 2018 is 4.1%. However, the Federal Reserve Bank of New York's Nowcast[7] estimate for Q3 2018 is pessimistic 2.47%.

U.S. GDP History (1930 to Present)

Source: BEA, Table 1.1.1., Decade Average[8]



Achieving 4% GDP growth per year will not be easy. To achieve this level of growth, one would have to turn the clock back to the 1940s, 1950s and 1960s that achieved 6.0% 4.2% and 4.5% GDP growth rates, respectively. The last time that the United States achieved 4% in ten consecutive years over the previous 5-decades was never (3.5% was the highest from 1976 to 1985). Notwithstanding, if the

[5] U.S. Bureau of Economic Analysis, Gross Domestic Product, 2nd quarter 2018 (third estimate); Corporate Profits, 2nd quarter 2018 (revised estimate), 27 September 2018, https://www.bea.gov/news/2018/gross-domestic-product-2nd-quarter-2018-third-estimate-corporate-profits-2nd-quarter-2018
https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=3&isuri=1&1921=survey&1903=1

[6] Federal Reserve Bank of Atlanta, GDPNow, https://www.frbatlanta.org/cqer/research/gdpnow.aspx

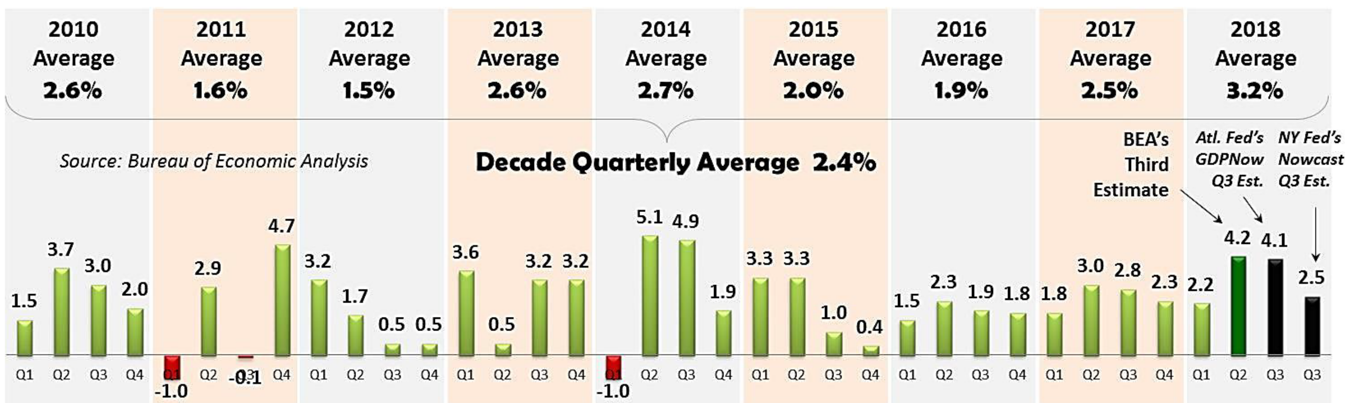
[7] Federal Reserve Bank of New York, Nowcast Report, https://www.newyorkfed.org/research/policy/nowcast.html

[8] U.S. Bureau of Economic Analysis, GDP, Table 1.1.1, Percent Change From Preceding Period in Real Gross Domestic Product, https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=3&isuri=1&1921=survey&1903=1

Trump Administration can tie the 3.5% record over the next decade, they will be worthy of much praise and his controversial policies largely vindicated.

Real GDP Quarterly Percent Change This Decade

Source: BEA, Table 1.1.1., Percent Change from Preceding Quarter



On 27 September 2018, the Bureau of Economic Analysis (BEA) released its "third estimate" of 4.2% for Q2 2018. 4.2% is an excellent percentage and indicator of robust economic GDP growth. BEA's final estimate for Q2 2018 is due on 26 October.

Per BEA data[9], during the post-recession recovery period from Q1 2010 through Q2 2018, U.S. GDP averaged 2.4%. During the 32-quarters (8-years) of the Obama Administration, GDP averaged 1.9%. Subtracting the 4-quarters of the Great Recession year in 2009, the Obama Administration averaged 2.2%. During the first 6-quarters (Q1 2017 through Q2 2018), the Trump Administration averaged 2.7% GDP growth with a high-water mark of 4.2% in Q2 2018 (second estimate). For the first two quarters of 2018, the Trump Administration's average is 3.2% GDP growth.

The Federal Reserve (U.S. central bank in charge of U.S. monetary policy) banks of Atlanta and New York use BEA's GDP data to predict future GDP growth. The Federal Reserve Bank of Atlanta and Federal Reserve Bank of New York forecasting models are based on statistical filtering techniques that are common in big data analytics. Because these banks use different models, they can generate different forecasts for GDP growth.

Federal Reserve Bank of Atlanta:

- For Q3 2018, as of 3 October 2018, the Federal Reserve Bank of Atlanta's GDPNow[10] model forecast is 4.1% down from a high of 5.0% on 1 August 2018. Nonetheless, 4.1% is a very propitious percentage.

---

[9] BEA, National Data, GDP, Table 1.1.1. Percent Change From Preceding Period in Real Gross Domestic Product, https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=3&isuri=1&1921=survey&1903=1

[10] Federal Reserve Bank of Atlanta, GDPNow, https://www.frbatlanta.org/cqer/research/gdpnow.aspx

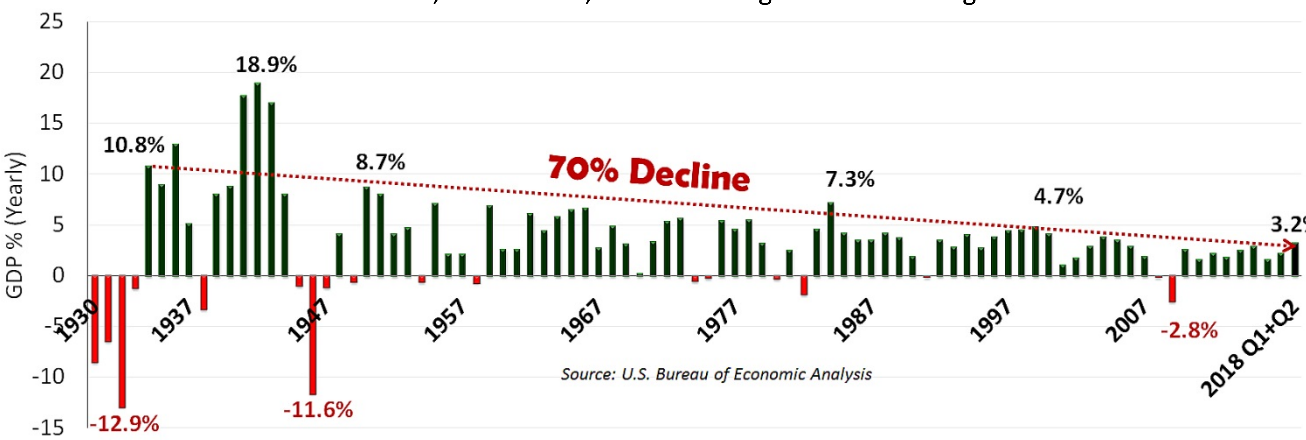
- For Q3 2018, as of 3 October 2018, the Federal Reserve Bank of Atlanta's "Blue Chip consensus" survey of the top ten and bottom ten forecasts of leading business economists averages 3.2% GDP, with a low estimate of 2.9% and a high estimate of 3.7%.

Federal Reserve Bank of New York:

- For Q1 2018, as of 27 April 2018 (their concluding estimate), the Federal Reserve Bank of New York's Nowcast[11] forecast was 2.97% versus 2.2% as calculated by the BEA.
- For Q2 2018, as of 27 July 2018 (their concluding estimate), the Federal Reserve Bank of New York's Nowcast forecast was 2.78%—a much less optimistic projection than the BEA's 4.2% third estimate.
- For Q3 2018, as of 28 September 2018, the Federal Reserve Bank of New York's Nowcast forecast is 2.47%—a much less optimistic projection than the GDPNow's 4.1% estimate.
- For Q4 2018, as of 28 September 2018, the Federal Reserve Bank of New York's Nowcast estimate is currently 2.92%.

U.S. GDP History (1930 to Present)

Source: BEA, Table 1.1.1., Percent Change from Preceding Year



This chart, derived from BEA data, indicates that the U.S. GDP history from 1930 to present has been on a long downward trend. Since the first positive GDP growth year after the end of the Great Depression, U.S. GDP growth declined 70% from 10.8% in 1934 to 3.2% today (average of the first two quarters in 2018).

Hopefully, the Q2 2018 4.2% estimate signals the beginning of an upward trend as opposed to a temporary anomaly. Barring an international or domestic crisis, which is certainly a possibility, President Trump's aggressive economic restructuring (tax cuts and reform, reduced regulatory environment and balanced trade negotiations) should propel GDP growth on an upward track.

---

[11] Federal Reserve Bank of New York, Nowcasting Report, https://www.newyorkfed.org/research/policy/nowcast.html.

Gross domestic product is currently the best single metric to gauge economic health. As stated by the BEA, "GDP is the value of the goods and services produced by the nation's economy less the value of the goods and services used up in production. GDP is also equal to the sum of personal consumption expenditures, gross private domestic investment, net exports of goods and services, and government consumption expenditures and gross investment" [12] as shown below. [13]

Personal Consumption/Expenditures as a Percent of U.S. GDP

Source: BEA, NIPA Tables, Table 1.1.5. Gross Domestic Product

Major Components	Q4 2007		Q2 2018	
	$ Trillion	%	$ Trillion	%
Personal consumption/expenditures	**9.9**	**67%**	**13.9**	**69%**
Government consumption/expenditures	2.9	20%	3.4	17%
Private domestic investments	2.6	18%	3.6	18%
Net U.S. imports/exports	-0.7	-5%	-0.6	-3%
Total U.S. Gross Domestic Product	**$14.7**		**$20.3**	

Personal consumption and expenditures (PCE) is overwhelmingly the primary component and driver of the U.S. economy. PCE is determined by how much of the income earned by households is spent on purchased goods and services. PCE is dependent on a growing labor force and the wages that the workers earn. If labor and wages stop growing, then GDP stops growing. The opposite is also true.

