



2019 Midyear (Q2) Report

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Caption: The U.S. economy is booming but showing signs of deceleration.

Executive Summary

The U.S. economy is growing briskly. From the end of the Great Recession in June 2009 to 1 July 2019, the United States economy delivered 121 straight months of GDP growth, the longest consecutive recession-free months in U.S. history. The S&P 500 Index of the 500 largest publicly-owned U.S. companies tripled in value from its Great-Recession low in 2009. The rate of average quarterly GDP growth increased from 0.3% in 2009 to 1.9% in 2016 to 2.6% in 2019. U.S. job creation soared from 22,420 new jobs per month during the Bush Administration to 118,427 during the Obama Administration to 195,240 during the 30-month tenure of the Trump Administration. Correspondingly, the number of unemployed Americans decreased from a peak of 15.3 million to only 6 million today. Based on this data alone, the American economy is booming.

On the other hand, there are signs that the U.S. economy is decelerating. Political gridlock, social unrest, trade war, and global economic slowdown are eroding consumer, business, and investor confidence as well as encouraging foreign adversaries. While the erosion of the U.S. manufacturing base (the anchor tenant of the U.S. economy) added 1,379,000 new jobs this decade, the small business sector (the engine of the U.S. economy) is faltering. Job creation decline for Small & Medium Businesses (1-499 employees), Small Businesses (1-49) and Micro-Businesses (1-19) plummeted since 2010 by 142%, 115%, and 142%, respectively. Even more troubling is the fact the rate of startup businesses (the seed corn of the U.S. economy) is now half of what it used to be in the 1980s. More recently, the number of new jobs produced by startups (private sector firms less than one-year-old) dropped from a peak of 4.9 million new posts in 1999 to 3.1 million in 2018—for a total of 26.5 million unrealized positions. The U.S. labor force is also languishing due to a lack of qualified and interested workers. As of 1 July 2019, the Bureau of Labor Statistics (BLS) estimates that there are 7.3 million unfilled job positions mainly due to the lack of skilled applicants. Moreover, the number of sidelined workers in the BLS “Not in the Labor Force” group (aka citizens who can work but are not looking for jobs) is 16-times the size (96 million) than are in the BLS “Officially Unemployed U3” category.

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GDP, Business & Jobs Overview

Big business is the anchor tenant of the U.S. economy. Small businesses are the engine of the economy, employing almost three-quarters of all Americans and creating three-quarters of new jobs this decade. Startup businesses are the seed corn of the future economy.

Employment Versus Population Growth

Sources: Bureaus of Labor Statistics & Census

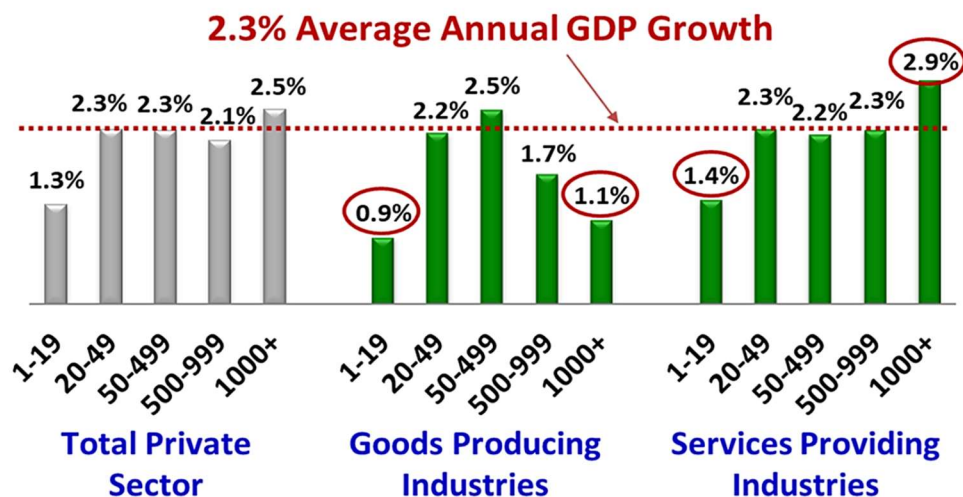
		Millions	1980s	1990s	2000s	2010-2019 Q2
Population	Total		246.8	272.7	307.0	329.2
	Growth		10%	10%	13%	7%
Employment	Total		90.7	130.8	129.8	151.3
	Growth		27%	44%	-1%	16%
Employment Versus Population Growth			18% Strong	34% Very Strong	-13% Decaying	9% Weak
Months in Recession			22	8	26	0

Businesses create jobs that produce goods and services (GDP) to satisfy a nation's needs and wants. Consequently, a healthy business environment is essential to generating new jobs that are essential to meeting the needs of a growing population. So far this decade, the number of employed Americans has outpaced population growth by only 9%, which is significantly better than the recession-plagued 2000s (-13%) but relatively weak compared to the go-go years in the 1990s (34%) and 1980s (18%) that suffered a total of 30-months in recession.

GDP Versus Job Growth By Company Size This Decade

Source: ADP National Employment Report and Bureau of Economic Analysis

1 January 2010 to 1 July 2019

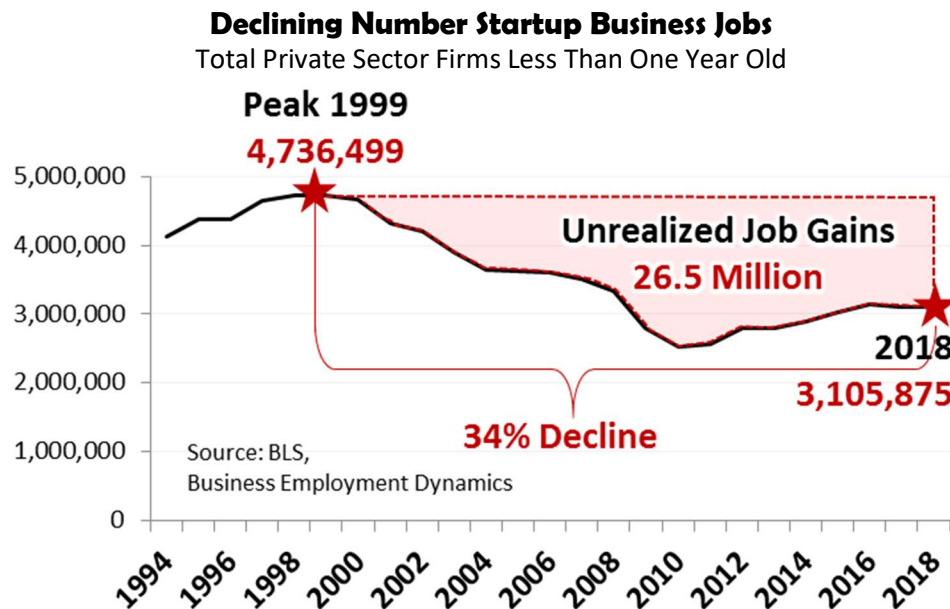


So far this decade, only large (1000+ employees) service-providing companies created new jobs at a rate (2.9%) better than the average rate of annual GDP growth (2.3%). Micro-businesses and goods-producing

companies (mainly manufacturing) grew their workforce significantly below the rate of GDP growth. Other than a few unicorns and gazelles, the U.S. business engine is faltering, and business startups dropped to 30-year lows.

Regarding new starts (firms less than 1-year old), the most recent Census Bureau's Business Dynamic Statistics report indicates that the United States is now creating startup businesses at historically low rates, down from 16.5% of all firms to 8% in 2014 (data range from 1977 to 2014).¹ Based on a Wall Street Journal (WSJ) analysis 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"**.²

The following chart was derived from a recent Census Bureau Business Employment Dynamics data report for startup firms less than one-year-old. Startup firms include various classes of employer businesses from 1 to 4, 5 to 9, 10 to 19, 20 to 49, 50 to 99, 100 to 499, and 500+ employees. Micro-business (1-19 employees) created 77% of all new jobs from 1999 through 2018. Other small businesses (19-99) added 19% of new posts. Medium-sized businesses (100-499) added 4%, and large enterprises (500+) added only 1% of the total.³



As shown, over the last 20-year period, the peak number of jobs created by all firms less than one-year-old was in 1999 that generated 4,736,499 new employment positions. From peak to today, the number of jobs created by firms less than one-year-old decreased by 34% to 3,105,875 in 2018. If the United States maintained the same level of production at 1999 levels, unrealized workforce gains would have amounted to 26.5 million new jobs, or 1.4 million jobs per year—a figure very close to the 2016 WSJ's prediction of 1.8 million jobs.

¹ U.S. Census Bureau, Business Dynamics Statistics, Firm Characteristics Data Tables, Firm Age, https://www.census.gov/ces/dataproducts/bds/data_firm.html

² Wall Street Journal, Sputtering Startups Weigh on U.S. Economic Growth, 23 October 2016, <http://www.wsj.com/articles/sputtering-startups-weigh-on-u-s-economic-growth-1477235874?mod=djem10point>

³ U.S. Bureau of Labor Statistics, Business Employment Dynamics, Research Data on Business Employment Dynamics by Age and Size, Table 1-A-E: Annual gross job gains and gross job losses by age and average size of establishment, <https://www.bls.gov/bdm/business-employment-dynamics-data-by-age-and-size.htm>

The World Bank's Business Rankings 2018

Ease of Doing Business

Top 10	Rank
New Zealand	1
Singapore	2
Denmark	3
Hong Kong, China	4
South Korea	5
Georgia	6
Norway	7
United States	8
United Kingdom	9
Macedonia	10

Ease of Starting a Business

Top 10	Rank	Next 180 Selected Countries	Rank
New Zealand	1	South Korea	11
Georgia	2	United Kingdom	19
Singapore	3	China	28
Canada	3	France	30
Hong Kong, China	5	Russia	32
Jamaica	6	United States	53
Australia	7	Japan	93
Armenia	8	Mexico	94
Azerbaijan	9	Germany	114
Ireland	10	Venezuela	190

According to The World Bank, out of 190 nations, the United States ranks 8th in Ease of Doing Business and 53rd in Ease of Starting a Business.⁴ Unless this situation improves, the U.S. economy and labor force will not grow as fast as other countries. 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 become fallow.

From a Jobenomics perspective, the Trump Administration's business and job creation initiatives (tax cuts, regulatory reform, and balanced trade policies) are necessary to grow the economy. However, today's partisan Congress, divided electorate and the so-called resistance movement are undermining these pro-business initiatives. Moreover, more attention needs to be focused by government and economic development professionals to promote small business and workforce development with an emphasis on underserved communities. The 2017 Tax Cut & Jobs Act included legislation for 8,700 Opportunity Zones (12% of U.S. Census tracts) in under-resourced urban and rural communities. The Act also included provisions for Opportunity Funds and generous capital gains deductions that could motivate investment of tens of billions of dollars' in these financially distressed communities.

Economic growth depends on GDP growth, which is dependent on enterprises that create the means (jobs) to deliver goods and services. When an economy grows at negative or sclerotic GDP rates, instability and unrest occur, and governing institutions lose their sense of legitimacy.

The erosion of America's middle-class and the American dream over the last several decades is one of the principal reasons for the growing interest in socialism.

In many ways, the rise in socialism in the United States is proportional to the growth of American casino-capitalism. Socialism offered a solution to solving the needs of the many. Casino-capitalism benefits the wealthy few by making money on money. To unite our divided electorate, the United States needs to return to **inclusive-capitalism** (Jobenomics' focus) where citizens can achieve self-sufficiency and upward-mobility by making money on their labor or laboring collectively with other workers in a small business environment that promotes unity, good-fellowship, and purpose.

⁴ The World Bank, Doing Business, 2018 Rankings & Ease of Doing Business Score, <http://www.doingbusiness.org/en/rankings>

Economic and GDP Growth Overview

Gross domestic product (GDP) is currently the best way to measure a country's economy. Per the U.S. Bureau of Economic Analysis, 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."⁵ As shown below, the U.S. Federal Reserve (U.S. central bank) provides an excellent historical snapshot of the four major components of GDP.

Personal Consumption/Expenditures As A Percent Of U.S. GDP

Source: U.S. Bureau of Economic Analysis, NIPA Tables, Table 1.1.5.

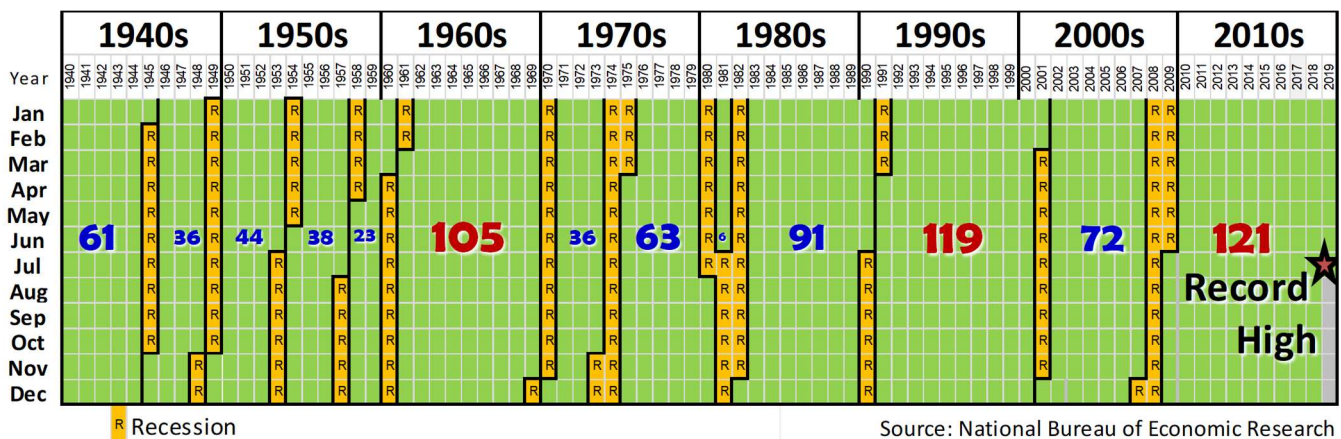
Major Components	Q2 2019	
	\$ Trillion	%
Personal consumption/expenditures	14.5	68%
Government consumption/expenditures	3.7	18%
Private domestic investments	3.8	18%
Net U.S. imports/exports	-0.7	-3%

Total U.S. Gross Domestic Product \$ 21.3

Personal consumption and expenditures (PCE) account for 68% of domestic spending, and thus, it is the primary engine that drives future economic growth. PCE shows how much of the income earned by households is spent or purchased by people for consumption as opposed to how much is saved for future use. PCE is dependent on a growing labor force that produces goods and services, and the wages that the workforce earns. If labor and earnings stop growing, then GDP stops growing. **For every monthly percentage point change of GDP growth, approximately 125,000 jobs are gained or lost.** Thus, 1.5 million jobs per year are at stake. During the Great Recession, America's consumption-driven GDP dropped 5.5% year-over-year (from +2.7% in 2006 to -2.8 in 2009), resulting in a loss of 8.7 million jobs.

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 mainly due to a strong economy and the relative attractiveness of U.S. investment opportunities.

Longest Running Post-Recession Recoveries (Months)



⁵ U.S. Bureau of Economic Analysis, <https://bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

From the end of the Great Recession in June 2009 to 1 July 2019, the United States economy delivered 121 straight months of GDP growth, **the longest economic expansion since 1857**.