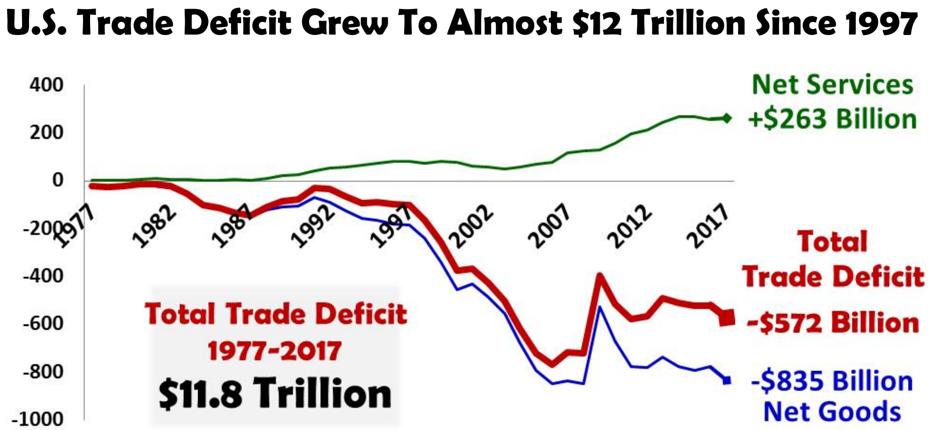
PCE (highlighted in yellow) grew from $9.9 trillion in Q4 2007 (quarter before Great Recession) to $13.9 trillion in Q2 2018, or 67% and 69% of GDP respectively. According to the Bureau of Labor Statistics, about 80% of average income before taxes is spent on PCE. In 2017, the average American consumer unit (singles, married with and without children spent $60,600, an increase of 4.8% over 2016. Housing took the largest chunk (33%) of expenditures, followed by Transportation (16%), Food (13%), Personal Insurance and Pensions (11%), and Healthcare (8%). During the same period, the Consumer Price Index (CPI-U) rose 2.1%, and average pretax incomes decreased slightly by 1.5%. As long as this trend continues, the U.S. economy (GDP) is likely to grow robustly.[14]

Government consumption/expenditures and private domestic investments are the next two biggest GDP components. Due to budget, debt and deficit considerations, government consumption/ expenditures dropped 3% as a percentage of GDP from Q4 2007 to Q2 2018. Given the current fiscal conservativism in Washington and recent tax cuts (less government revenue), government consumption/expenditures are likely to drop even further. Conversely, private domestic investments remained steady at 18% of GDP. Given the magnitude of recent tax cuts, private sector domestic investments should improve substantially shortly, if corporate America invests in recapitalization of the industrial base and its workforce.

---

[12] U.S. Bureau of Economic Analysis, https://bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm
[13] U.S. Bureau of Economic Analysis, NIPA, Tables, Table 1.1.5, Gross Domestic Product, retrieved 20 April 2018, https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=3&isuri=1&1921=survey&1903=5
[14] U.S. Bureau of Labor Statistics, Consumer Expenditures (Annual) News Release, Consumer Expenditures 2017, 11 September 2008, https://www.bls.gov/news.release/archives/cesan_09112018.htm

The U.S. trade deficit (U.S. imports/exports) is the only major component of U.S. GDP that is negative. From the year 2000 through 2017, the year-over-year goods trade deficit totaled a staggering $12.6 trillion. President Trump's recent reciprocal trade policies are designed to mitigate the outflow of U.S. dollars and recapitalize America as opposed to modernizing our competitors.



Over the last 4-decades, $11.8 trillion worth of trade deficits of combined goods and services ravaged domestic U.S. industries and workers. A trade deficit in goods (tangible items such as manufactured products) was $15.2 trillion that was offset by a surplus of $3.4 trillion of services. It is important to note that a significant portion of the services trade surplus was due to foreign travel and business services that help developing countries build their economies.

In the 1990s, U.S. multinational companies began aggressively outsourcing American jobs to lower-cost countries, like China, Mexico, and Vietnam. This practice stagnated American wage growth in favor of building middle-classes in developing countries. As the post-Cold War leader, building foreign economies was an admirable pursuit. However, it is now time for the United States to focus on restoration of America's middle-class labor force.

According to the U.S. Census Bureau Foreign Trade database, since 1985, the total U.S. trade deficit with China, Mexico, and Vietnam amounted to $4.7 trillion, $1.1 trillion and $240 billion, respectively. In 2017, the U.S. trade deficit with China, Mexico, and Vietnam was $375 billion, $71 billion and $39 billion for a total of $485 billion. [15] To a large degree, this money was used to develop state-of-the-art manufacturing and modernizing infrastructure. In these low-cost labor countries, the average wage is around $10,000 compared to $74,000 (wages and benefits) for an American worker. [16] At $10,000 per worker, $485 billion could hypothetically support as many as 48.5 million Chinese, Mexican, and Vietnamese jobs.

[15] U.S. Census Bureau, Foreign Trade, U.S. Trade in Goods by Country, https://www.census.gov/foreign-trade/balance/index.html#V

[16] U.S. Bureau of Labor Statistics, Employer Costs For Employee Compensation, June 2018, https://www.bls.gov/news.release/ecec.nr0.htm

While a trade deficit of $11.8 trillion is a huge amount, the trade deficit pales in comparison to $70 trillion U.S. direct investment abroad over the same period. Of the $70 trillion, $32 trillion (45%) was spent on establishing holding companies (largely for U.S. tax evasion) and U.S. industries abroad, $15 trillion (21%) on financing and banking for foreign projects, and $12 trillion (17%) for foreign manufacturing and joint venture efforts. To a large degree, U.S. direct investment abroad is used for development of modernized transportation and digital infrastructures, and state-of-the-art foreign industrial and commercial conglomerates.

U.S. direct investment abroad was $6.0 trillion in 2017. Europe received the most money ($3.5T), followed by Latin America and Other Western Hemisphere ($1.0T), Asia/Pacific ($941B), Canada ($391B), Middle East ($69B) and Africa ($50B).[17] In 2017, China, Mexico, and Vietnam received $108 billion, $110 billion and $2 billion respectively, for a total $219 billion. Over the last decade, China, Mexico, and Vietnam accepted a total $1.7 trillion worth of U.S. direct investment from U.S. multinational corporations and investors that helped China, Mexico, and Vietnam lift a billion people out of poverty and into a burgeoning middle-class. China's "manufacturing miracle" raised 800 million people out of poverty.

Trade deficits and foreign direct investment are not the only issues depressing American competitiveness. Trade barriers (quotes, licensing, etc.) and the theft of American intellectual property take a toll on American labor and industry. The U.S. Commission on the Theft of American Intellectual Property states the intellectual property theft (cyber theft, counterfeit goods, software piracy, and trade secrets theft) costs the American economy as much as $600 billion a year with the vast majority attributed to the Chinese government. In addition to annual financial losses of up to $600 billion per year, intellectual property theft causes suppression of GDP growth and innovation, tens of millions less U.S. jobs, and losses of billions of dollars in American personal, household and family income.[18]

Fortunately, President Trump's tough stand on trade imbalances and tariffs are producing results. The President of the European Commission, Jean-Claude Juncker, recently agreed to work together toward "zero tariffs, zero non-tariff barriers and zero subsidies on non-auto industrial goods." In July 2018, Germany's chancellor, Angela Merkel, said that Germany is willing to back lower tariffs on U.S. auto imports. The CEOs of Germany's biggest carmakers reportedly voiced support for eliminating such tariffs. In September, the Trump Administration successfully negotiated a landmark United States Mexico Canada Agreement (USMCA) to replace NAFTA. South Korea and Japan are reportedly close to similar reciprocal trade agreements. China, which is responsible for 47% of last year's total trade deficit, is the most important and remaining big holdout.

As a rule of thumb, over the past decade, a 1% point uptick in GDP translated to about 1.5 million additional jobs per year. Today's BEA advance estimate of 4.2% GDP growth is 1.8 percentage points higher than the average 2.4% quarterly GDP growth this decade. If this rule of thumb holds true and

---

[17] U.S. Bureau of Economic Analysis, 30 July 2018 News Release, Direct Investment by Country and Industry, 2017, https://www.bea.gov/news/2018/direct-investment-country-and-industry-2017

[18] The Commission on the Theft of American Intellectual Property, May 2013 Report and 2017 Update, http://www.ipcommission.org/report/

if the United States maintains a growth rate at or above 4.2%, the Trump Administration should potentially double its current job creation rate of 193,476 jobs per month to 386,952 per month. This rate of job creation is high but achievable. In May 2010, the United States created 522,000 new jobs. In the first half year of 2018, the U.S. Bureau of Labor Statistics reports an average job creation rate of 208,333 new jobs per month with a high of 324,000 new jobs produced in February 2018.[19]

Unfortunately, success often has negative consequences. The United States is currently generating more jobs than American companies can fill with skilled employees. At the height of the Great Recession, there were 6-unemployed people for every job. As of July 2018, the United States has 6,939,000 unfilled jobs[20], which exceeds the number (5,964,000) of unemployed Americans in August 2018 by 975,000 jobs.[21] The reason for such a high number of job vacancies is due to the lack of skilled workers, qualified applicants and people who want to work.

Small businesses (the engine of the U.S. economy) and startup businesses (the seed corn of the economy) are still faltering. These businesses historically created the vast majority of new jobs and employed the vast majority of Americans. Moreover, small firms are the businesses that provide the gateway to work for new workforce entrants, the unemployed and the 95.6 million sidelined citizens who can work but don't. Low unemployment creates a tight labor market, which translates to too few people who want to work and too few qualified workers.

In times past, the United States welcomed skilled legal immigrants to fill the gap. Due to a lukewarm American welcome mat, the number of U.S. skilled immigrants is declining to pursue work in other countries. Many other countries have merit-based immigration systems (the United States currently employs a family-based system—to the President's dismay) that often offer long-term work visas and pathways to citizenship to obtain the best-of-the-best skilled workers.

According to Secretary of Commerce Wilbur Ross, increasing gross domestic product growth by one percentage point will amount to $1 trillion added to GDP per year over the next decade.[22] Per the International Monetary Fund, in the United States, for every 1% point increase in GDP, employment should increase by 0.6%.[23] So if Secretary Ross and the IMF are indeed correct, a $1 trillion yearly increase to our economy could increase the labor force by 3%. Currently, U.S. employment stands at approximately 150 million workers. A 3% increase could generate as much as 4.5 million jobs per year.

---

[19] U.S. Bureau of Labor Statistics, Employment, CES0000000001, https://data.bls.gov/timeseries/CES0000000001?output_view=net_1mth
[20] U.S. Bureau of Labor Statistics, Job Openings And Labor Turnover, May 2018, https://www.bls.gov/news.release/pdf/jolts.pdf
[21] U.S. Bureau of Labor Statistics, Table A-10. Selected unemployment indicators, seasonally adjusted, https://www.bls.gov/webapps/legacy/cpsatab10.htm
[22] CNBC, Tax reform will boost the US economy by a full percentage point, says Wilbur Ross, 26 September 2017, https://www.cnbc.com/2017/09/26/tax-reform-wilbur-ross-sees-1-percent-gdp-jump.html
[23] IMF, The Evidence that Growth Creates Jobs: A New Look at an Old Relationship, https://blogs.imf.org/2016/11/09/the-evidence-that-growth-creates-jobs-a-new-look-at-an-old-relationship/

While 4.5 million may sound overly optimistic, the United States generated over 4.3 million new jobs (farm and nonfarm) in 1977. This high rate of employment growth coincided with 4.6% yearly GDP growth. The United States posted employment gains between 3 to 4 million jobs in 1955, 1973, 1976, 1978, 1983, 1984, 1987, 1994, 2000 and 2006. [24]

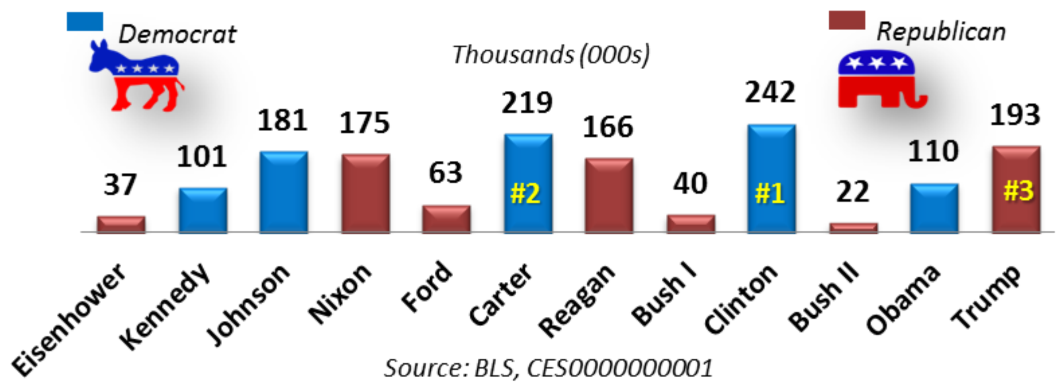
[24] U.S. Bureau of Labor Statistics, Labor Force Statistics (Current Population Survey), Household Data, Employed, Table A-1. Employment status of the civilian population by sex and age, https://www.bls.gov/webapps/legacy/cpsatab1.htm

Job Creation History by President.

While GDP is accelerating, U.S. job creation has not yet gained sufficient momentum to achieve the President's 25 million new jobs objective over the next decade. To meet his objective, the Administration needs to generate 211,485 jobs per month for the remaining 99 months. Since the President took office, the Trump Administration averaged 193,476 jobs per month over his 21-months in office. Since the beginning of 2018, the Administration averaged 208,333 per month per BLS data.

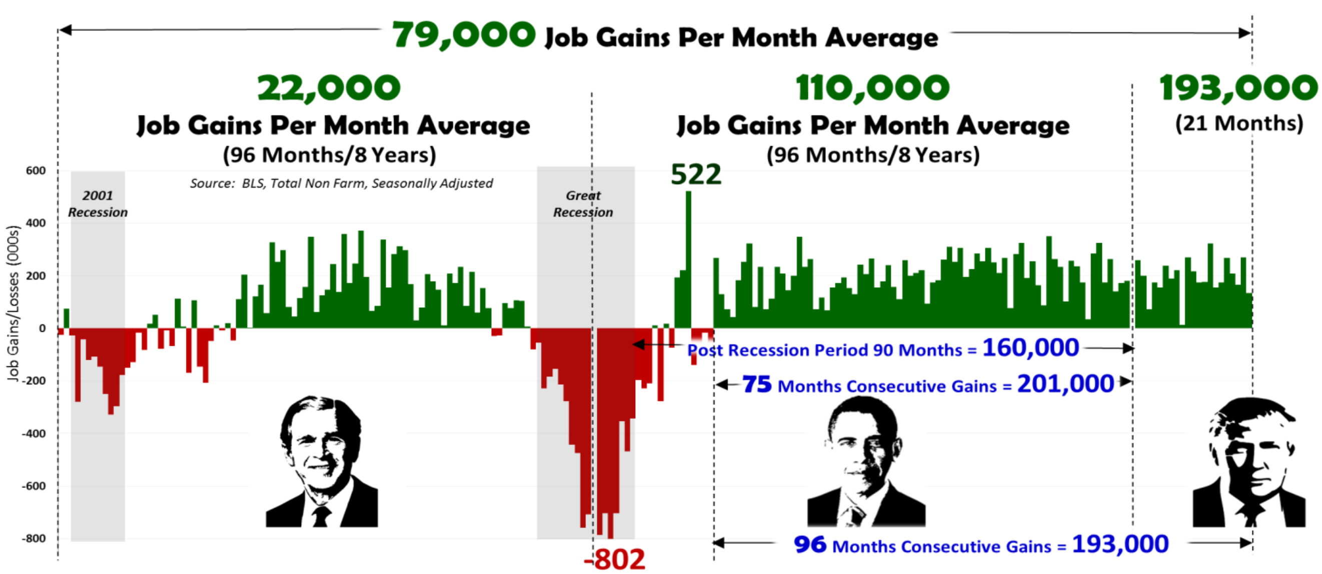
In today's highly-charged political environment, what people want to know is how today's president is performing against past presidents.

Monthly Job Creation Rate by President since WWII



As color-coded by political party, of the twelve presidents since WWII, President Trump's average monthly job creation rate is 193,476, which puts him in third-place following President's Clinton and Carter. Adjusted for population size (U.S. population during the Eisenhower Administration was almost half, 160 million, of today's population of 328 million), President Trump would be in sixth place following Carter, Clinton, Johnson, Nixon, and Reagan.

Job Creation Scoreboard Since 2001



From January 2001 through September 2018, the United States averaged an abysmal 79,000 new jobs per month. During this period, the monthly job creation high water mark was 522,000 new jobs in May 2010, and the low water mark for job losses was 802,000 in March 2009 marking the depth of the Great Recession.

From an Administration standpoint,

- The Bush Administration (2001 to 2008) created an average of only 22,000 new jobs per month, due to the onslaught of two major recessions, the calamity of 9/11 and the United States' expensive mobilization for the global war on terrorism, and numerous natural disasters.
- The Obama Administration (2009 to 2016) created an average 110,000 job gains per month. Subtracting the six months of the Great Recession that Obama "inherited" from the previous administration, the average job creation rate during the 90-month post-recession period yielded an average of 160,000 new jobs per month. Perhaps, the most important legacy of the Obama Administration is 75-months of consecutive job gains averaging 201,000 jobs per month.
- The Trump Administration continued the positive job creation trend with 21 consecutive months of job gains and extended the continuous job creation run to 96-months—the longest span of labor force gains since the Bureau of Labor Statistics began record keeping in February 1939.

A 250,000 threshold is a reasonable job creation benchmark to robustly grow the economy and provide a hedge against future downturns. During the recent 96-month run of consecutive job gains, the United States exceeded the 250,000 job threshold 30-times or 31% of the time. Unfortunately, the number of mega (250K+) month employment gains is not as robust as the last three years of the Obama Administration as shown. Fortunately, mega-month employment gains are on an upward trend, which is likely to accelerate if GDP growth remains high, corporate America reinvests more in recapitalization and workforce development, and America collectively energizes the small business economic and job creation engine.

The Trump Administration's tax cuts and regulatory reforms should motivate many more mega months. The Administration's five mega months were in February 2018 with 324,000 new jobs, followed by 271,000 in October 2017; 270,000 in August 2018; 268,000 in May 2018; and 259,000 in January 2017. If current GDP trends continue above 4%, Jobenomics predicts that the remainder of