While the current 121-month period of economic expansion is phenomenal, it puts the United States in sixth place globally. China's uninterrupted run began in December 1989 and is now an incredible 361 months in duration. Other long-runs include Australia (337 months since December 1991), India (278 months since November 1996), South Korea (133 months since December 2008), and Germany (121 months since June 2009).⁶

Both the CBO and Fed forecast **continued but slower GDP growth**. The Congressional Budget Office's Budget and Economic Outlook; 2019 to 2020 projects that real (inflation-adjusted) GDP growth from 2020 through 2023 will be 1.7%.⁷ Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents (the people responsible for setting U.S. monetary policy) predict that U.S. real GDP will decelerate from 2.1% in 2019 to 1.9% in 2020 to 1.8% in 2021 and 1.9% in the longer run.⁸

While there is little evidence that time limits economic expansion, the Administration will have to shift emphasis from promoting manufacturing to developing a sustainable small business strategy. In addition to focusing on employment statistics, the Administration needs to focus on **net labor force gains and losses**—the sum of the number of citizens classified by the Bureau of Labor Statistics as Employed, Unemployed and Not in the Labor Force.

According to the U.S. Bureau of Labor Statistics, to be "Employed," one must have a job. To be classified as "Unemployed," one must be actively looking for work. Frustrated or discouraged Americans who can work but quit looking and voluntarily depart the workforce are accounted as "Not in the Labor Force"—a nebulous category that few people comprehend.

Hierarchy Of The U.S. Civilian Noninstitutional Population

Source: U.S. Bureau of Labor Statistics

1 July 2019

Civilian Noninstitutional Population	259,037,000
• Civilian Labor Force	162,981,000
Labor Force Participation Rate	62.9%
◦ Employed	157,005,000
Employment-Population Ratio	60.6%
◦ Unemployed (U3)	5,975,000
Unemployment rate	3.7%
• Not-in-Labor-Force	96,057,000
Persons who currently want a job	5,654,000

⁶ Bloomberg Businessweek, The Year Ahead, Growth Outlook 2019, Page 10

⁷ Congressional Budget Office, The Budget and Economic Outlook: 2019 to 2029, January 2019, Chapter 2, The Economic Outlook, <https://www.cbo.gov/system/files/2019-03/54918-Outlook-3.pdf>

⁸ U.S. Federal Reserve System, Federal Open Market Committee, Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, March 2019, <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20190320.htm>

The most significant and under-reported category provided by the BLS is the Not-in-Labor-Force category. Using a military active-duty versus reserve force analogy, the “Civilian Labor Force” is comprised of active-duty workers either have a job or looking for a job. The Not-in-Labor-Force cadre is a reserve component excluded from the Civilian Labor Force but included in the “Civilian Noninstitutional Population.”⁹ From a Jobenomics perspective, excluding the Not-in-Labor-Force in the national workforce dialog is shortsighted since it is two-thirds the size of the Employed workforce and sixteen times the size of the number of Unemployed.

Net U.S. Labor Force Gains/Losses

Source: U.S. Bureau of Labor Statistics¹⁰

1 July 2019

	Employed	Unemployed (U3) Gain/Loss	Not-in-Labor Force Gain/Loss	Net Gains- Losses
This Year	1,033,000	(319,000)	408,000	944,000
Since 2000	20,522,000	322,000	27,402,000	(7,202,000)
Trump Era	5,865,000	(1,528,000)	1,094,000	6,299,000
Obama Era	10,586,000	(3,783,000)	14,583,000	(214,000)
Bush II Era	2,135,000	5,652,000	9,892,000	(13,409,000)
Color Key		Better Off	Worse Off	

This table summarizes net labor force gains and losses since the year 2000. The green color-code indicates areas of labor force improvement, and the red color-code illustrates degradation. This year, the United States has produced a net labor gain (green) of 944,000 positions. However, the U.S. labor force is still weaker (red) by 7.2 million people than it was in the year 2000.

Each of the last three presidents made employment gains. Presidents Obama and Trump reduced the size of the number of unemployed. However, many unemployed citizens become discouraged, quit looking, and joined the Not-in-Labor-Force, which has grown under all three Presidents. Since 2000, the number of citizens in the Not-in-Labor-Force has skyrocketed from 68.7 million to 96.1, an increase of 40% or 27.2 people who are capable of working.

- During the 8-year G.W. Bush Administration, which was plagued by two recessions and multiple disasters, the Not-in-Labor-Force grew by 9,892,000, and the Unemployed increased by 5,652,000, which explains the reason for such a substantial labor force 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, 14,583,000 citizens voluntarily departed the workforce, thereby negating the Obama Administration’s positive job gains and unemployment reductions. Using only Civilian Labor

⁹The civilian noninstitutional population refers to people 16 years of age and older residing in the 50 States and the District of Columbia who are not inmates of institutions (penal, mental facilities, homes for the aged), and who are not on active duty in the Armed Forces.

¹⁰ BLS Current Employment Statistics (CES) survey (CES0000000001), Table B-1, Seasonally Adjusted; BLS Not-in-Labor-Force Report (LNS15000000) Seasonally Adjusted; BLS Unemployed Report (LNS13000000), Table A-10, Seasonally Adjusted

statistics (Employed and Unemployed categories), the Obama Administration improved the U.S. labor force by 14,369,000 people. However, if the 14,583,000 people in the Not-in-Labor-Force category were added to the calculation, the Obama Administration suffered a net labor force loss of 214,000.

- President Trump is the only president to generate positive net labor force gains. During the first 30-months of the Trump Administration, the U.S. labor force grew by a net 6,299,000 workers, which includes 45,865,000 new jobs and a reduction of 1,528,000 unemployed. Despite a growing economy and generous tax cuts, the Trump Administration has not been able to stem the outward flow to the Not-in-Labor-Force that has grown by 1,094,000 departures.

The vast number of citizens in the Not-in-Labor-Force is a weighty problem for the following reasons.

- The first reason is due to its immense size that is three-quarters the size of the entire **private sector** workforce (96,057,000 versus 128,755,000).
- Secondly, the BLS reports that only 6% of people in the Not-in-Labor-Force cadre currently “want a job,” which places additional strain on taxpaying working Americans.¹¹ The remaining 94% are living by other means including public/familial assistance, retirement income, student loans, or alternative lifestyles in the underground and illicit economies.
- Lastly, the United States is running out of skilled workers to fill 7.3 million open jobs, and would greatly benefit if qualified (e.g., early retired, college students, etc.) Not-in-Labor-Force rejoined the labor force.

From a labor force standpoint, **the single biggest issue facing the current Administration is shrinking the enormous size (96 million) of the Not-in-Labor-Force.** Shrinking the Not-in-Labor-Force is even more important than creating new jobs since the United States is producing more new job openings than employers can fill. From a Jobenomics perspective, the Trump Administration and Congress need to prioritize small business creation. Small businesses employ three-quarters of all working Americans and are the primary source of employment of sidelined citizens in the Not-in-Labor-Force who want to join or enter the workforce.

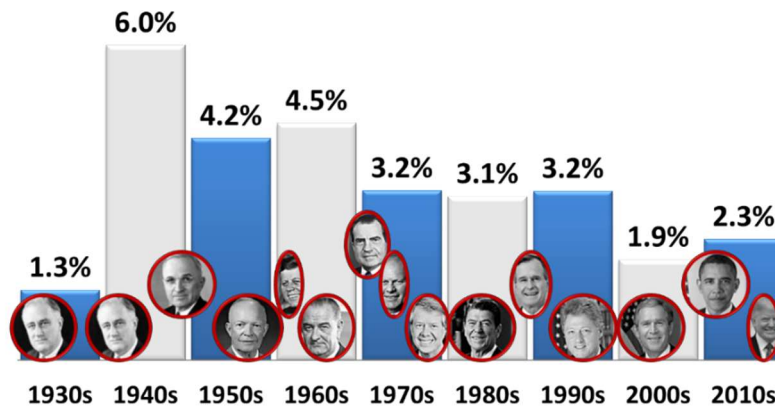
¹¹ U.S. Bureau of Labor Statistics, Table A-38, Persons not in the labor force by desire and availability for work, age, and sex, <https://www.bls.gov/web/empsit/cpseea38.htm>

Gross Domestic Product (GDP) Analysis

The post-WWII decades of the 1940s, 1950s, and 1960s produced high rates of GDP growth, 6.0%, 4.3% and 4.5% respectively. Today, the ideal GDP growth rate is 3%. Any GDP growth below 2% is considered sclerotic growth that makes the U.S. economy vulnerable to financial downturns. Growth over 4% generally indicates overheating and asset bubbles.

U.S. GDP History (1930 to Present)

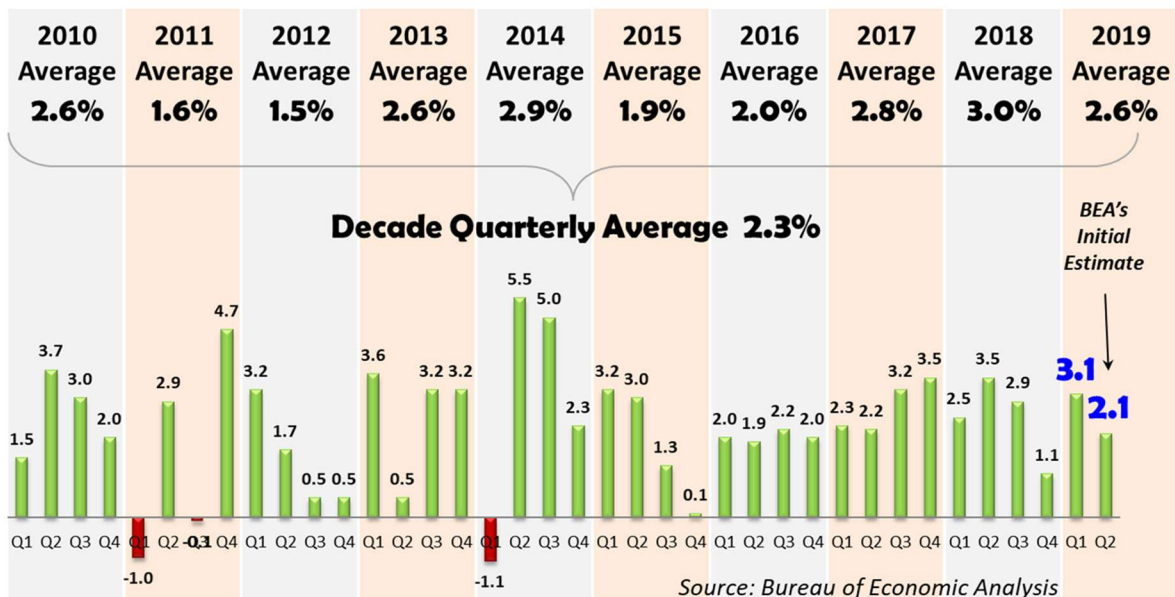
Source: BEA, Table 1.1.1., Decade Average¹²



Achieving President Trump's sustained 3.5% to 4.0% GDP goal 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 help the United States tie the 3.5% record over the next decade, the President will be worthy of much praise and his policies vindicated.

Real GDP Quarterly Percent Change This Decade

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



¹² 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>

Per the U.S. Bureau of Economic Analysis (BEA), from 2010 through Q2 2019, the quarterly GDP average was 2.3%.¹³ The Obama Administration averaged 2.0% from 2010 through 2016, and the Trump Administration averaged 2.6% from 2017 through June 2019. The first two quarters of 2019 yielded GDP growth rates of 3.1% and 2.1% respectively for a midyear average of 2.6%.

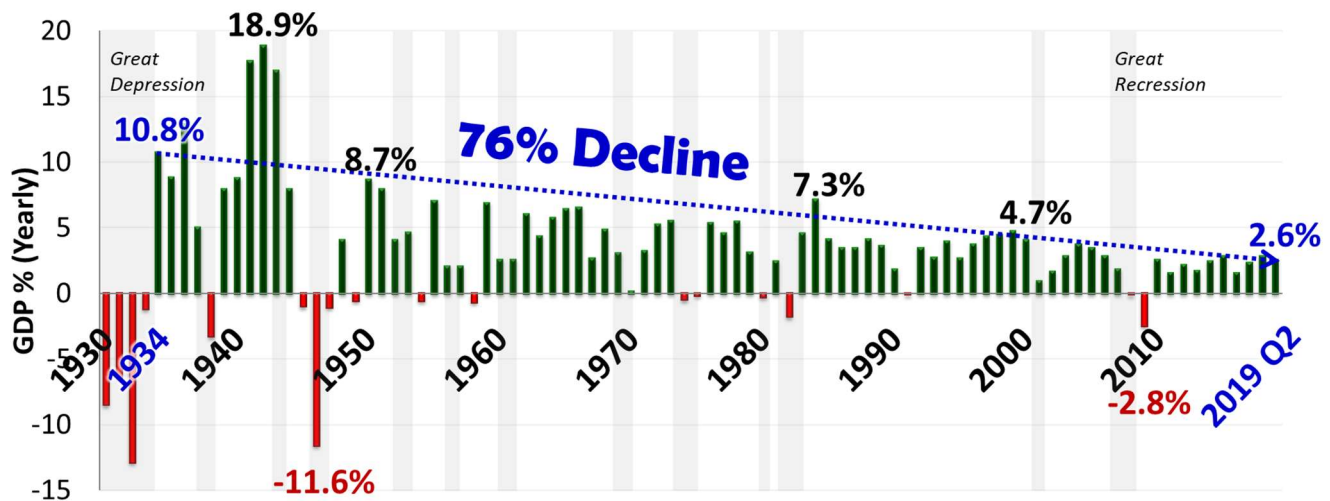
The Federal Reserve (U.S. central bank in charge of U.S. monetary policy) banks of Atlanta and New York use BEA data to predict future GDP growth. The Bank of Atlanta and Bank of New York forecasting models are based on statistical filtering techniques that are common in big data analytics. Because these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

For Q3 2019, as of 8 August 2019, the Federal Reserve Bank of Atlanta's GDPNow forecast is 1.9%. The Federal Reserve Bank of Atlanta's "Blue Chip consensus" survey of the top ten and bottom ten forecasts of leading business economists is also 1.9%.¹⁴ For Q3 2019, as of 9 August 2019, the Federal Reserve Bank of New York's Nowcast forecast is 1.6%.¹⁵

Based on these BEA and Fed reports, the U.S. economy is showing signs of deceleration. Most economists attribute this downward trend to a slowing global economy, trade war, and loss of investor confidence due to political turmoil in Washington.

U.S. GDP History (1930 To Present)

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



This chart, derived from BEA real GDP data, depicts that U.S. GDP has been on a long downward trend ever since the year after the Great Recession. During these 85 years, U.S. GDP gradually declined by 76%, from 10.8% in 1934 to 2.6% in 2019.

¹³ 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>

¹⁴ Federal Reserve Bank of Atlanta, GDPNow, <https://www.frbatlanta.org/cqer/research/gdpnow.aspx>

¹⁵ Federal Reserve Bank of New York, Nowcast Report, <https://www.newyorkfed.org/research/policy/nowcast>

Major Components of U.S. GDP

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.”¹⁶

Major Components Of U.S. GDP

Source: BEA, NIPA Tables, Table 1.1.5. Gross Domestic Product¹⁷

Major Components	Pre-Recession Q3 2007		Q2 2019	
	\$ Trillion	%	\$ Trillion	%
Personal Consumption/Expenditures	9.8	67%	14.1	68%
Government Consumption/Expenditures	2.8	19%	3.6	17%
Private Domestic Investments	2.7	18%	3.7	18%
Net U.S. Imports/Exports	-0.7	-5%	-0.7	-3%
Total U.S. Gross Domestic Product	\$ 14.5		\$20.7	

Personal Consumption/Expenditures (PCE). 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 receive. If labor and wages stop growing, then GDP stops growing. The opposite is also true.

PCE grew from \$9.8 trillion in Q3 2007 (the quarter before the Great Recession) to \$14.1 trillion in Q2 2019, representing 67% and 68% of GDP, respectively. According to the Bureau of Labor Statistics, PCE amounts to about 80% of a consumer unit’s (singles, married with and without children) income before taxes. Average expenditures per consumer unit for 2017 (the latest BLS data) were \$60,060. Housing took the most significant chunk (33%) of spending, followed by transportation (16%), food (13%), personal insurance and pensions (11%), and healthcare.¹⁸

Government Consumption/Expenditures. Due to various budget, debt, and deficit considerations, Government Consumption/Expenditures dropped from 19% in Q3 2007 to 17% in Q2 2019. Given the Democrat’s penchant for higher government spending (e.g., Medicare for all and free college education) and the Republican’s willingness to increase the debt ceiling, government expenditures are likely to increase, perhaps significantly if the Democrats control Congress and win the White House.

Private Domestic Investments. Private Domestic Investments remained steady at 18% of GDP. Given the magnitude of recent tax cuts, private sector local investments could conceivably improve substantially if corporate America invests their newfound profits in their industrial base and workforce. However, U.S. business confidence has eroded significantly over the last year, according to the U.S. Business Confidence

¹⁶ U.S. Bureau of Economic Analysis, <https://bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

¹⁷ 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>

¹⁸ U.S. Bureau of Labor Statistics, , Consumer Expenditures (Annual) News Release, 11 September 2018, <https://www.bls.gov/news.release/cesan.htm>

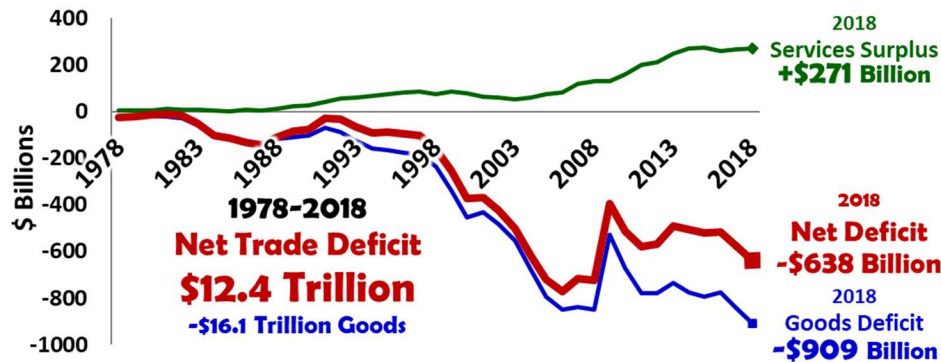
Index.¹⁹ The NFIB Small Business Optimism Index also shows a similar drop of faith from an all-time high in August 2018.²⁰

Net U.S. import/exports. The U.S. trade deficit (imports minus exports) is the only major component of U.S. GDP that is negative. While import/export deficit improved from 5% of GDP in Q3 2007 to 3% in Q2 2019, the U.S. is still hemorrhaging \$700 billion per year to foreign countries—an amount roughly equal to annual defense spending.

Trade Deficit and Trade War

U.S. Trade Deficit \$12.4 Trillion Since 1978

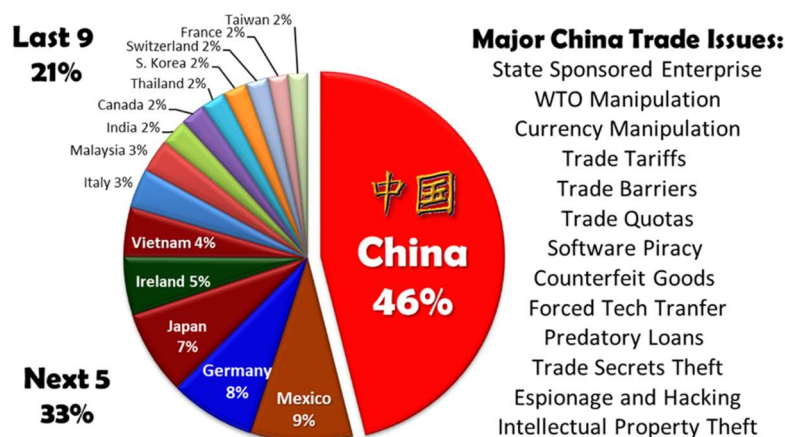
Source: U.S. Bureau Of Economic Analysis, Table 1.1.5. GDP, Net exports of goods and services



Over the last 4-decades, the **net** U.S. trade deficit totaled a staggering \$12.4 trillion—a shortfall of \$16.1T in good and a surplus of \$3.7T in Services. \$12.4 trillion is a vast sum equivalent to a loss of 248 million years of American middle-class wages of \$50,000 per year.

2018 Top-15 Trade Deficits In Goods = \$909 Billion

Source: U.S. Bureau Of Economic Analysis, Table 1.1.5. GDP, Net exports of goods and services



\$909B ÷ \$50K per U.S. wage earner ≈ 18 Million Jobs

¹⁹ Moody's Analytics, United States Business Confidence, Source: OECD Business and Consumer Confidence Index release, 31 July 2019, <https://www.economy.com/united-states/business-confidence>

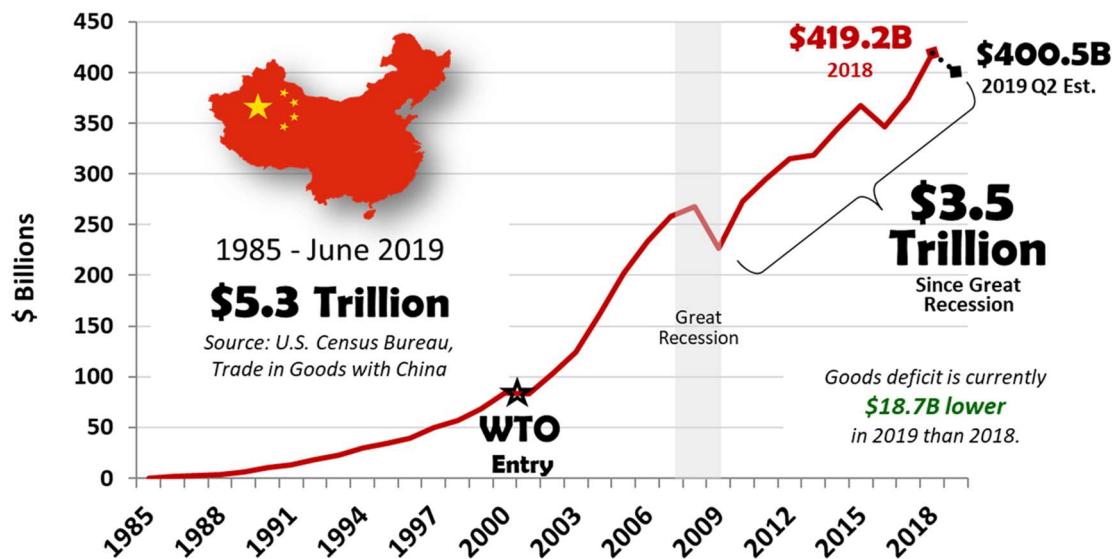
²⁰ Trading Economics, United States NFIB Business Optimism Index, <https://tradingeconomics.com/united-states/nfib-business-optimism-index>

In 2018, the goods trade deficit (e.g., manufacturing, mining, oil & gas, and agriculture) amounted to \$909 billion—the largest in U.S. history. \$909 billion is equivalent to approximately 18 million U.S. manufacturing production workers making an average wage of \$50,000 per year.

Of the top-15 trading partners with goods deficits, China was responsible for \$419B (46%), followed by European Union nations \$169B (19%) and NAFTA (Mexico and Canada) \$101 (11%) for a combined \$690B or 76% of the total goods deficit.

Goods Deficit With China

Source: U.S. Census Bureau, Trade in Goods with China²¹



According to the U.S. Census Bureau's Trade in Goods with China database, the trade goods trade deficit since the U.S. started trading with China is currently \$5.3 trillion. With U.S. support, China was admitted in the World Trade Organization with hopes that WTO entry would encourage the Chinese government to move towards a market-based economy. Unfortunately, the opposite happened with the Chinese adopting a state-sponsored approach to trade. Today, China is not only the most egregious offender in terms of dollar amounts but also a long list of predatory practices including manipulation, coercion, tariffs, barriers, espionage, counterfeiting, and intellectual property theft.

Free trade is an ideal goal. In practice, reciprocal trade is more realistic, especially in an ever-changing global marketplace. Every American president since Ronald Reagan to Barak Obama attempted to balance the trade deficit via diplomacy. However, Americans are addicted to inexpensive foreign products, and foreign nationals are unwilling to relinquish the status quo. Since diplomacy did not ameliorate trade imbalances, President Trump is instituting trade balancing policies aimed at the top U.S. trading partners who are responsible for the vast majority of the U.S. trade deficit. This big stick approach is alarming to domestic and international status quo supporters who claim that a trade war will ravage the global economy. On the other hand, \$12.4 trillion worth of trade deficits over the last 4-decades hammered U.S. industries and workers.

²¹ U.S. Census Bureau, Trade in Goods with China, <https://www.census.gov/foreigntrade/balance/c5700.html>

Fortunately, President Trump's aggressive policies 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 the landmark United States Mexico Canada Agreement (USMCA) to replace NAFTA, which is yet to be ratified by Congress. South Korea and Japan are reportedly close to similar reciprocal trade agreements. China is the most critical and remaining big holdout.

Conclusion. As a rule of thumb, a 1%-point uptick in GDP translated to about 1.5 million additional jobs per year. 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 new jobs per year.

While 4.5 million may sound overly optimistic, the United States generated 4.3 million new jobs (farm and nonfarm) in 1977. The United States posted similar employment gains between 3 to 4 million jobs in 1955, 1973, 1976, 1978, 1983, 1984, 1987, 1994, 2000, and 2006.²⁴

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/>

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>

Understanding Employment Statistics

The U.S. Bureau of Labor Statistics (BLS) Employment Situation report is a monthly employment summary of all U.S. government and private sector citizens who are Employed, Unemployed or Not in the Labor Force. The Employment Situation Summary is based on two monthly surveys sponsored jointly by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics.²⁵

- The “**Household**” survey (officially known as the **Current Population Survey** or **CPS**) conducts 60,000 household interviews regarding labor force, the employed and the unemployed, classified by such characteristics as age, sex, race, family relationship, marital status, occupation, and industry attachment. The Household survey includes both farm and nonfarm populations.
- The **Current Employment Statistics (CES)** survey (also known as the “**Establishment**” or “**Payroll**” survey) gathers data from over 390,000 nonfarm employer establishments on wage and salary employment, average weekly hours, average hourly earnings, and average weekly earnings for the Nation, States, and metropolitan areas. The Establishment survey includes only nonfarm (ten industry supersectors and government) employment.

U.S. Labor Force Overview

Sources: BLS, Census Bureau, Population & CPS Data

1 July 2019

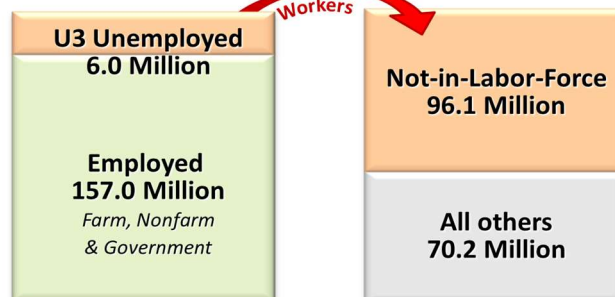
Total U.S. Population 329.3 Million

Civilian Labor Force

163.0 Million

Not Looking for Work

166.3 Million



According to the Household Survey, as of 1 July 2019, the U.S. labor force (farm and nonfarm) consists of 259,225,000 citizens (called the Civilian Noninstitutional Population) enrolled in one of three Bureau of Labor Statistics categories: Employed (158,385,000), Unemployed (6,556,000) and Not-in-Labor-Force (94,284,000).²⁶ Subtracting these figures from the total number of U.S. citizens (329,306,000), there are approximately 70.2 million Americans that either cannot work (children, caregivers, disabled, retired, etc.) or are unavailable for work in the traditional labor force (institutionalized, armed force members).

From a Jobenomics viewpoint, it is vitally important to evaluate the give-and-take between each of the Civilian Noninstitutional Population categories (Employed, Unemployed, Not-in-Labor Force) as opposed to only two most commonly used categories in the Civilian Labor Force (Employed, Unemployed). The reason why it is vitally important to include the Not-in-Labor-Force category in policymaking is due to the massive number (96 million) of citizens who have been sidelined or voluntarily departed the U.S. labor force. 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.

²⁵ U.S. Bureau of Labor Statistics, Household vs. Establishment Series, <http://www.bls.gov/lau/lauhvse.htm#hvse>

²⁶ BLS, CPS (Household Data), Table A-1, <https://www.bls.gov/news.release/empst.t01.htm>

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**.

The Not-in-Labor-Force Conundrum

To be classified as unemployed, one must be actively looking for work. Frustrated or discouraged Americans who can work 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 simply quit looking for a job.

Not-In-Labor-Force “Do Not Want A Job Now” Cadre

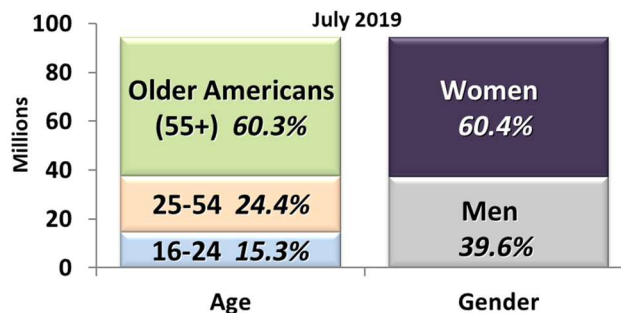
Source: U.S. Bureau of Labor Statistics, Household Data, Table A-38²⁷

July 2019	Age (Years Old)				Sex	
	Total	16-24	25-54	55+	Male	Female
Not-in-Labor-Force	94,284,000	14,417,000	23,051,000	56,815,000	37,353,000	56,931,000
Percent of Total	100%	15%	24%	60%	40%	60%
Do not want a job now	88,995,000	12,965,000	20,790,000	55,240,000	34,888,000	54,107,000
% Do not want a job now	94%	90%	90%	97%	93%	95%

An equally disturbing statistic reported by the BLS is that 94% of the (surveyed) people in the Not-in-Labor-Force “do not want a job now.”