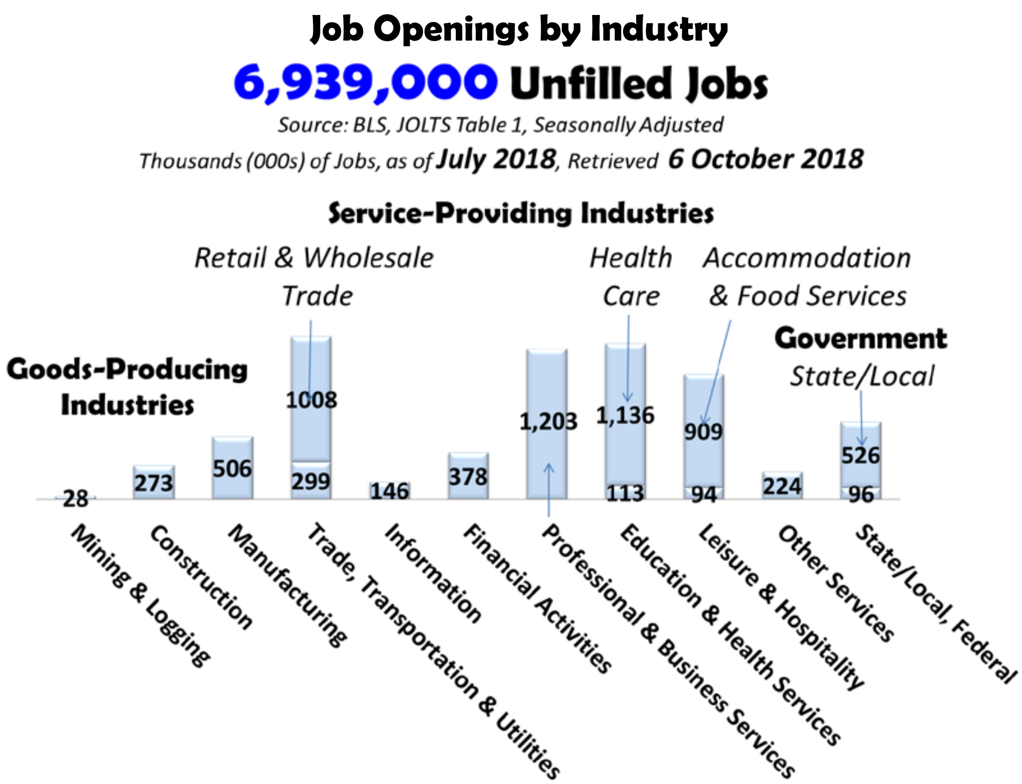
2018 will record more mega-employment gains. The recent uproar regarding the Administration's trade and tariff policies are likely to put a near-term dampener on job creation but should produce substantial long-term job gains, assuming that the divided U.S. Congress ratifies the Administration's new trade agreements.

Job Openings, Tight Labor Market and Pending Labor Crisis.

Without significant jobs growth in conjunction with a meaningful reduction of voluntary departures, the U.S. economy is not sustainable, middle-class wages will continue to erode, consumption (70% of U.S. GDP) is likely to falter, and economic stagnation or a financial downturn is probable. Consequently, it is imperative that policy-makers, decision-leaders, and business executives aggressively create employment opportunities that will motivate citizens towards workfare over welfare and self-sufficiency over public/familial dependence.

The best way to motivate contingent workers is to emphasize the plethora of employment opportunities afforded by the millions of open U.S. jobs, the fastest-growing service industries that are generating vast majority of all new jobs, by the millions of new opportunities that are available via the ongoing energy technology and network technology revolutions, and mass-producing small and self-employed businesses.

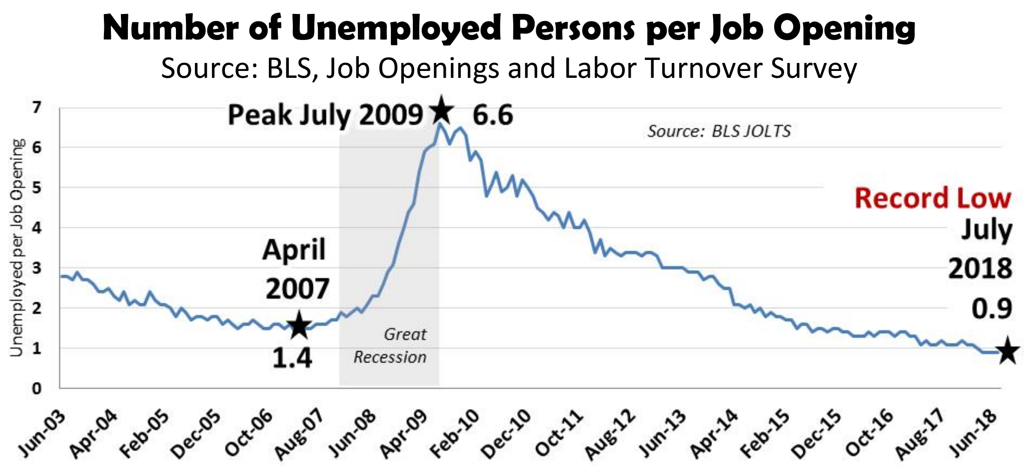
According to the most recent BLS Job Openings and Labor Turnover Survey (JOLTS), there are 6,939,000 job openings in the United States. [25]



The JOLTS report calculates the number and rate of job openings, hires, and separations for the nonfarm sector by industry and geographic region. As shown, the four private sector industries that have the largest number of openings are Professional and Business Services (1,203,000), Health Care

[25] BLS, Job Openings and Labor Turnover Survey (JOLTS), http://www.bls.gov/news.release/jolts.htm

(1,136,000), Retail and Wholesale Trade (1,008,000) and Accommodation and Food Services (909,000). State and local government have 526,000 openings that are likely to remain unfilled due to budget constraints. The primary reason for a large number of private sector job openings is due to the lack of job skills.



Before the Great Recession, the number of unemployed people per job opening reached a low of 1.4, which rapidly zoomed upward to a peak of 6.6 unemployed persons per open job. As of July 2018, the number of unemployed persons per job opening was 0.9—a record low. [26]

When spread between the number of unemployed and the number of open jobs is large, there is a lot of "slack" in the labor market. Now that the labor market has become "tight," businesses have difficulty in filling jobs. **The business sector hardest hit in a tight labor market is the small business sector** that does not have the wherewithal to "poach" qualified employees from other businesses like big businesses often do to fill job vacancies.

Contingent work and new non-core contingency businesses are an important component of addressing a tight labor market—a component not aggressively supported by U.S. policy-makers. A combination of new full-time hires and contingent labor (independent contractors, consultants, and part-time task-oriented workers) are an ideal way to fill job vacancies. Now is the time to plan and create meaningful employment and income opportunities for the contingency workforce.

Jobenomics focuses on small business and job creation for those most in need at the base of America's socioeconomic pyramid. Jobenomics asserts that pre-primary through secondary education is a must for all citizens. However, a college degree no longer guarantees a livable wage or a viable career path. The cost in time and money for a post-secondary degree is often unavailable for those struggling to make ends meet. As opposed to degree-oriented education, certified skills-based training programs the often fastest way to get the most people prepared for workfare in the shortest time possible (months rather than years).

---

[26] U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, Number of unemployed persons per job opening, seasonally adjusted, https://www.bls.gov/charts/job-openings-and-labor-turnover/unemp-per-job-opening.htm

While Jobenomics advocates implementation of a national lifelong applied learning and skills-based training/certification program to upgrade the skills of domestic workers, the United States also needs to recruit and retain global talent since the American education system is not producing the kind of workforce skill sets necessary for a competitive society.

The United States' immigration policies are further tightening the labor market even further as skilled immigrants feel unwelcome and are seeking employment in other countries that have merit-based immigration, benefit, and pathways to citizenship policies that make other nations more attractive than the United States.

From an economic and labor force perspective, the United States needs to find ways to attract and retain foreign-born immigrants via a legal skills-based immigration system, also called a talent-based, merit-based or points-based systems used by many countries. Skills-based immigration systems assess skilled individuals based upon criteria such as age; experience; language ability, educational and technical skills; entrepreneurism and ability (technical and financial) to start a business; and "adaptability" to assimilate into the host country.

Countries like Australia's General Skilled Migration, the United Kingdom's Highly Skilled Migrant Programme, Canada's Express Entry system, and New Zealand's Skilled Migrant system are legal skills-based systems. Each of these countries uses "point calculators" to determine eligibility. For the most part, these calculators are merit-based but add points for having a close family relative living and productively working in the country. Many of these countries use their skills-based to "fast-track" highly-skilled immigrants to permanent resident status, whether it is a permanent work visa (aka Green Card in the United States) or citizenship.

Analysis of the BLS Employment Situation Summary Report.

The monthly U.S. Bureau of Labor Statistics (BLS) Employment Situation Summary is a monthly summary of all U.S. government and private sector employment. On 5 October 2018, the Bureau of Labor Statistics reported that the U.S. labor force added 134,000 new jobs (121,000 private sector and 13,000 government), and the unemployment rate edged down from 3.9% to 3.7%.[27]

From a Jobenomics standpoint, these employment statistics are essential measures of economic growth, but **only as a prelude to net labor force gains and losses**.

Knowing how the BLS defines labor force and accounts for the different labor force categories is essential to understanding labor force statistics and interpreting fact from fiction. The basic concepts involving employment and unemployment are straightforward.

- People with jobs are **Employed**.
- People are **Unemployed** if they do not have a job, have actively looked for work in the prior four weeks, and are currently available for work.
- People who have no job and are no longer looking for a job are classified by the BLS as "not in the labor force" or **Not-in-Labor-Force**.

To be classified as unemployed, one must be actively looking for work. Frustrated or discouraged Americans who are capable of working but quit looking and voluntarily depart the workforce are accounted in a BLS Not-in-Labor-Force category that few people comprehend. Consequently, it is **theoretically possible for the United States to have a zero rate of unemployment** if every unemployed American quit looking for a job.

Not-In-Labor-Force's "Do not want a job now" Cadre

September 2018 Source: BLS Table A-38		Age (Years Old)			Sex	
	Total	16-24	25-54	55+	Male	Female
Not-in-Labor-Force	96,332,000	17,473,000	22,707,000	56,152,000	39,113,000	57,220,000
Percent of Total	100%	18%	24%	58%	41%	59%
Do not want a job now	91,262,000	16,053,000	20,596,000	54,613,000	36,731,000	54,531,000
% Do not want a job now	**95%**	**92%**	**91%**	**97%**	**94%**	**95%**

An equally disturbing statistic reported by the BLS is that 95% of the (surveyed) 96 million people in the Not-in-Labor-Force "do not want a job now." It is also interesting to note that 58% of citizens in the Not-in-Labor-Force are older Americans 55+ and 59% are women.