Not-In-Labor-Force Demographics

Source: U.S. Bureau of Labor Statistics, Household Data, Table A-38



It is also interesting to note that 60% of citizens in the Not-in-Labor-Force are either older Americans (55+) or women. From a Jobenomics perspective, these two labor pools are an ideal potential worker pool for the 7.3 million unfilled open jobs.

²⁷ 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>

Older Americans and women often have skills to fill open jobs. For example, mothers that are empty-nesters have the maternal skills necessary for remote on-demand, direct-care positions such as healthcare, social assistance, behavioral care (drug abuse, 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 providers could provide in-home and remote care to needy denizens via e-health and mobile-health technologies.

Labor Force Gains and Losses

U.S. Labor Force Gains And Losses Since The Year 2000

Source: Bureau of Labor Statistics

	Working	Capable of Working		
July 2019	Employed	Unemployed (U3) Increase	Not-in-Labor Force Increase	Net Labor Force Loss
Since 2000	20,522,000	322,000	27,402,000	(7,202,000)

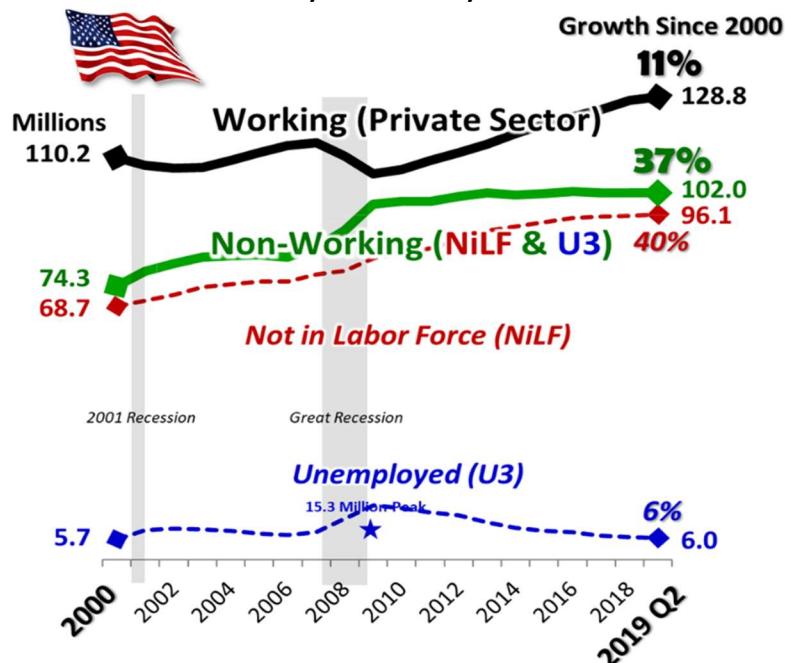
Since the beginning of the 21st Century (1 January 2000), more people departed the U.S. labor force to the Not-in-Labor-Force cadre (27,402,000) than entered the workforce (20,522,000). Moreover, the ranks of the unemployed are still higher by 322,000 citizens today compared to the turn of the Century. These disparities are alarming 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 quickly 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).

Working Versus Non-Working Populations

Source: Bureau of Labor Statistics

1 January 2000 to 1 July 2019



The private sector workforce produces most goods and services that drive U.S. economic growth. From the year 2000, the private sector Working Population grew by 11% (from 110.2 million to 128.8 million workers) compared to a Non-Working Population rise of 37% (from 74.3 million to 102.0 million citizens). Within the Non-Working Population, the Not-in-Labor-Force rose by 40% (from 68.7 million in the year 2000 to 96.1 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. On the other hand, a decelerating economic trend is emerging, which will mitigate or reverse this positive trend rather quickly as consumer and business confidence dwindles.

U.S. Labor Force Gains And Losses History

As of 1 July 2019	Employed	Unemployed (U3) Gain/Loss	Not-in-Labor Force Gain/Loss	Net Gains- Losses
Trump Era	5,865,000	(1,528,000)	1,094,000	6,299,000
Obama Era	10,586,000	(3,783,000)	14,583,000	(214,000)
Bush II Era	2,135,000	5,652,000	9,892,000	(13,409,000)
<div> <div>Color Key</div> <div> <div>BLS CES Report (CES0000000001) Table B-1 Seasonally</div> <div>Better Off</div> <div> <div>BLS Unemployed Report (LNS13000000) Table A-10</div> <div>Worse Off</div> <div> <div>BLS Not-in-Labor- Force Report (LNS15000000) Seasonally Adjusted</div> </div> </div> </div> </div>				

During the 30-months of the **Trump Era**, from 1 January 2017 to 1 July 2019, the U.S. labor force **net gain** amounted to 6,229,000 individuals. 5,865,000 workers entered the labor force—an average of 195,500 jobs per month. 1,528,000 fewer workers were listed as officially unemployed (people looking for work), and the number of work-capable people in the Not-in-Labor-Force (people who quit looking for work) increased by 1,094,000 citizens.

Now that the unemployment rate is hovering around historic low percentages, the number of unemployed citizens is not likely to decrease much lower. Consequently, reversing the size and growth of the Not-in-Labor-Force population should be the Trump Administration's highest workforce priority since this cadre is overwhelmingly the most significant pool for available American workers. If the Administration cannot entice these sidelined citizens to enter the labor force, the number of unfilled U.S. jobs (currently 7.3 million) is likely to continue to grow unabated to the point that American businesses have to resume outsourcing labor to foreign countries or automate (robotics and artificial intelligence). The only other likely course of action would be to increase the influx of skilled foreign workers via a merit-based immigration system.

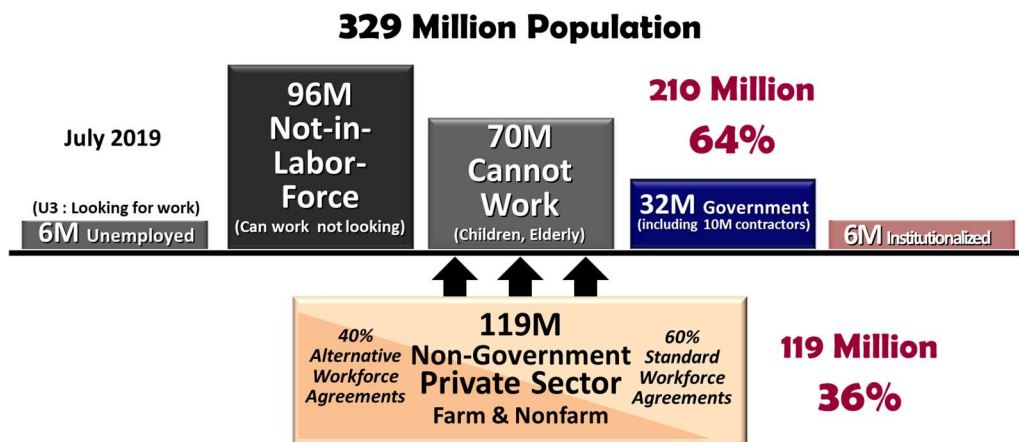
During the 8-years/96-months of the Obama Era (1 January 2009 through 31 December 2016), the U.S. labor force **net loss** was 214,000 jobs, with 10,586,000 entering the labor force, 14,583,000 voluntarily departing, and 3,783,000 fewer people recorded as officially unemployed. It is important to remember that the first 21-months of President Obama's time 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 13,409,000 jobs (2,135,000 new positions, 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.

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.

Maintaining A Large Overhead Destabilizes The U.S. Economy



Out of a total population of 329 million Americans, 119 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, 70 million who cannot work (children, elderly and retired), 6 million unemployed, and 6 million institutionalized citizens (Armed Forces, incarcerated, mental institutions, etc.). Of the 119 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.²⁸

Today, 119 million non-government private-sector workers provide the means to drive the economy upward. 199 million workers (36%) is insufficient to carry an overhead of 210 citizens (64%). The U.S. economy is not sustainable over the long-term, with such a small percentage supporting an ever-growing burden that is likely to increase as the U.S. economy decelerates.

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

²⁸ U.S. Bureau of Labor Statistics, Household Data, Summary table A. Household data, seasonally adjusted, <https://www.bls.gov/news.release/empsit.a.htm>



employ 77.1% of all Americans and generated 73.8% of all new employment positions since the end of the Great Recession. Therefore, policymakers and decision-leaders must concentrate on small business creation and sustainment to achieve economic and labor force growth.

Job Creation History by President

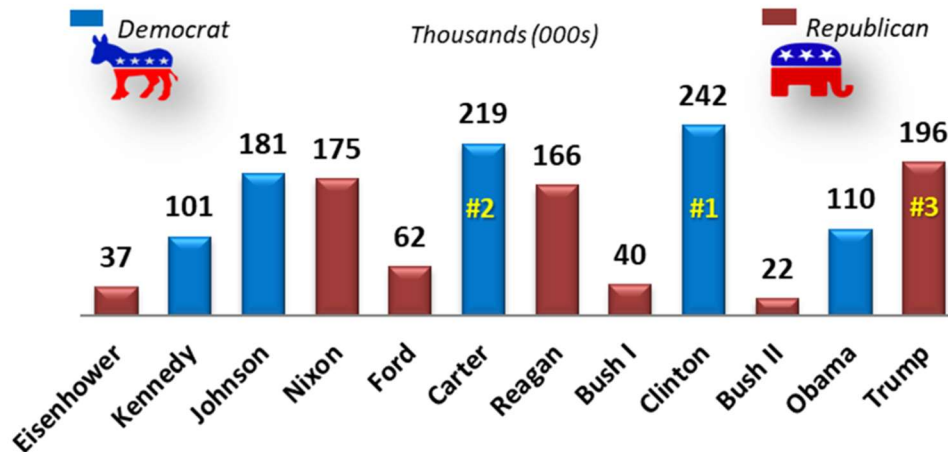
In today's highly charged political environment, what people really want to know is how today's president is performing against past presidents.

Job Creation History By President

Actual (Unadjusted) Payroll Gains

Nonfarm Employer Businesses Only

Source: Bureau of Labor Statistics/Census Bureau Establishment Survey (CES)



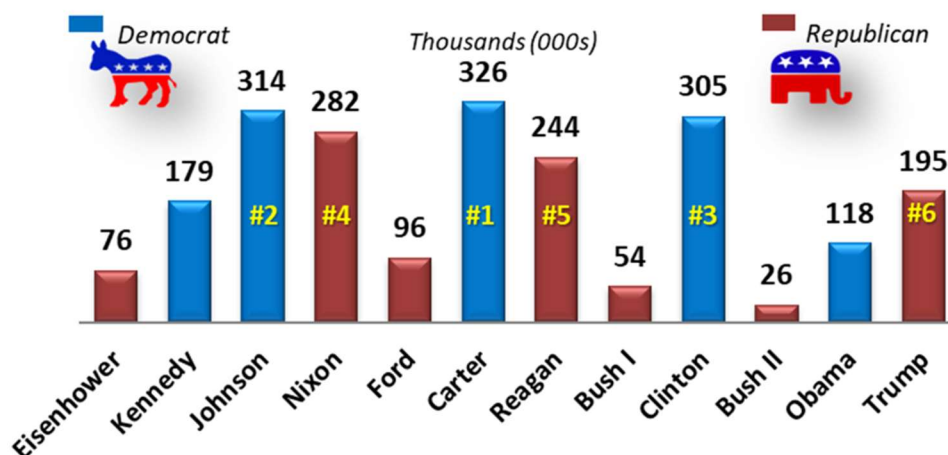
As color-coded by political party, of the twelve presidents since WWII, President Trump's average monthly job creation rate is 193,739, which puts him in third place following President's Clinton and Carter.

Job Creation History By President

Payroll Gains Adjusted For Population Size

Nonfarm Employer Businesses Only

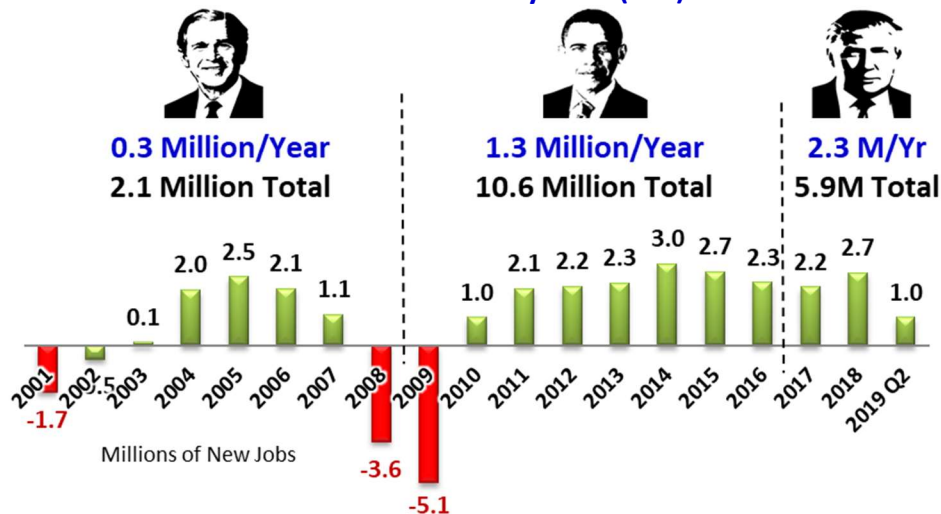
Source: Bureau of Labor Statistics/Census Bureau Establishment Survey (CES)



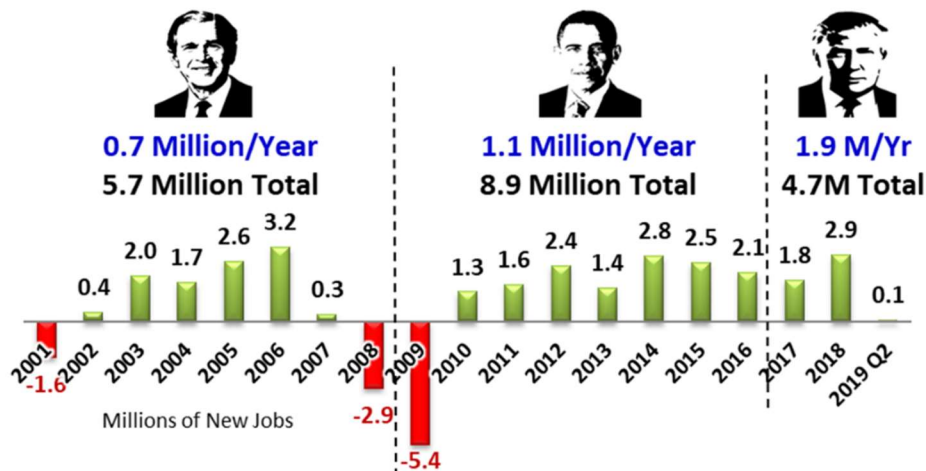
A fairer comparison of presidential employment gains would include adjusting for population size. For example, during the Eisenhower Administration, the U.S. population was about half (160 million) of today's size (329 million). Adjusted for population size, President Trump would be in sixth place following Carter, Clinton, Johnson, Nixon, and Reagan.

Since the Bureau of Labor Statistics uses data from two Census Bureau surveys in their monthly employment situation report, one should know the difference. The most-reported statistics are from the Establishment Survey (aka Current Employment Statistics survey, or CES) that uses payroll data of all employees (regardless of age) from 160,000 businesses and government agencies. The less-reported statistics are from the Household Survey (aka Current Population Survey, or CPS) of workers aged 16 and older in about 60,000 eligible households. The CES is limited to nonfarm industrial and government entities, whereas the CPS is more inclusive and includes better demographic detail on other workers such as farmers, the self-employed individuals, and unpaid family workers. Consequently, the numbers are often different, as shown below.

Job Creation Scoreboard since 2001 by Year Nonfarm Employer Payroll Jobs Establishment Survey Data (CES)



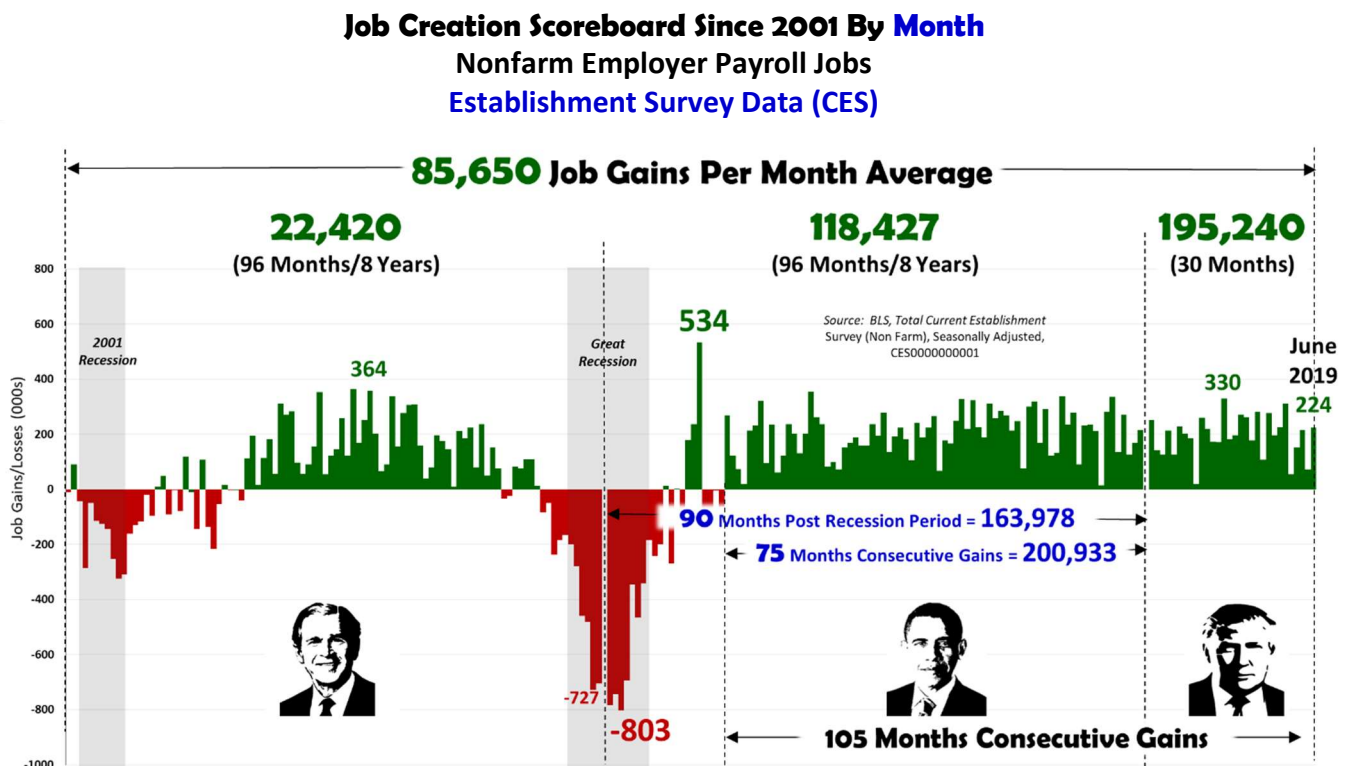
Job Creation Scoreboard since 2001 By Year Nonfarm & Farm Employer Payroll Jobs Household Population Survey Data (CPS)



Typically, politicians and the media quote the CES statistics. The reason is primarily due to our industrial orientation to tradition employer-based organizations. Consequently, nonemployer firms (single-person firms without employees, including but not limited to the self-employed), migrant workers, and agriculture (farms and ranches) receive less attention. Exclusion of these individuals was not a significant issue in the 20th Century because the private sector and government employers provided most worker wages and benefits.

However, times are changing. Nonemployer businesses (independent contractors, contingent workers, self-employed, gig workers, freelancers, etc.) comprise a significant percentage of the 21st Century workforce is growing at twice the rate of traditional employer business due to the emerging digital economy and the ethnology (cultural differences) of younger digital-age generations who have very different views about work and careers.

As stated, the CES is the most reported statistics. In the run-up to the 2020 Presidential elections, CES data will be over-reported and spun to suit the political objects of both parties. For example, Democrat candidates claim that today's strong economy is due to the foundation laid by the Obama Administration. President Trump and the Republicans claim otherwise. The Trump Administration's position is that it inherited a tepid economy from the Obama/Biden team that it had to supercharge. The Democratic candidates assert that the Obama Administration inherited a devastated economy from the Bush Administration. The answer to who is correct is in the following chart that shows the job creation rate by month for President's Bush, Obama, and Trump as recorded by the Establishment Survey (CES).



From January 2001 through June 2019, the United States averaged an abysmal 85,650 new jobs per month. During this period, the monthly job creation high watermark was 534,000 new jobs in May 2010, and the low watermark for job losses was 803,000 in March 2009 during the depth of the Great Recession. Both high and low watermarks occurred during the Obama era. President Bush's high watermark was 364,000 jobs in April 2005, and his low watermark was 727,000 job losses in November 2008. President Trump's highest job creation month was 330,000 in February 2018 and no job losses during his tenure.

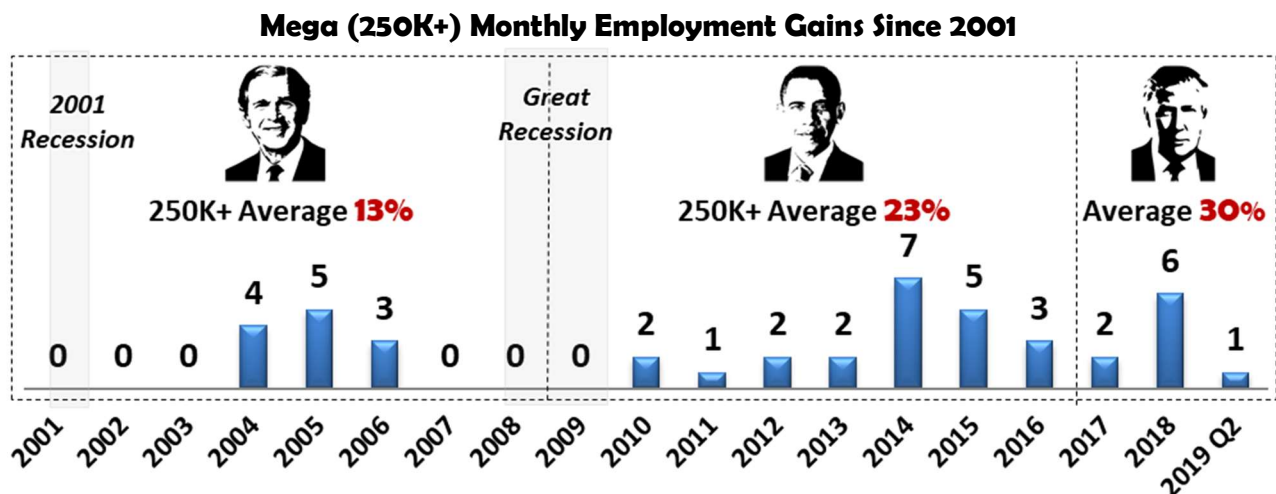
From an Administration standpoint,

- The Bush Administration (2001 through 2008) created an average of only 22,420 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 through 2016) created an average 118,427 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 163,978 new jobs per month. Perhaps, the most important legacy of the Obama Administration is 75-months of consecutive job gains averaging 200,933 jobs per month.
- The Trump Administration (2017 through June 2019) averaged 195,240 new jobs per month. Equally impressive, the Trump Administration continued the positive job creation streak with 30 more months of job gains and extended the continuous job creation run to 105-months—the **longest span of labor force gains since the Bureau of Labor Statistics began record-keeping in February 1939**.

Based on this information, the answer to who is correct depends mainly on the impact of the Great Recession. If the devastation of one of the worse financial downturns in recent U.S. history is part of the Obama legacy, the Obama Administration’s job creation record was mediocre. However, if one looks at the post-Recession recovery period, the Obama legacy showed significant slow but steady progress. As far as the Trump Administration, the first two years of President Trump’s tenure showed explosive growth but decelerated when the Democrats took control of the House of Representatives.

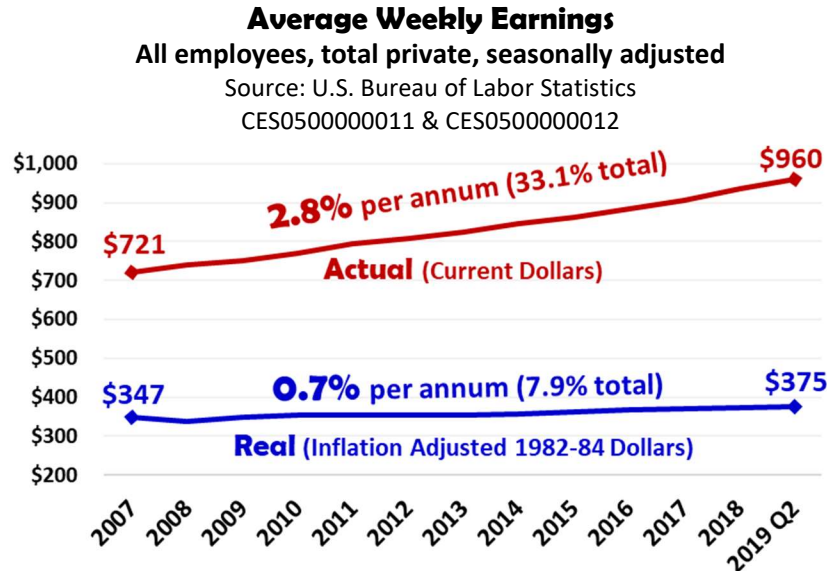
The following discussion deals with “mega-months” that create explosive employment growth. Jobenomics defines a mega-month as a month equal to or greater than 250,000 new jobs—a number necessary for robust GDP growth and insurance against future downturns. So far in the 21st Century, May 2010 was the largest mega-month (534,000 new jobs). What the U.S. economy needs to thrive is more mega-months and less political divisiveness and labor force disruption.



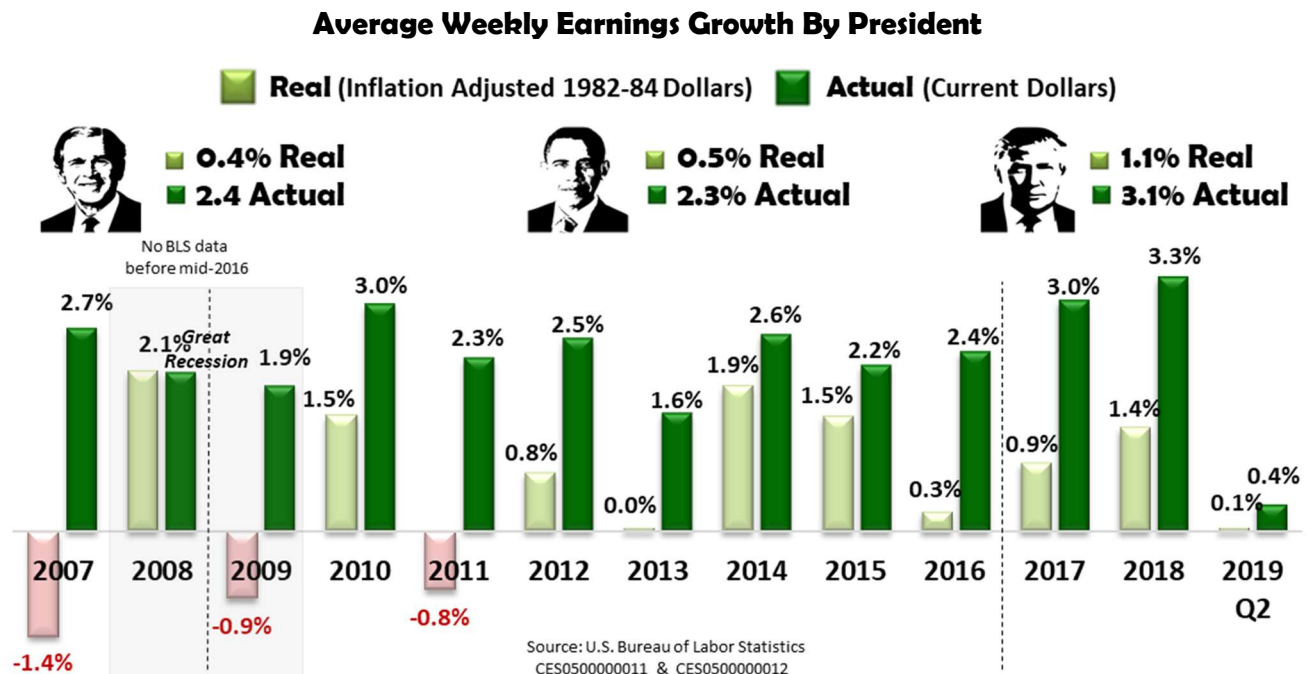
From the time since President Bush took office in 2001 through June 2019, the United States exceeded the mega-month threshold 43-times or 19% of the time. During the post-recession 105-month run of consecutive employment gains, the United States exceeded the mega-month threshold 31-times or 25% of the time.

The Bush Administration had 12 mega-months, or 13% of the 84-months President Bush was in office. The Obama Administration had 22 mega-months, or 23% of the 84-months President Obama was in office. President Obama set the mega-month record in 2014 with 7-months of gains ranging from 250,000 to 324,000 and an all-time high of 534,000 in 2010. While the Trump Administration started slowly with two mega-months in 2017, President Trump delivered 6-mega-months during 2018, ranging from 262,000 to 330,000. 2019 started with a 312,000 job mega-month but decelerated due to a variety of factors including a global

economic slowdown, Congressional opposition, and the trade war—all of which soured business and investor confidence.



No discussion about Presidential job creation would be complete without mentioning earnings. According to the BLS average weekly earnings statistics (note BLS does not provide data before mid-2006), actual earnings rose at a per annum rate of 2.8% from 2007 through Q2 2019. However, real (inflation-adjusted) earnings only rose at a per annum rate of 0.7%—a rate insufficient to motivate workers or restore the American middle-class.



This chart examines BLS earnings data by presidents. 2018 scored the highest earnings growth of 3.3% actual and 1.4% real. However, the first half of 2019 shows a significant decline in earnings that will be very difficult to make up over the remaining year—another potential indicator the U.S. economy is decelerating.