From a Jobenomics perspective, these two labor pools are ideal for self-employed, part-time and task-orientated work for the 7 million unfilled open jobs. Older Americans often have the requisite business and technical skills to fill open jobs. Older women that are empty-nesters have the material

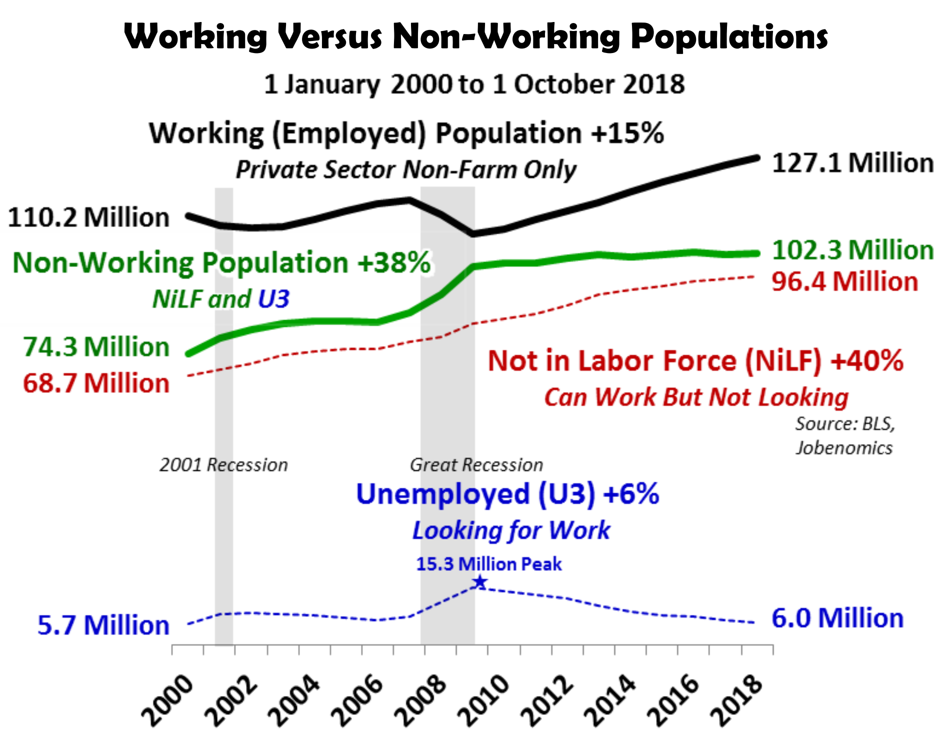
[27] U.S. Bureau of Labor Statistics, Employment Situation Summary, https://www.bls.gov/news.release/empsit.nr0.htm

skills for many on-demand, direct-care jobs including healthcare, social assistance, behavioral care (drug abuses, chronic social and mental problems, loneliness, etc.), elder-care and child-care. The BLS reports that 40% of all new American jobs in the next decade will be in the healthcare and social assistance fields. Equipped with modern network and digital technology these direct-care "foot soldiers" could provide in-home and remote care to needy denizens via the internet and broadband communications.

The U.S. labor force consists of approximately 250 million citizens (called the civilian noninstitutional population) enrolled in one of three Bureau of Labor Statistics categories: Employed, Unemployed and Not-in-Labor-Force. From a Jobenomics viewpoint, it is vitally important to evaluate the give-and-take between each of these categories as opposed to emphasizing each individually. For example, increasing the labor force by 25 million new jobs (Trump's plan) makes little economic sense if 25 million people voluntarily leave the workforce for welfare and alternative lifestyles as has happened in the recent past.

Since the beginning of the 21st Century (1 January 2000), 18.7 million people entered the workforce as opposed to 27.7 million who voluntarily departed to the Not-in-Labor-Force. This disparity is made even worse if one includes population growth of 47 million additional Americans (282 million in 2000 versus 329 million today). If these trends continue, the U.S. economy will suffer due to the financial burden of the non-working population. Fortunately, current trends are positive, but a financial downturn could easily reverse our economic situation.

The following chart presents a strategic perspective of the U.S. Private Sector Working Population (Employed) and the Non-Working Population (Unemployed and Not-in-Labor-Force) covering the period from 1 January 2000 to 1 September 2018.



The private sector workforce produces the vast majority of goods and services that drive U.S. economic growth. From the year 2000, the private sector Working Population increased by 15% (from 110.2 million to 127.1 million workers) compared to a Non-Working Population rise of 38% (from 74.3 million to 102.3 million citizens). Within the Non-Working Population, the Not-in-Labor-Force rose by 40% (from 68.7 million in the year 2000 to 96.4 million citizens today), and the number of Unemployed increased 6% (from 5.7 million in the year 2000 to a peak of 15.3 million in 2009 to 6.0 million citizens today). During the Great Recession, the Non-Working Population almost matched the level of the Working Population in 2009. Fortunately, the spread between the Working Population and Non-Working Population is widening, which is a good sign for the economy and labor force.

U.S. Labor Force Gains and Losses Since 2000

as of 1 October 2018

	Working Population	Non-Working Population		Net Labor Force Gains-Losses
	Employment Gain/Loss	Not-in-Labor Force Gain/Loss	Unemployed (U3) Gain/Loss	
Last Month (September 2018)	134,000	74,000	(270,000)	330,000
Trump Era (Jan 2017-Present)	4,063,000	1,358,000	(1,538,000)	4,243,000
Post Recession (Jan 2010-Present)	19,719,000	12,551,000	(9,134,000)	16,302,000
Obama Era (2009-2016)	10,595,000	14,626,000	(3,784,000)	(247,000)
Bush II Era (2001-2008)	2,115,000	9,892,000	5,652,000	(13,429,000)
Since Year 2000	18,711,000	27,709,000	311,000	(9,309,000)
	BLS CES Report (CES0000000001) Table B-1 Seasonally Adjusted	*BLS Not-in-Labor-Force Report (LNS15000000) Seasonally Adjusted*	*BLS Unemployed Report (LNS13000000) Table A-10*	

The BLS Employment Situation Summary Report stated that the U.S. economy generated 134,000 new jobs in September 2018—extending the longest run of consecutive labor gains to 96 months, which is also the longest run since WWII when BLS record keeping began. The official unemployment rate (U3 rate) decreased to 3.7% with a reduction of 270,000 formerly unemployed persons—a 50-year low. Most important, and least reported by the media, is that the Not-in-Labor-Force cadre of sidelined citizens increased by 74,000 adding to an all-time of 96,364,000 citizens. These three record accomplishments do not necessarily equate to a strong, sustainable economy.

During the 21-months of the **Trump Administration**, from 1 January 2017 to 1 October 2018, the U.S. labor force **net gain** amounted to 4,423,000 individuals. 4,063,000 new workers entered the labor force—an average of 193,476 jobs per month. 1,538,000 fewer workers were listed as officially unemployed, and the number of work-capable people in the Not-in-Labor-Force increased by 1,538,000 citizens. To a large extent, voluntary departures (people who quit looking for work) offset the reduction of the number of unemployed (people looking for work).

Now that unemployment is approaching historic lows, the number of unemployed is unlikely to decrease much lower. Reversing the size and growth of the Not-in-Labor-Force population should be one of the Trump Administration's highest priorities since this group is overwhelmingly the largest pool of potential American workers. If the Administration cannot entice these sidelined citizens to enter the labor force, the number of unfilled U.S. jobs (currently 6,939,000) is likely to continue to grow. The only other likely course of action would be to greatly increase the influx of skilled foreign workers via a merit-based immigration system.

Since the **end of the Great Recession**, from 1 January 2010 to 1 October 2018, the U.S. labor force **net gain** was 16,302,000 citizens. 19,719,000 new workers entered the labor force. The number of in the Not-in-Labor-Force increased by 12,551,000 people, and 9,134,000 fewer workers were officially unemployed.

During the 8-years/96-months of the **Obama Era** (1 January 2009 through 31 December 2016), the U.S. labor force **net loss** was 247,000 jobs, with 10,595,000 entering the labor force, 14,626,000 voluntarily departing, and 3,784,000 fewer people recorded as officially unemployed. It is important to remember that the first 21-months of President Obama's first term in office, the Administration dealt with the Great Recession and post-recession recovery operations. Obama's next 75-months in office produced the longest run of consecutive labor gains since WWII when BLS record keeping began. This 75-month run exceeded the previous record of 48-months that occurred from July 1986 to June 1990.

During the 8-years/96-months of the **Bush II Era** (1 January 2001 through 31 December 2008), the U.S. labor force suffered a devastating **net loss** of 13,429,000 jobs (2,115,000 new jobs, 9,892,000 voluntary workforce departures, and 5,652,000 newly unemployed). To a large extent, President Bush endured the perfect storm of labor force calamities:

- 8-months of the 2001 Recession (March 2001 through November 2001),
- 13-months of Great Recession (December 2007 through December 2008),
- the aftermath of the 9/11 attacks and the ensuing global war on terrorism, and
- nine major Hurricanes (Katrina, Ike, Rita, Wilma, Ivan, Charley, Frances, Jeanne, and Allison) that collectively caused over $275 billion in damage.

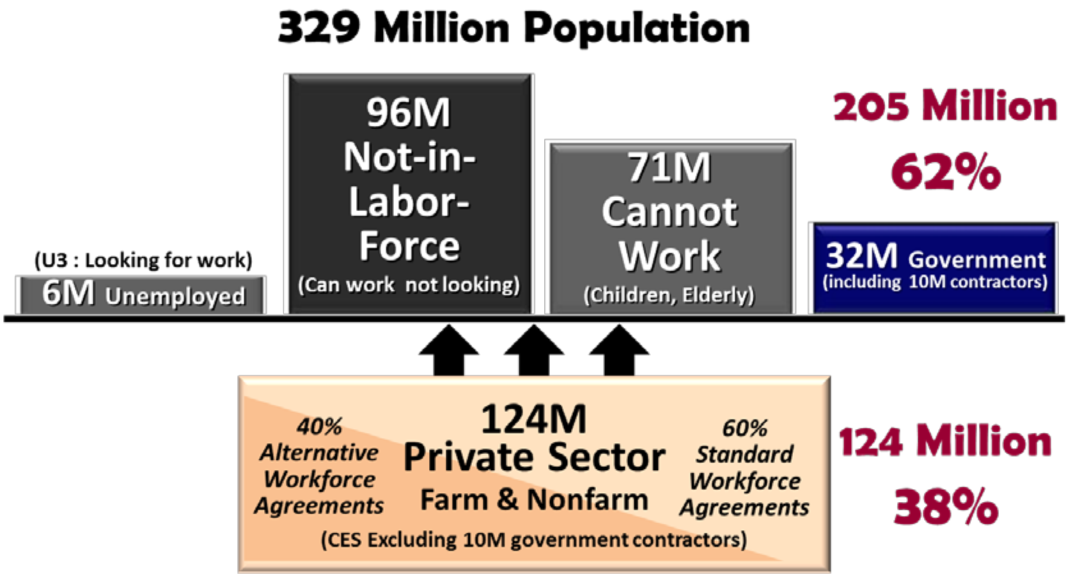
From the **beginning of the 21st Century** (1 January 2000 to 1 October 2018), the American labor force is **still weaker by a net 9,309,000 workers**. This weakness is exacerbated by a population growth of 47 million additional American citizens present today compared to 2000 (282 million versus 329 million) plus the impact of a rapid rise of contingent part-time workers with a commensurate decrease in traditional full-time workers.