Tight Labor Market

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 is likely to falter, and economic stagnation or a financial downturn is probable. The best way to motivate more job seekers is to emphasize the plethora of near-term employment opportunities afforded by the millions of open U.S. jobs.

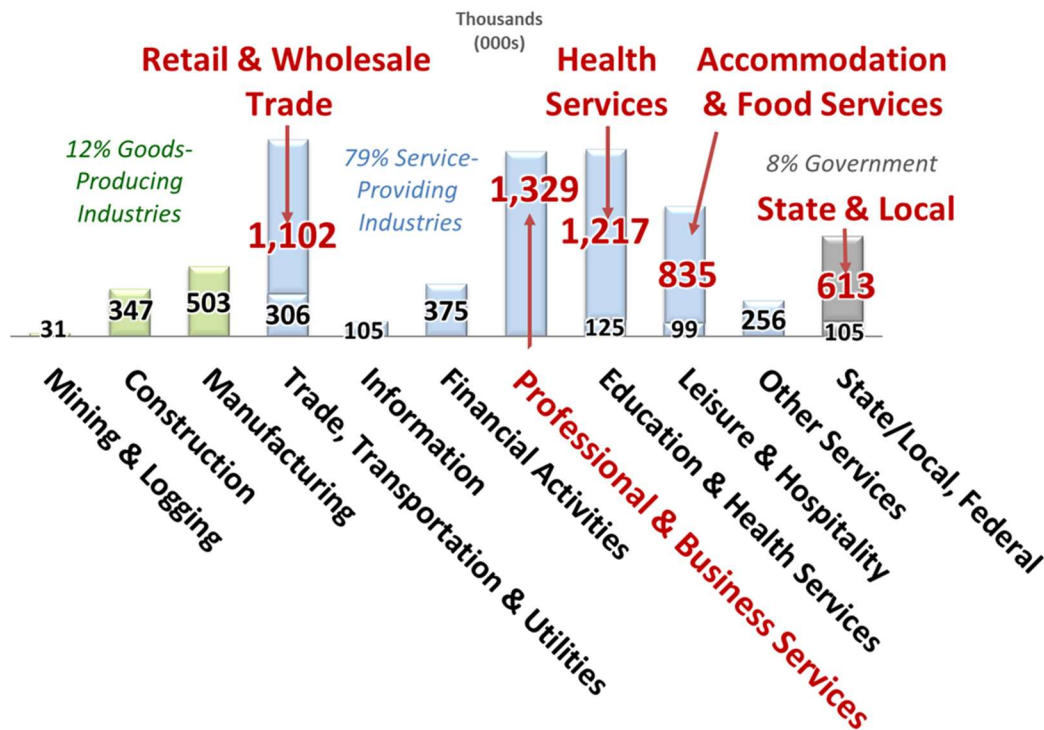
According to the most recent BLS Job Openings and Labor Turnover Survey (JOLTS), there are 7,348,000 U.S. job openings—which is very close to the record high of 7,474,000 set in March 2018.²⁹

Job Openings By Industry

Source: BLS, Job Openings and Labor Turnover Survey

June 2019

7,348,000 Unfilled Jobs



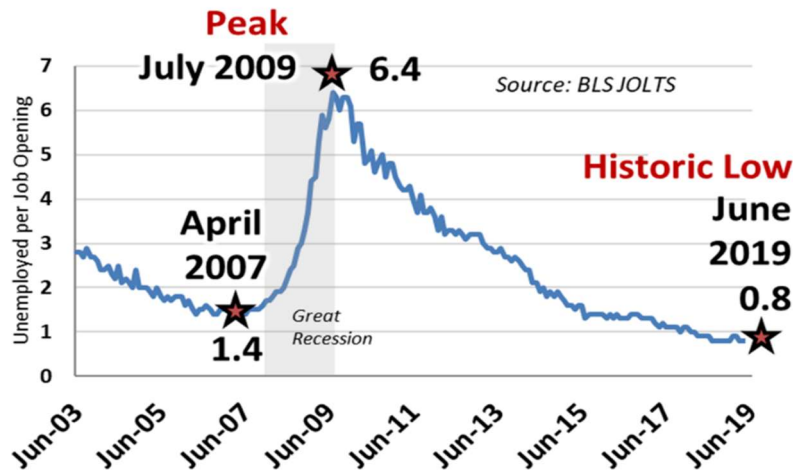
The JOLTS report calculates the number and rate of job openings, hires, and separations for the nonfarm sector by industry and geographic region. As shown, the four private sector industries that have the highest number of openings are Professional and Business Services (1,329,000), Health Care (1,217,000), Retail and Wholesale Trade (1,102,000) and Accommodation and Food Services (835,000). The primary reason for many private-sector job openings is the lack of skilled workers.

State and local governments have 613,000 open jobs. However, many of these government positions are likely to remain unfilled due to budget constraints.

²⁹ BLS, Job Openings and Labor Turnover Survey (JOLTS), <http://www.bls.gov/news.release/jolts.htm>

Number of Unemployed Persons Per Job Opening

Source: BLS, Job Openings and Labor Turnover Survey



Before the Great Recession, the number of unemployed people per job opening reached a low of 1.4 in April 2007, which rapidly zoomed upward to a peak of 6.4 unemployed persons per job opening in July 2009. The ratio of unemployed people to openings was 0.8 in June 2019, the lowest rate recorded in the job openings data, which began in December 2000.³⁰

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 vital components of addressing a tight labor market—a component not aggressively supported by U.S. policymakers. 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 a degree-oriented education, certified skills-based training programs are often the fastest way to get the people prepared for workfare in the shortest time possible (months rather than years).

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

³⁰ 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>

and retain global talent since the American education system is not producing the kind of workforce skill sets necessary for a competitive society.

The lack of a comprehensive United States immigration system has tightened the labor market as skilled legal immigrants feel unwelcome and are seeking employment in countries that are more welcoming.

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 talent-based, merit-based or points-based methods used by many countries. Skills-based immigration systems assess skilled individuals based upon criteria such as age; experience; language ability, educational and technical skills; entrepreneurship 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 skills-based systems to “fast-track” highly qualified immigrants to permanent resident status, whether it is a work visa (aka Green Card in the United States) or citizenship.

The Other Employment Report

The ADP National Employment Report is a very comprehensive report published monthly by the ADP Research Institute in close collaboration with Moody's Analytics and its experienced team of labor market researchers. The ADP National Employment Report provides a snapshot of U.S. nonfarm private sector employment based on actual transactional payroll data of nearly 24 million workers in 400,000 U.S. private sector businesses.³¹

In addition to being comprehensive, the ADP provides greater visibility than the BLS on private sector company size and actual payroll data. Note: ADP does not report on government employment, unemployment or workforce departures as does the BLS.

The June ADP National Employment Report, released on 3 July 2019, states that the U.S. private sector created 102,000 new payroll jobs, which is less than the 179,000 new private-sector jobs reported by BLS Employment Situation Summary via the Establishment Survey (CES). Of the 102,000 new jobs reported by ADP, small businesses (1-49 employees) **lost 23,000** jobs, medium businesses (50-499 employees) gained 60,000 new jobs, and large companies (500+ employees) gained 65,000 new jobs. Micro-businesses (1-19 employees) **lost 37,000** compared to a gain of 36,000 by large corporations (1000+ employees). Service-providing industries created 117,000 jobs, and the goods-producing industries **lost 15,000**—one of the worse performances since the beginning of the Trump Administration.

Of the ten private sector goods-producing and service-providing supersectors, Education/Health Services (55,000 with the Healthcare and Social Assistance sector adding 39,000 or 71%) generated the most new jobs followed by Professional/Business Services (32,000), Trade/Transportation/Utilities (23,000), Financial Activities (7,000), Manufacturing (7,000), Leisure & Hospitality (3,000), and Other Services (0). Information (-3,000), Natural Resources/Mining (-4,000), and Construction (-18,000) supersectors all lost jobs.

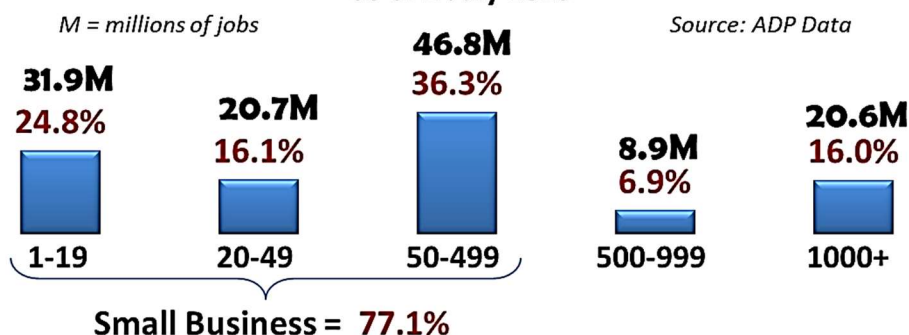
Given the number of traditionally strong sectors, like Construction and Small Businesses, that are downsizing is a sign that the U.S. economy is decelerating.

For the remainder of this report, Jobenomics classifies “small business” as having 1-499 employees (the definition supported by the Small Business Administration), medium-sized business as 500-999 employees and large corporations as 1000+ employees. Also, Jobenomics defines micro-businesses as having 1-19 employees.

U.S. Private Sector Employment By Company Size

Source: ADP National Employment Report, 3 July 2019

as of 1 July 2019



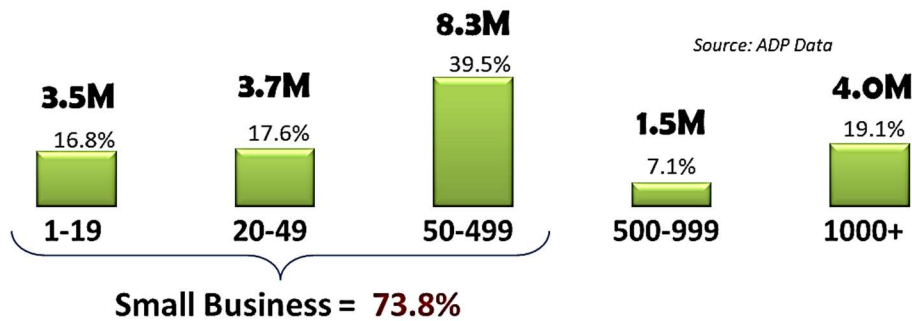
³¹ ADP Research Institute, National Employment Report, <https://www.adpemploymentreport.com/>

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 99,403,179 employees—3.4-times the number of established enterprises with more than 500 employees that have 29,446,920 employees. Micro-businesses with 1-19 employees employ 1.6-times the amount used by giant corporations with over 1,000 employees (31,928,000 versus 20,558,000).

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

Source: ADP National Employment Report, 3 July 2019

1 January 2010 to 1 July 2019 (114 Months)



Since the beginning of this decade, small businesses created 73.8% of all new jobs in the United States. Small businesses with less than 500 employees created 2.8-times more jobs as large businesses with 500+ employees, or 15,501,041 versus 5,502,775, respectively. Micro and self-employed firms with 1-19 employees produced 88% as many jobs as large-scale corporations with over 1,000 employees (3,518,522 versus 4,002,433).

U.S. Private Sector Jobs Created In 2019 By Company Size In 2019

Source: ADP National Employment Report, 3 July 2019

1 January 2019 to 1 July 2019

Source: ADP Data



So far this year, U.S. small business (1-499 employees) created 64.0% of all new jobs. This percentage is well below the historical average. The loss of micro-business jobs is particularly alarming since it is the foundation for future small, medium, and large businesses of the future. Micro-businesses are also foundational institutions for new and return workers.

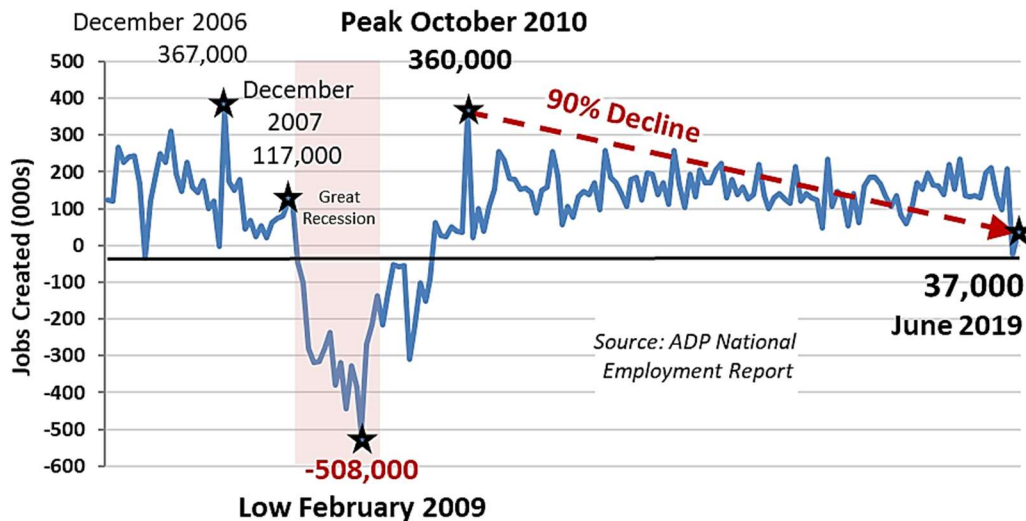
U.S. Small Business Situation

Jobenomics' small business categories include small and medium enterprises (SMEs, 1-499 employees), small firms (1-49), micro-businesses (1-19), startup (less than one-year-old) and nonemployer (single-person firms with no employees). Unfortunately, the American small business engine is faltering.

U.S. Small Business Engine Is Faltering

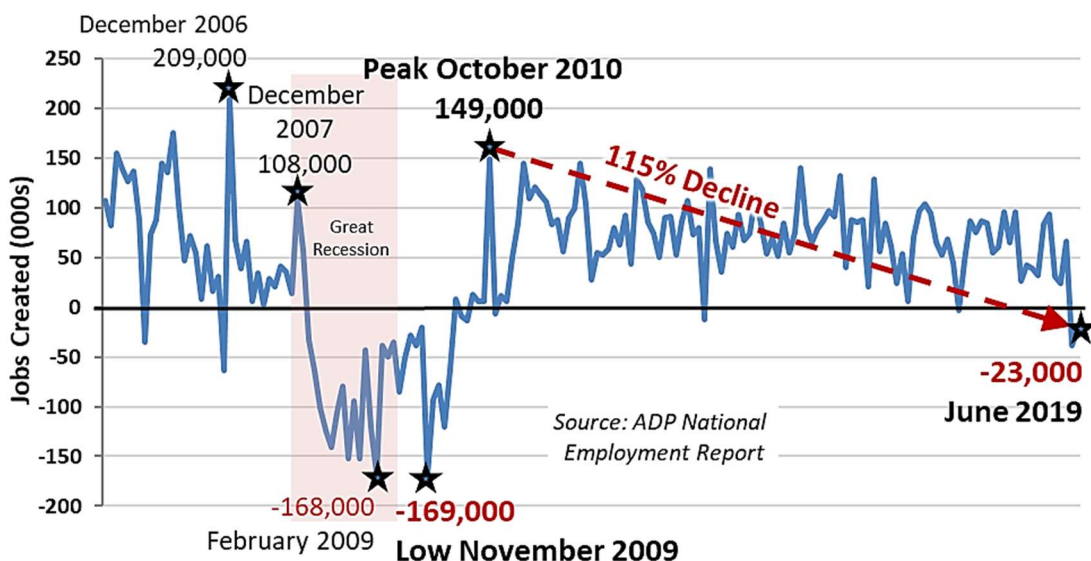
Small & Medium Enterprise (1-499 Employees) Job Creation Engine Is Faltering

Source: ADP National Employment Report, 3 July 2019



This Small & Medium Enterprise (SME, 1-499 Employees) job creation history graphic shows the period before and after the Great Recession. Peak SME job creation in December 2006 was 367,000. In December 2007, when the recession began, 117,000 jobs were generated. During the depth of the Great Recession, the SME low watermark was in February 2009 with the loss of 508,000 jobs. Twenty months later, the SME jobs engine was hitting on all cylinders and generated a peak of 360,000 jobs in October 2010. Since the October 2010 post-recession peak, SME job creation **decelerated by 90%** to a meager 37,000 jobs in June 2019.