To sum up, while recent trends are slowly reversing America's descent from an economic quagmire, the U.S. economy is not yet sustainable without the continued strengthening of the U.S. private sector labor force. Excluding an estimated 22 million private sector government workers and 10 million government contractors in the private sector, the private sector workforce[28] consists of

[28] U.S. Bureau of Labor Statistics, Table A-1, Employment status of the civilian population by sex and age, https://www.bls.gov/webapps/legacy/cesbtab1.htm

123,962,000 workers, which represents 38% of today's total U.S. population[29] of 328,707,000. The U.S. economy is not sustainable over the long-term with only 38% supporting an overhead of 62%.

Maintaining a Large Overhead Destabilizes the U.S. Economy



Out of a total population of 329 million Americans, 124 million non-government private sector workers support 32 million government workers and government contractors, 96 million people who can work but chose not to work, 71 million who cannot work (children, elderly and institutionalized citizens), and 6 million unemployed citizens. Of the 124 million private sector workers, approximately 60% are standard full-time workers, and 40% are contingency workers (part-timers, freelancers, independent contractors, etc.) who make substantially lower wages, often with fewer or no benefits than their full-time counterparts.

Small business and job creation is the number one issue facing the United States regarding economic growth, sustainment, and prosperity. Jobs do not create jobs, businesses do, especially small businesses that currently employ around 77% of all Americans and created up to 73% of all new jobs since the end of the Great Recession. Therefore, policy-makers and decision-leaders must concentrate on small business creation and sustainment to achieve economic and labor force growth.

[29] U.S. Census Bureau, U.S. and World Population Clock, https://www.census.gov/popclock/

Analysis of the ADP National Employment Report.

The ADP National Employment Report is a monthly survey of workers in 400,000 U.S. private sector businesses by the ADP Research Institute in collaboration with Moody's Analytics.

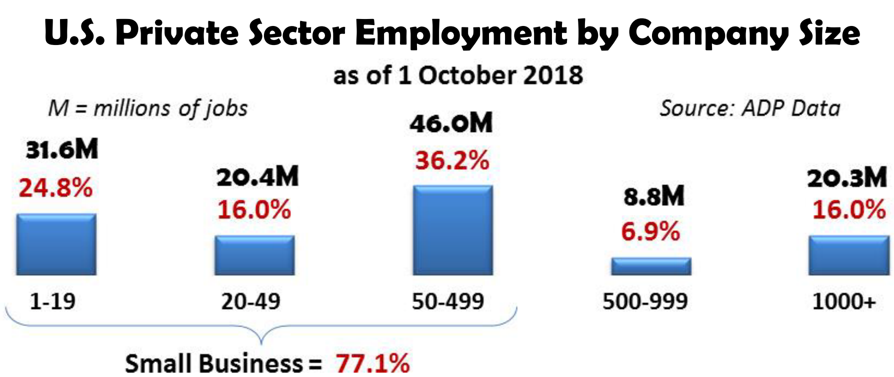
The September ADP National Employment Report, released on 3 October 2018, states that the U.S. private sector created 230,000 new private jobs, which is 109,000 less than the 121,000 new private sector jobs reported by the BLS Employment Situation Summary. Note: ADP does not report on government employment, unemployment or workforce departures as does the BLS. The BLS Employment Situation Summary reported that total nonfarm payroll employment rose by 134,000, which consists of a gain of 121,000 private sector workers and 13,000 government workers.

Of the 230,000 new jobs reported by ADP, small businesses (1-49 employees) gained 56,000 jobs, medium businesses (50-499 employees) gained 99,000 new jobs, and large companies (500+ employees) gained 75,000 new jobs. Micro-businesses (1-19 employees) created 35,000 compared to 49,000 by very large businesses (1000+ employees).

Service-providing industries created 184,000 jobs and the goods-producing sector only 46,000 jobs—a small percentage given the current emphasis on the Manufacturing supersector that created a mere 7,000 new jobs last month.

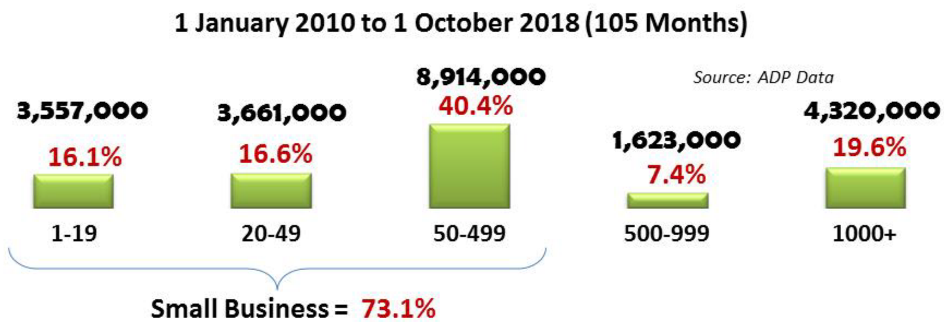
Of the ten private sector goods-producing and service-providing supersectors, Professional/Business Services generated the most new jobs (70,000), followed by Education/Health Services (44,000), Construction (34,000), Trade/Transportation/Utilities (30,000), Leisure & Hospitality (16,000), Financial Activities (16,000), Other Services (10,000), Manufacturing (7,000) and Natural Resources/Mining (5,000). The Information supersector was the only supersector that lost jobs (-3,000).

For the remainder of this report, Jobenomics classifies "small business" as having 1-499 employees (the definition supported by the U.S. Small Business Administration), medium-sized business as 500-999 employees and large businesses as 1000+ employees. Also, Jobenomics defines micro-businesses as having 1-19 employees, which includes self-employed individuals.



As reported by ADP, small businesses are undeniably the dominant employer in the United States. Small companies with less than 500 employees employ 77.1% of all private sector Americans with a total of 97,966,000 employees—over 3.4-times the number of established enterprises with more than 500 employees that have 29,101,000 employees. Micro-businesses with 1-19 employees employ 1.6-times the number employed by giant corporations with over 1,000 employees (31,574,000 versus 20,314,000).

U.S. Private Sector Jobs Created This Decade by Company Size



Since the beginning of this decade, small businesses created 73.1% of all new jobs in the United States. Small businesses with less than 500 employees created 2.7-times more jobs as large businesses with 500+ employees, or 16,132,000 versus 5,943,000 new jobs respectively. Micro and self-employed firms with 1-19 employees produced 82% as many jobs as large-scale corporations with over 1,000 employees (3,557,000 versus 4,320,000).

U.S. Private Sector Jobs Created Last Month by Company Size

Last month (September 2018), U.S. small business (1-499 employees) created 67.4% of all new jobs. This percentage is slightly below the 68.5% average during the Trump Administration. The monthly low was 16.9% in September 2017. The monthly high was 93.6% in April 2017.

U.S. Small and Startup Business Situation.

After meeting with literally thousands of policy- and decision-makers over the last decade, this author is amazed how little the federal, state, local and community leaders understand how American businesses contribute to the U.S. economy and labor force. This observation is not meant to belittle but for the American public to understand the lack of attentiveness rendered by American leadership to the needs of the small business community that consists of small and startup employer businesses, and self-employed nonemployer enterprises.

The U.S. Small Business Association (SBA) defines a small business as an independent business having fewer than 500 employees. In 2015 (latest SBA data), compared to 19.4 thousand large business, there were 30.2 million small businesses, of which 24.3 million were nonemployer businesses that had no employees and 5.9 million small businesses with paid employees. Policy-makers expend a huge amount of time and political capital on large businesses, little time and effort supporting small employer businesses and virtually little or no time on nonemployers.[30]

As discussed in the previous section, 5.9 million small and micro-business employ and create vastly more jobs than the 19.4 thousand large enterprises. Consequently, it is bewildering why policy-makers spend so little time and effort promoting, supporting and incentivizing the small business economic and workforce engine. Also discussed in a previous section, the 96 million sidelined citizens that are capable of working represent the largest labor pool that could be mobilized to fill the evergrowing number of job vacancies. Since big business rarely hires an unemployed person, the responsibility has fallen to the neglected and faltering small business community. Unless this conundrum is rectified, sidelined citizens supported by activists will turn to government for socialist solutions.

Even more amazing is the fact that policy-makers, decision-leaders, and media-pundits know little or nothing about nonemployer businesses, which is absolutely wrongheaded and antithetical to restoring the U.S. American dream and eroding middle-class.