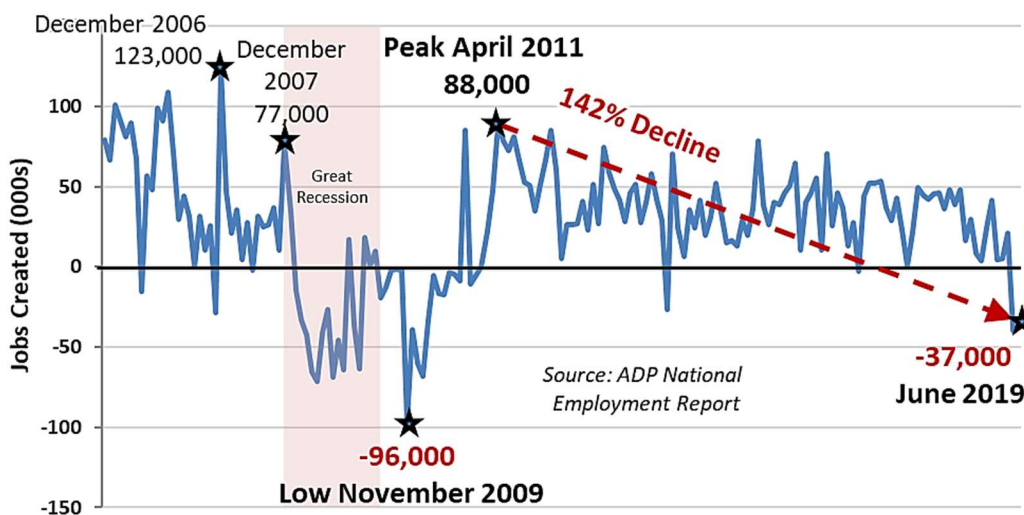
Small Firms (1-49 Employees) Job Creation Engine Is Faltering More



Small firms (1-49 employees) **decelerated by 115%** over the same period with the last two months of 2019 being in negative territory (loss of 38,000 jobs in May and 23,000 jobs in June 2019)—the first consecutive two-month loss since early 2010.

If the U.S. 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 deceleration.

U.S. Micro-Businesses (1-19 Employees) Job Creation Engine Is Faltering The Most



Sadly, this U.S. micro-business heart is suffering from a form of atherosclerosis as indicated by **an incredible decline of 142%**. A loss of 77,000 jobs in the last two months of 2019 (May and June) may be more indicative of a pending collapse than a deceleration. Micro-businesses have not experienced such a substantial consecutive two-month decline since February and March of 2010.

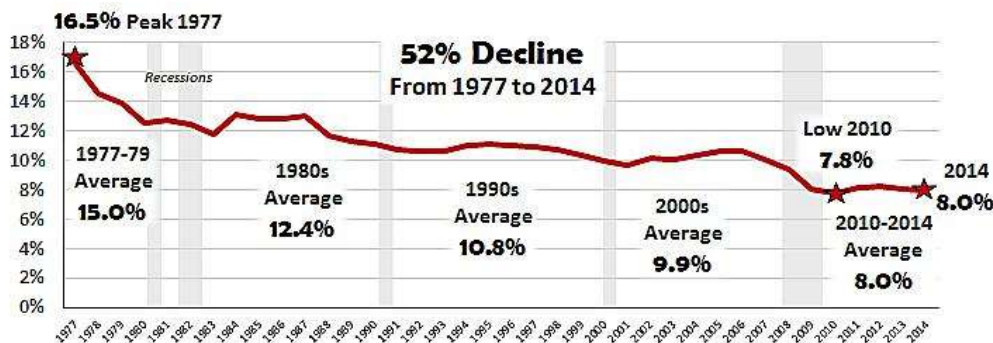
Precipitous Decline in Startup Businesses

The rate of business startups is also falling precariously—a clear and present danger to the health of the U.S. economy. Business startups are the seed corn of the U.S. economy. Without the planting and fertilization of these seedlings, the fields of U.S. commerce will be fallow.

Declining Number Startup Business 1977 To 2014

Source: U.S. Census Bureau Business Dynamics Statistics

Total Private Sector Firms Less Than One-Year-Old



The latest Census Bureau Business Dynamics Statistics (BDS) table indicates the United States is now creating startup businesses (firms less than 1-year old) at historically low rates, down from 16.5% of all firms to 8% in 2014 (data range from 1977 to 2014).^{32 33}

According to a September 2017 BDS Press Release³⁴, 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 policymakers than just focusing on only new jobs.

Based on a Wall Street Journal (WSJ) analysis of BDS 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.³⁵ If correct, during the 42 years between 1977 and 2019, the U.S. labor force had **unrealized job gains as high as 75,600,000 jobs**.

To check the validity of this immense number (75.6M) of unrealized jobs, Jobenomics examined the Bureau of Labor Statistics’ Business Employment Dynamics (BES) data from the Quarterly Census of Employment and

³² U.S. Census Bureau, Business Dynamics Statistics, Firm Characteristics Data Tables, Firm Age, https://www.census.gov/ces/dataproducts/bds/data_firm.html

³³ U.S. Census Bureau’s Business Dynamics Statistics (BDS) provides annual measures of business dynamics (such as job creation and destruction, establishment births and deaths, and firm startups and shutdowns) for the economy and aggregated by establishment and firm characteristics. The BDS is created from the Longitudinal Business Database (LBD), a confidential database available to qualified researchers through secure Federal Statistical Research Data Centers. The use of the LBD as its source data permits tracking establishments and firms over time. Source: <https://www.census.gov/ces/dataproducts/bds/>

³⁴ 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>

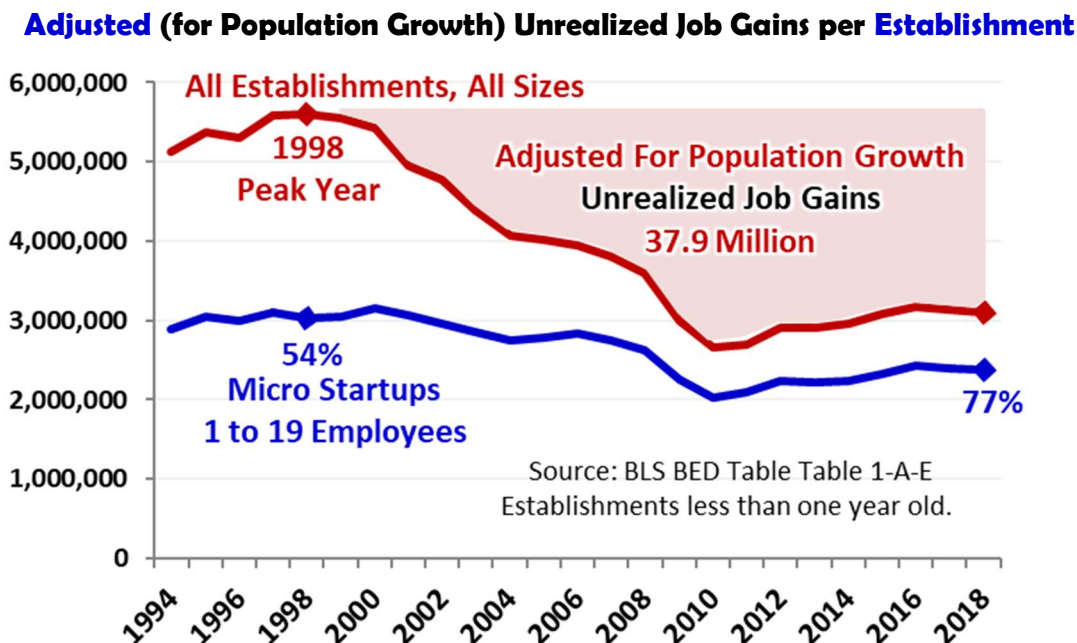
³⁵ Wall Street Journal, Sputtering Startups Weigh on U.S. Economic Growth, 23 October 2016, <http://www.wsj.com/articles/sputtering-startups-weigh-on-u-s-economic-growth-1477235874?mod=djem10point>

Wages (QCEW) database.³⁶ QCEW data comes from summaries of employment and total wages of workers covered by state and federal unemployment insurance. These data enable users to compare gross job flows and net employment changes across a range of business organizations, from **startups** to small and young firms to large and older firms.^{37 38}

The BES provides insights into job flows by age and size at both “**establishments**” and “**firms**.”

- An **establishment** is an economic unit that produces goods or services, usually at a single location, and engages in one or mainly one activity. BLS identifies establishments by the unemployment insurance and reporting unit numbers.
- A **firm** is a legal business and may consist of one or several establishments. BLS uses the employer tax identification numbers (EIN) as a proxy firm identifier to determine the owners of establishments. For single establishments, firm and establishment characteristics are the same.³⁹

To establish gross job gains for startup businesses, Jobenomics analyzed data from BES Firm Table 1-A-E that groups establishments less than one-year-old by the number of employees: 1 to 4, 5 to 9, 10 to 19, 20 to 49, 50 to 99, 100 to 499, and 500+. The point of including these groups is to point out that startup businesses come in various sizes from single-person startups to large corporate initiatives.⁴⁰



³⁶ U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, <https://www.bls.gov/cew/>

³⁷ U.S. Bureau of Labor Statistics, Business Employment Dynamics, <https://www.bls.gov/bdm/>

³⁸ U.S. Bureau of Labor Statistics' Business Employment Dynamics (BES) is a set of statistics generated from the Quarterly Census of Employment and Wages program. These quarterly data series consist of gross job gains and gross job losses statistics from 1992 forward. These data help to provide a picture of the dynamic state of the labor market. Source: <https://www.bls.gov/bdm/>

³⁹ U.S. Bureau of Labor Statistics, Business Employment Dynamics, Research Data on Business Employment Dynamics by Age and Size, <https://www.bls.gov/bdm/business-employment-dynamics-data-by-age-and-size.htm>

⁴⁰ Business Employment Dynamics, Firm Size and Age, Table 1-A-F: Annual gross job gains and gross job losses by age and average size of firm, Age group: Less than one year old, <https://www.bls.gov/bdm/business-employment-dynamics-data-by-age-and-size.htm>

According to BES Establishment Table 1-A-E data, adjusting for population gains, **unrealized job gains would have amounted to 37,895,624 more jobs if the United States had continued to create startup establishments at the rate it did in 1998.** This number of unrealized employment, during the 21 years from 1998 to 2018, is almost the same as the WSJ-BDS estimate of 37,800,000 unrealized jobs over a 21-period (the WSJ estimate of 75,600,000 unrealized job gains covered 42 years).

It is also important to note that micro-startups (1-19 employees) accounted for 54% percent of the total number of employees in establishments less than one-year-old in 1998. In 2018, micro-startups accounted for 77% of the total. There are two reasons why this is noteworthy. First, larger establishments are launching new starts at a much lower rate than they did two decades ago—a potentially unhealthy economic situation. The second reason why 77% is of interest relates to the earlier discussion about the severe decline (142% since 2010) in micro-businesses in job creation. More recently, micro-businesses experienced a loss of 77,000 jobs in the last two months of 2019 (May and June), the most extensive two-month decline since the early post-Great Recession period. If this hemorrhaging of micro-business jobs is part of a downsizing trend, the U.S. economy and labor force could be at the beginning of a long-term state of decline.

While startups are the seed corn for the economy, only a small percentage of startups produce amazing results. Reducing the total number of startups also reduces amazing startups.

Of the estimated three million startups over the last decade, tens of thousands of ultra-high growth businesses (called unicorns and gazelles) generated millions of net new jobs for America. According to the Kauffman Foundation⁴¹, these fleet-footed startups account for 50% of all new positions created. Uber, Lyft, Airbnb, SpaceX, WeWork, and Pinterest are the most known examples of unicorns—startup companies that rapidly achieve a stock market valuation of \$1 billion or more. Thirty-five other U.S. tech companies reached unicorn status in 2018.⁴² 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 Health Insurance Innovations, Stamps.com, Supernus Pharmaceuticals, Applied Optoelectronics, Paycom Software, Facebook, Nvidia, Arista Networks, Amazon.com, and LGI Homes according to Fortune magazine's 100 Fastest-Growing Companies.⁴³

During the heydays of the 1970s, Bill Gates and Steve Jobs started Microsoft and Apple, two of the world's most renowned companies with a market capitalization (the value of the total number of shares multiplied by the present share price) of \$1.04 trillion and \$933 billion, respectively. Does one have to wonder if these companies would have started in our current austere startup environment?

According to Kauffman Foundation⁴⁴ analysis of 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."

⁴¹ Kauffman Foundation, Understanding the Economic Impact of High-Growth Firms, 6 June 2016, <http://www.kauffman.org/newsroom/2016/06/understanding-the-economic>

⁴² Inc., 35 U.S. Tech Startups That Reached Unicorn Status in 2018, <https://www.inc.com/business-insider/35-us-tech-startups-that-reached-unicorn-status-in-2018.html>

⁴³ Fortune, 100 Fastest Growing Companies, <http://fortune.com/100-fastest-growing-companies/list/>

⁴⁴ 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>

Jobenomics agrees with both the WSJ and Kauffman analyses. Moreover, the Jobenomics 20-part series, entitled President Trump's New Economy Challenge⁴⁵ 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.

⁴⁵ Jobenomics, President Trump's New Economy Challenge, 6 February to 4 April 2017, <https://jobenomicsblog.com/wp-content/uploads/2011/11/President-Trump's-New-Economy-Challenge-Series-6-February---4-April-2017.pdf>

Nonemployers: The Invisible Workforce

Nonemployer firms (single-person firms with no employees) are one of the largest and fastest-growing segments of our society, but few policymakers know about them or appreciate their immense size and contribution to the U.S. economy. There are approximately 25 nonemployer firms that, in reality, have just one employee, the owner.