According to the Census Bureau, a nonemployer business is one that has no paid employees, has annual business receipts of $1,000 or more ($1 or more in the construction industries), and is subject to federal income taxes. Nonemployer businesses are generally small, such as real estate agents and independent contractors that may operate from a home address or a separate physical location. Nonemployer statistics data originate chiefly from administrative records of the Internal Revenue Service, Bureau of Labor Statistics, and the Social Security Administration. These data undergo complex processing, editing, and analytical review at the Census Bureau to distinguish nonemployers from employers, correct and complete data items, and form the final nonemployer universe.[31]

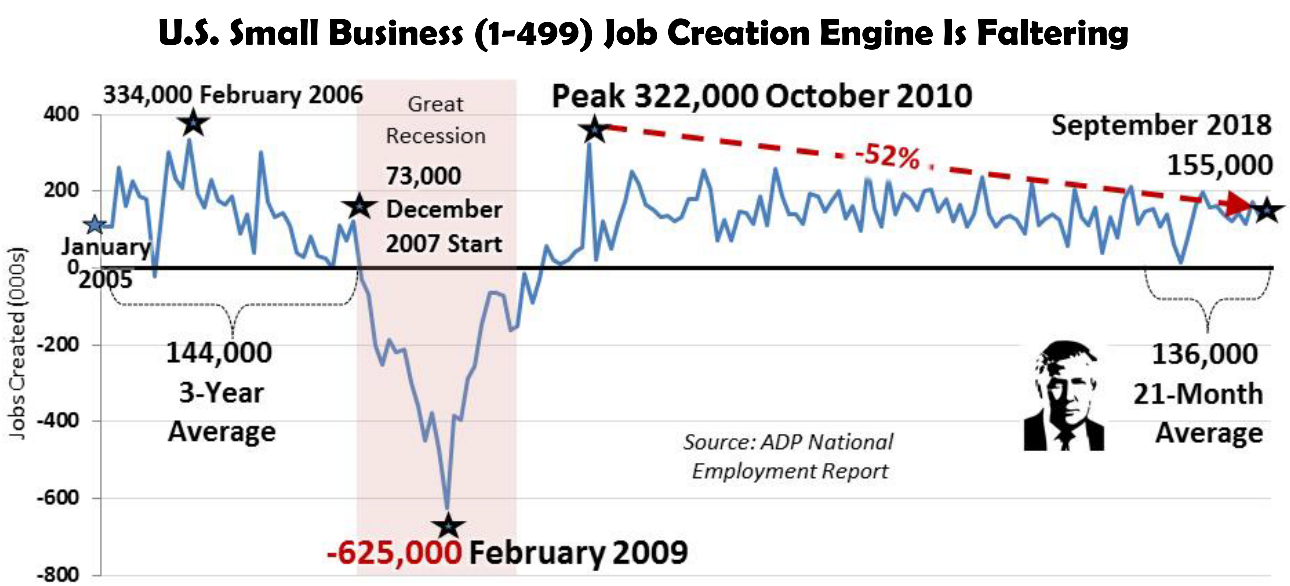
The number of nonemployers increased, from 15.4 million in 1997 to 24.8 million in 2016. According to the U.S. Census Bureau, cash receipts from these 24.8 million nonemployers was $1.2 trillion or

[30] U.S. Small Business Association, Office of Advocacy, Frequently Asked Questions, August 2018, https://www.sba.gov/sites/default/files/advocacy/Frequently-Asked-Questions-Small-Business-2018.pdf
[31] U.S. Census Bureau, Nonemployer Statistics, 2018, https://www.census.gov/quickfacts/fact/note/US/NES010216

6.4% of 2016's $18.7 trillion GDP. 87% of nonemployer businesses are individual proprietorships with receipts of $731 billion or 63% of the receipt total. Partnerships (most Limited Liability Partnerships or LLCs) represent 7% of nonemployer businesses and receive 22% of the receipts. S-corporations (a "pass-through entity" whose income is reported on the owners' personal tax returns) represent 4% of the total and 11% of the receipts. C-corporations and other corporate legal forms of organization represent 2% of the total and 4% of receipts.[32]

If America's 5.9 million small businesses produced only one new job, and if nonemployer firms doubled their rate of growth, 14 million new jobs could be created over the next decade. 14 million new jobs fulfill almost two-thirds of President Trump's 25 million new jobs goal. This potential accomplishment could be **effortlessly** realized via the emerging network and digital economies. According to James McQuivey, a leading analyst tracking the development of digital disruption, as compared to the traditional economy, **digital startups are at least 100-times easier to create and have 10-times the number of innovators that can innovate at one-tenth the cost** than traditional startups. [33]

Until policy-makers and decision-leaders and corporate-executives (especially the CEOs Tech-Titans of Amazon, Apple, Alphabet, Microsoft and Facebook that collectively account for about 20% of U.S. GDP) are willing to entertain the merits of building-out the nonemployer/self-employed business segment of the American society, perhaps they can focus on existing small and micro business expansion—both of which are faltering.

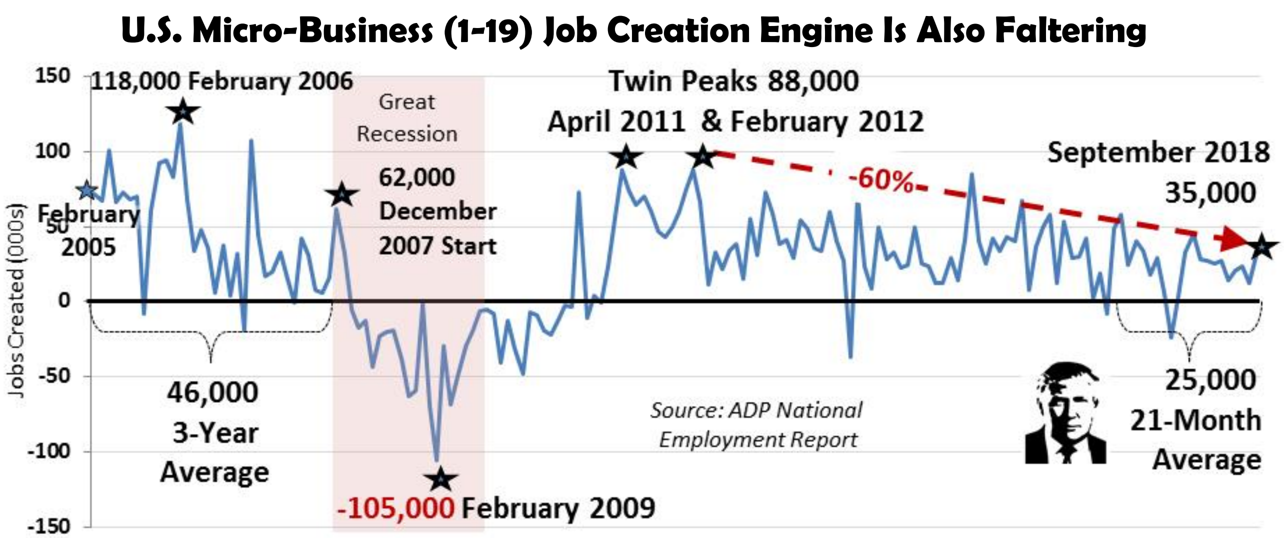


[32] U.S. Census Bureau, American Factfinder, NS1600A2, Geographic Area Series: Nonemployer Statistics for the US, States, Metropolitan Areas, and Counties: 2016, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=NES_2016_00A2&prodType=table
[33] James McQuivey, Digital Disruption: Unleashing the Next Wave of Innovation, Figure 1-1: Digital Disruption Creates One Hundred Times the Innovation Power, Page 11.

The small business (1-499 employees) 3-year average before the Great Recession was 144,000 jobs per month. President Trump's small business average over the 21-months that he has been in office is 136,000 jobs per month. During the depth of the Great Recession in February 2009, small businesses laid off 625,000 people in a single month, which is indicative of the hazards of a stalled small business engine. Twenty months later, the small business engine was hitting on all cylinders and generated a peak of 322,000 jobs in October 2010. Since this post-recession peak to today, small business job creation **dropped 52%** to 155,000 in September 2018, a difference of 167,000 jobs per month. Consequently, over a 120-month period, a deficit of 190,000 monthly jobs equates to 20 million fewer jobs per decade. The Trump Administration could use these lost jobs to fulfill the President's vision of 25 million new jobs over the next decade.

The rate of small business startups is also declining.

If the small business engine had a heart, it would be a micro-business. Most micro-businesses are self-employed firms (one-person incorporated or unincorporated), family businesses (mom-and-pops) or partnerships. Micro-firms are essential to local communities. They are the type of enterprises that hire the unemployed and give part-time jobs to high schoolers and other entry-level workers. Continued deterioration and denigration of the micro-business community can only lead to economic stagnation.



Sadly, the U.S. micro-business heart is suffering from a form of atherosclerosis as indicated by a significant decline since the twin post-recession peaks. Since the post-recession peak month in February 2012, micro-business job creation **declined by 60%.** The average number of micro-business jobs created during the Trump Administration is 25,000 jobs per month, which is a meager number considering the relative strength of the U.S. economy and the 3-year average of 46,000 jobs per month before the Great Recession. Unfortunately, in 2018, small businesses are experiencing a downward trend with an average of 23,000 jobs per month compared to 26,000 jobs per month in 2017.

America needs to rejuvenate the small business entrepreneurial spirit and create a worldview that small and micro-businesses are a viable alternative to the decreasing number of high-paying full-time jobs. Women-owned and minority-owned businesses are deserving of far more attention than they receive today. Additionally, digitally-savvy Screenagers (Generation Z) are suited for starting micro-businesses tailored to meet the needs of the emerging digital economy and contingent labor force. If the 29.6 million American small businesses created or hired only one net new employee over the next several years, Trump's 25 million new jobs goal could happen in a much shorter timeframe than he currently envisions.

The rate of small business startups is also falling. Business startups are the seed corn of the U.S. economy. Without the planting and fertilization of these seedlings, the fields of American commerce will be fallow.

Of the estimated three million startups over the last decade, tens of thousands of ultra-high growth businesses (called unicorns and gazelles) have generated millions of net new jobs for America. According to the Kauffman Foundation[34], these fleet-footed startups account for 50% of all new jobs created. Uber, Lyft, Airbnb, SpaceX, WeWork, and Pinterest are recent examples of unicorns—a startup company that rapidly achieves a stock market valuation of $1 billion or more. A gazelle is a high-growth company that increases revenues by over 20% per year for four-plus years. The top-10 U.S. gazelles include Natural Health Trends, Paycom Software, Lending Tree, ABIOMED, MiMedx Group, Facebook, NetEase, Ellie Mae, Amazon.com and Arista Networks, according to Fortune[35] magazine's 100 Fastest Growing Companies.

Regarding new starts (firms less than 1-year old), the Census Bureau's Business Dynamic Statistics indicate that the United States is now creating startup businesses at historically low rates, down from 16.5% of all firms to 8% in 2014. Based on a Wall Street Journal (WSJ) analysis[36] of this Census Bureau data, "If the U.S. were creating new firms at the same rate as in the 1980s…more than **200,000 companies and 1.8 million jobs a year**" would have been created.

During the heydays of the 1970s, Bill Gates and Steve Jobs started Microsoft and Apple, two of the world's most celebrated companies with a market capitalization (the value of the total number of shares multiplied by the present share price) of $830 billion and $1 trillion, respectively. Does one have to wonder if these companies would have started in our current austere startup environment?

According to a Census Bureau's Business Dynamic Statistics Press Release[37] on 20 September 2017, in 2015, 414,000 U.S. startup firms created 2.5 million new jobs, which is well below the pre-Great Recession average of 524,000 startup firms and 3.3 million new jobs per year for the period 2002-2006. In 2015, job creation minus job destruction equaled **net** job creation of 3.1 million, which supports the Jobenomics hypothesis that net job creation is a more critical statistic for policy-makers

[34] Kauffman Foundation, Understanding the Economic Impact of High-Growth Firms, 6 June 2016, http://www.kauffman.org/newsroom/2016/06/understanding-the-economic

[35] Fortune, 100 Fastest Growing Companies, http://fortune.com/100-fastest-growing-companies/list/

[36] Wall Street Journal , Sputtering Startups Weigh on U.S. Economic Growth, Decadeslong slowdown in entrepreneurship underscores transition in American labor market, 23 October 2016, http://www.wsj.com/articles/sputtering-startups-weigh-on-u-s-economic-growth-1477235874?mod=djem10point

[37] U.S. Census Bureau, Business Dynamic Statistics Press Release CB17-TPS.68, 20 September 2017, https://www.census.gov/newsroom/press-releases/2017/business-dynamics.html

than just focusing on only new jobs. Other tidbits of the 2017 Business Dynamic Statistics press release include:

- 5 million U.S. small businesses (1-499 employees) created 45% (1,400,711) of all net new jobs compared to 20 thousand large enterprises (500+ employees) that produced 55% (1,690,591) net new jobs.
- 4.5 million micro-businesses (1-19 employees) net job creation equated to 14% (434,203) of all net new jobs.
- Net job creation in urban areas was over twice the rate of rural communities, or 2.7% versus 1.2% respectively.

According to another Kauffman Foundation[38] analysis of the Census Bureau's Business Dynamic Statistics, most **city and state government policies that look to big business for job creation are doomed to failure** because they are based on unrealistic employment growth models. "It's not just net job creation that startups dominate. While older firms lose more jobs than they create, those gross flows decline as firms age. On average, one-year-old firms create nearly 1,000,000 jobs, while ten-year-old firms generate 300,000. The notion that firms bulk up as they age is, in the aggregate, not supported by data."

Jobenomics agrees with both the WSJ and Kauffman analyses. Moreover, the Jobenomics 20-part series, entitled President Trump's New Economy Challenge[39] provides a detailed analysis why **the Trump Administration's bold economic (4% GDP) and job creation (25 million new jobs) vision is likely to fall short** due to its concentration on big business rather than small business creation and sustainment. Small business is not only critical to net job creation; it is the primary determinant for GDP growth given the fact that big firms are increasingly looking at automation and outsourcing (to foreign workers or domestic contingency workers) to replace the conventional full-time labor force.

---

[38] Kauffman Foundation, The Importance of Startups in Job Creation and Job Destruction, 9 September 2010, http://www.kauffman.org/what-we-do/research/firm-formation-and-growth-series/the-importance-of-startups-in-job-creation-and-job-destruction

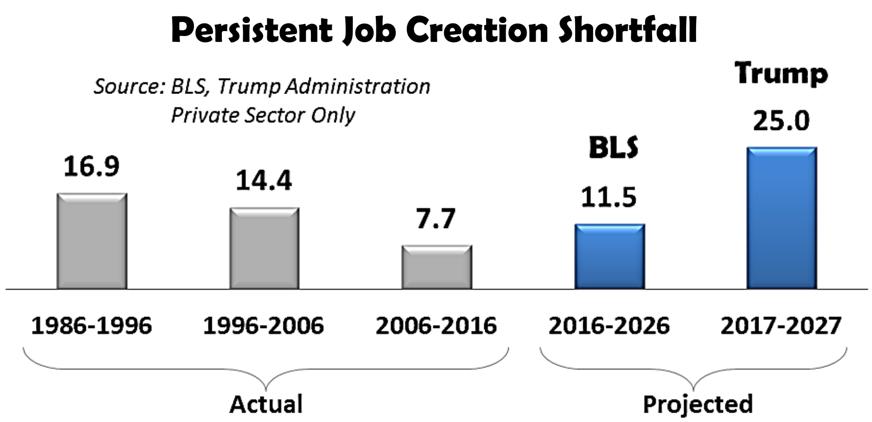
[39] Jobenomics, President Trump's New Economy Challenge, 6 February to 4 April 2017, https://jobenomicsblog.com/wp-content/uploads/2011/11/President-Trumps-New-Economy-Challenge-Series-6-February-–-4-April-2017.pdf

Concluding Thoughts.

President Trump's vision of a "dynamic and booming economy" is one that can produce a GDP growth rate of "4% over the next decade." This vision ultimately depends on mass-producing business, especially small business, in sufficient quantities to create 25 million net new jobs. Sclerotic (0% to 2%) or recessive (negative) GDP rates depreciate a government's legitimacy. Robust GDP growth of over 3% will have the opposite effect. 4% growth will truly "make America great again."

According to the nonpartisan Congressional Budget Office's 2017 to 2027 Budget and Economic Outlook report [40], "over the next five years, the monthly increase in nonfarm payroll employment, which is estimated to average 160,000 jobs in the first half of 2017, is projected to settle down to an average of 64,000 jobs." If this CBO forecast is correct, the next decade is likely to produce only 9 million American jobs, which is far short of President Trump's projection of 25 million new jobs.

U.S. Bureau of Labor Statistics also does not foresee robust labor force growth. The U.S. Bureau of Labor Statistics Employment Projections: 2016-26 Summary[41] published on 24 October 2017—ten months into the Trump Administration—projects that the next decade will produce only 11.5 million new jobs. 11.5 million is a shortfall of 13.5 million jobs when measured against the Trump Administration goal of 25 million jobs. It is also below the gains experienced in the two prior ten year periods covering 1986-1996 (16.9 million) and 1996-2006 (14.4 million).



The BLS Employment Projections Summary projects a loss of 219,000 jobs in the Goods-Producing Industries supersector group with gains of 864,700 jobs in Construction and 90,800 in Mining and Logging (including oil and gas extraction, and exploration and support services) supersectors, and a massive loss of 736,400 jobs in the Manufacturing supersector.

Per the BLS, the Service-Providing Industries supersector group is projected to gain 10,526,500 jobs with the most substantial growth in employment occurring in Health Care and Social Assistance (3,998,300), Professional and Business Services (2,159,700) and Leisure and Hospitality (1,319,000) supersectors. The vast majority of employment gains in the service-providing supersector will be lower wage jobs in the contingent workforce.

[40] Congressional Budget Office, 2017 to 2027 Budget and Economic Outlook, https://www.cbo.gov/publication/52370
[41] U.S. Bureau of Labor Statistics, Employment Projections 2016-26 Summary, http://www.bls.gov/news.release/ecopro.toc.htm

For Agriculture/forestry/fishing industries, the BLS Employment Projections Summary expects a net loss of 6,100 jobs. Small self-employed farmers will suffer a loss of 23,000 while larger corporate farms will increase by 17,000 wage earners. According to the Department of Agriculture[42], the number of American farms decreased by two-thirds (6.8 million to 2.1 million) since its peak in 1935, while the size of farms tripled (440 acres verse 155 acres). With the possible exception of indoor controlled agriculture (e.g., hydroponics, aquaponics, vertical farming, and cannabis), the era of small American farms is at its nadir.

The Federal government is expected to downsize by 55,800 while State and Local governments should increase by 788,700 workers, per the BLS Employment Projections 2016-26 Summary.

Jobenomics tends to agree with these rather gloomy CBO and BLS forecasts for the reasons discussed in the Jobenomics 20-part series entitled President Trumps New Economy Challenge. However, the Trump Plan can be amended to change CBO and BLS labor force projections from negative to positive.

With proper leadership, the Administration can lift tens of millions of Americans out of poverty by making the following four structural changes to President Trump's economic and job creation plan:

- Balancing the traditional standard industrial economy with the newly emerging nonstandard digital economy,
- Mitigating the mass-exodus of capable workers who are voluntarily departing the U.S. labor force for lives of dependency and alternative (often illicit) lifestyles,
- Addressing the challenge of the ever-growing contingency workforce that will soon be the dominant form of labor in the United States, and
- Mass-producing small and self-employed businesses—the engine of the U.S. economy—and the employer of the vast majority of Americans.

If the Trump Administration can achieve 4% GDP growth over the next decade, the U.S. economy will boom, and Americans will be euphoric. This feat will not be easy. The last time that the United States achieved 4% in ten consecutive years over the previous 5-decades was never (3.5% was the highest from 1976 to 1985). Notwithstanding, if the Trump Administration can tie the 3.5% record over the next decade, they will be vindicated and worthy of much praise.

About Jobenomics.

Jobenomics deals with the economics of business and job creation. The non-partisan Jobenomics National Grassroots Movement's goal is to facilitate an environment that will create 20 million net new middle-class U.S. jobs within a decade. The Movement has reached an estimated audience of 30 million people. The Jobenomics website contains numerous books and material on how to mass-produce small business and jobs as well as valuable content on economic and industry trends. For more information see Jobenomics.com.

[42] U.S. Department of Agriculture, Farming and Farm Income, https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/farming-and-farm-income/