The U.S. Bureau of Labor Statistics defines a nonemployer business as “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 include:

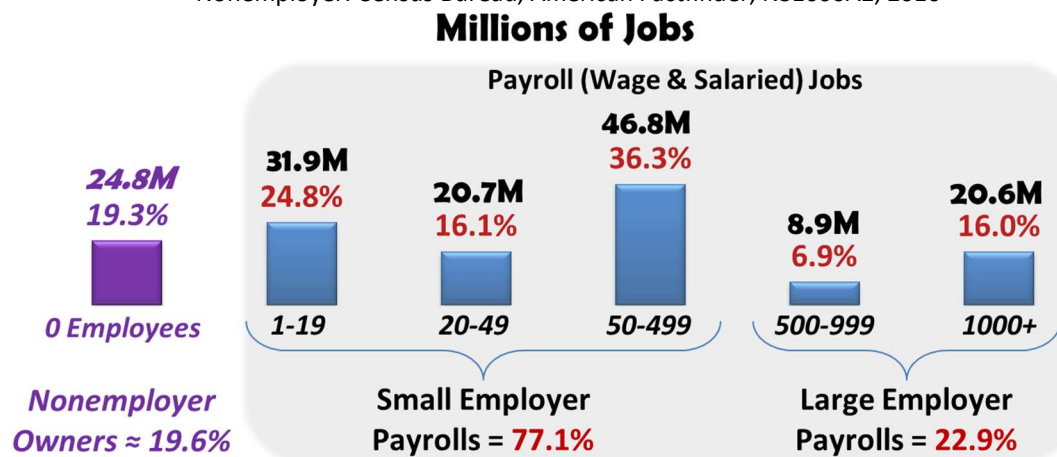
- Individual proprietorships, sole proprietorships, an unincorporated business owned by individual and self-employed persons,
- Partnerships or unincorporated businesses owned by two or more persons having a shared financial interest in the enterprise, and
- Corporations that are legally incorporated businesses under state laws.⁴⁶

According to the U.S. Small Business Association (SBA), in 2015 (latest reported data by the SBA), there are 19,464 large U.S. businesses and 30.2 million small U.S. businesses. Of the 30.2 million small U.S. businesses, 5.9 million small businesses with paid employees and **24.3 million were nonemployer businesses** that had no employees (other than the owner).⁴⁷ According to the U.S. Census Bureau, the number of nonemployers increased, from 15.4 million in 1997 to **24.8 million** in 2016.⁴⁸

U.S. Nonemployer & Employer Establishment Sizes

Employer: ADP National Employment Report, 3 July 2019

Nonemployer: Census Bureau, American Factfinder, NS1600A2, 2016



⁴⁶ BLS, Nonemployer Definitions, <https://www.census.gov/epcd/nonemployer/view/define.html>

⁴⁷ U.S. Small Business Association, Office of Advocacy, Frequently Asked Questions, <https://www.sba.gov/sites/default/files/advocacy/Frequently-Asked-Questions-Small-Business-2018.pdf>

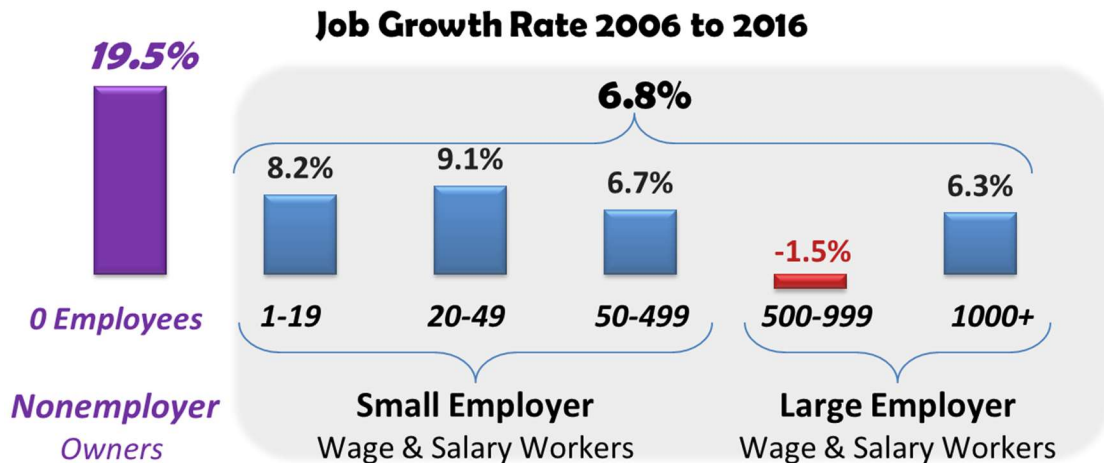
⁴⁸ U.S. Census Bureau, American Factfinder, NS1600A2, Geographic Area Series: Nonemployer Statistics for the US, States, Metropolitan Areas, and Counties: 2016, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=NES_2016_00A2&prodType=table

Based on data from latest Census Bureau for nonemployers and ADP for employers, nonemployers are approximately 20% the size of the total U.S. employer workforce with more workers than small employers with 20-49 employees and both large employer groups.

U.S. Nonemployer & Employer Establishment Growth

Employer: ADP National Employment Report, 3 July 2019

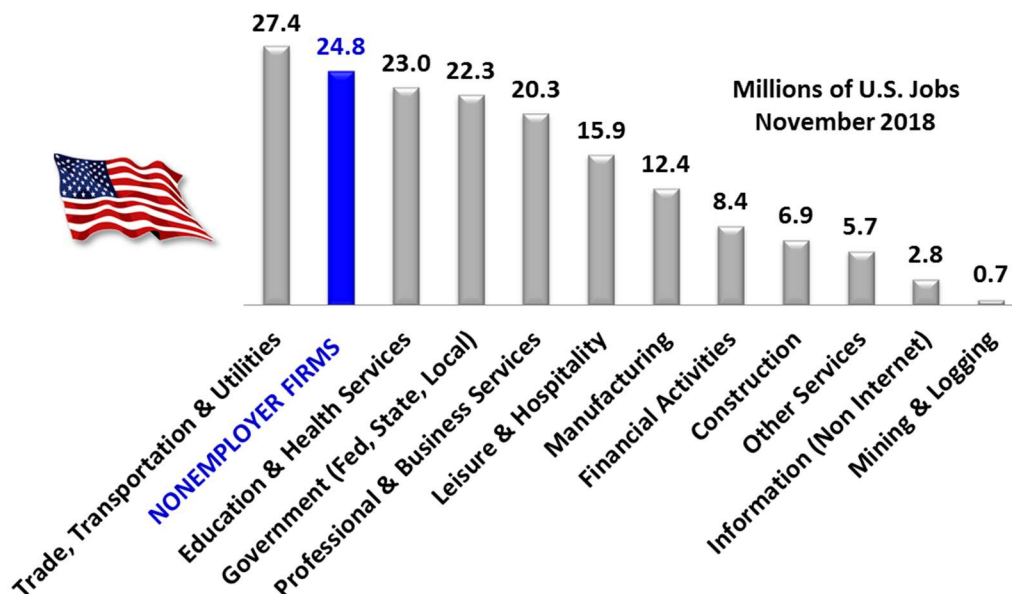
Nonemployer: Census Bureau, American Factfinder, NS1600A2, 2016



Based on the same data sources, the job growth rate of nonemployer firms is approximately 3-times faster than employer establishments during the period from 2006 to 2016.

Employees Per Industry Supersector

Source: Bureau of Labor Statistics (traditional industries), Census Bureau NES (nonemployers)



Regrettably, few American decision-makers that the number of nonemployers outnumbers the number of workers in all but one of the eleven supersectors (shown above) that are analyzed and reported by BLS every month. The reason for this anomaly is because the leading monthly government situation report focuses on

employer businesses and the general population characteristics.⁴⁹ The Census Bureau does produce an annual Nonemployer Statistics (NES) series that provides subnational economic data for firms that have no paid employees and are **subject to federal income tax**.⁵⁰ The NES also has other restrictive conditions that lead Jobenomics to believe that the actual number of nonemployer firms could be much larger than 24.8 million.

Employer Versus Nonemployer Firms Economic Impact

Source: Census Bureau's 2012 Economic Census' Survey of Business Owners

Total Sales, Receipts, or Shipment Values (SRSV) \$33,536,848,821,000				
	Employer Firms		Nonemployer Firms	
SRSV	\$32,495,262,387,000	97%	\$1,041,586,434,000	3%
# Firms	5,424,458	20%	22,201,902	80%
\$/Firm	\$5,990,509		\$46,914	
Annual Payroll	\$5,236,446,058,000		Same as Above	
Employees	115,249,007			
\$/Employee	\$45,436		\$46,914	

The Census Bureau's 2012 Economic Census' Survey of Business Owners (latest data) calculates that U.S. business had annual business receipts of \$33.5 trillion, which is defined by the Bureau as the "total sales, shipments, receipts, revenue, or business done by domestic establishments (excludes foreign subsidiaries) with and without paid employees and within the scope of the Survey of Business Owners." 5,424,458 employer firms accounted for 97% (\$32.5 trillion) and 22,201,902 nonemployer firms accounted for the remaining 3% (\$1.0 trillion) of the annual receipt total.⁵¹

As a result of this so-called "**small economic impact**" (3%), the Bureau of Labor Statistics "**excludes**" nonemployer statistics from their leading employment reports that provide the basis for almost every major U.S. government economic and labor force report and U.S. policymaking.⁵²

The statement that nonemployers have "small economic impact" is not supported by government data and appears to either be politically motivated or naïve. The premise that nonemployers contribute only 3% (\$1 trillion) of the annual receipt total (\$33.5 trillion) is correct. However, as shown below, 60% of the major U.S. industrial sectors contribute even less.

⁴⁹ The U.S. government perceives that nonemployer businesses have limited economic impact and relies solely on income tax records provided by the Internal Revenue Service rather than detailed Census Bureau surveys like the monthly Current Population Survey (CPS), commonly known as the Household Survey, and monthly Current Employment Statistics (CES) survey, commonly known as the Establishment Survey.

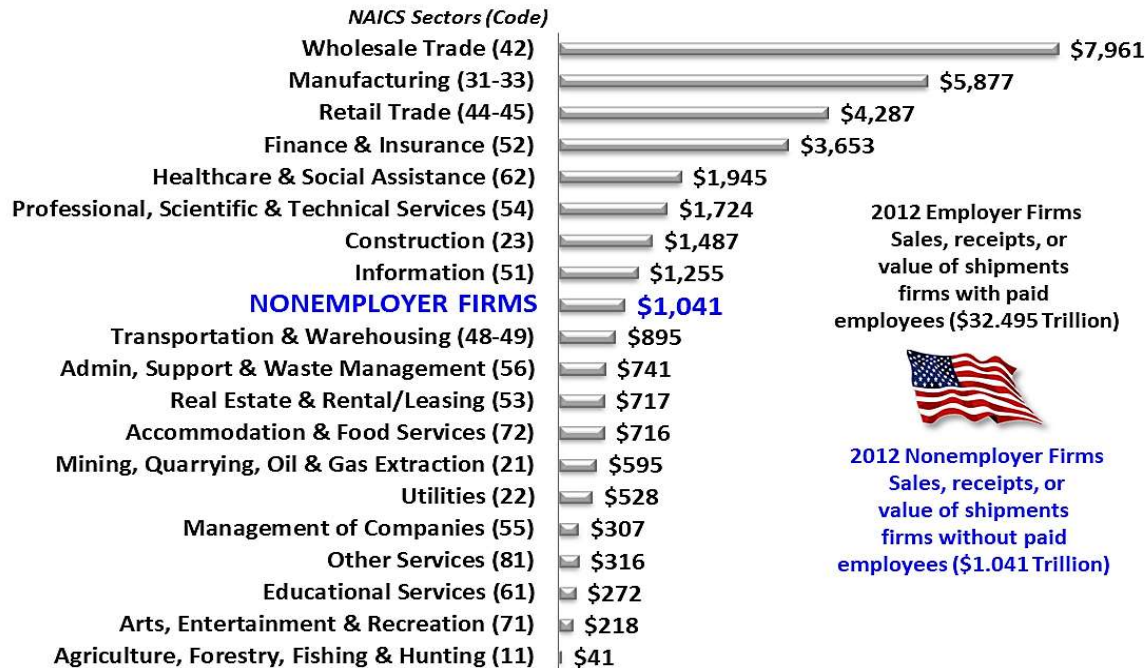
⁵⁰ U.S. Census Bureau, Nonemployer Statistics (NES), <https://www.census.gov/programs-surveys/nonemployer-statistics/about.html>

⁵¹ U.S. Census Bureau, American Fact Finder, 2012 Survey of Business Owners, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2012_00CSA01&prodType=table

⁵² The BLS Employment Situation Summary report uses a combination of Establishment Survey Data and Household Survey Data provided by the Census Bureau. The Establishment Survey (officially known as the Current Employment Statistics survey or CES) excludes nonemployer firms. The Household Survey (officially known as the Current Population Survey or CPS) includes a limited sampling of nonemployer firms such as self-employed persons. For more information see Understanding the employment measures from the CPS and CES survey at <https://www.bls.gov/opub/mlr/2006/02/art2full.pdf>

Annual Receipts Of U.S. Businesses By NAICS Code

Source: Bureau of Labor Statistics (traditional industries), Census Bureau NES (nonemployers)

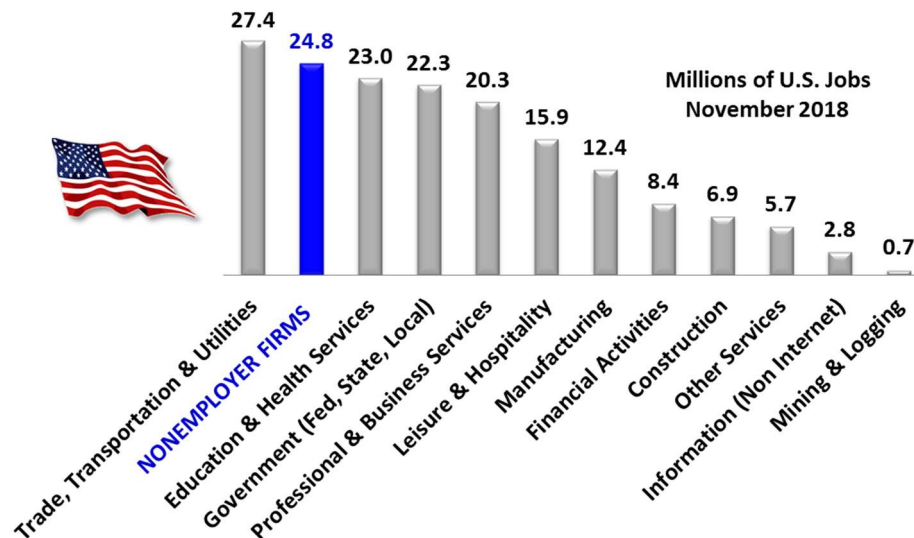


The \$1 trillion economic contribution of Nonemployers exceeds the majority of major private sector industries including Transportation & Warehousing; Agriculture, Forestry, Fishing & Hunting; Arts, Entertainment & Recreation; Educational Services, Other Services, Management of Companies, Utilities, Mining, Quarrying, Oil & Gas Extraction; Accommodation & Food Services, Real Estate & Rental/Leasing, and Admin, Support & Waste Management. These industries are addressed monthly in the BLS Employment Situation Summary report—the leading report for policymakers, decision-leaders, media-pundits, and macro-economists.

Jobenomics asserts that excluding 24.8 million single-person nonemployer establishments that have a “greater economic impact” than 60% of the major industrial sectors is wrongheaded and will be discussed in more detail in a subsequent posting in this Year Ahead Report series.

Employees Per Industry Supersector

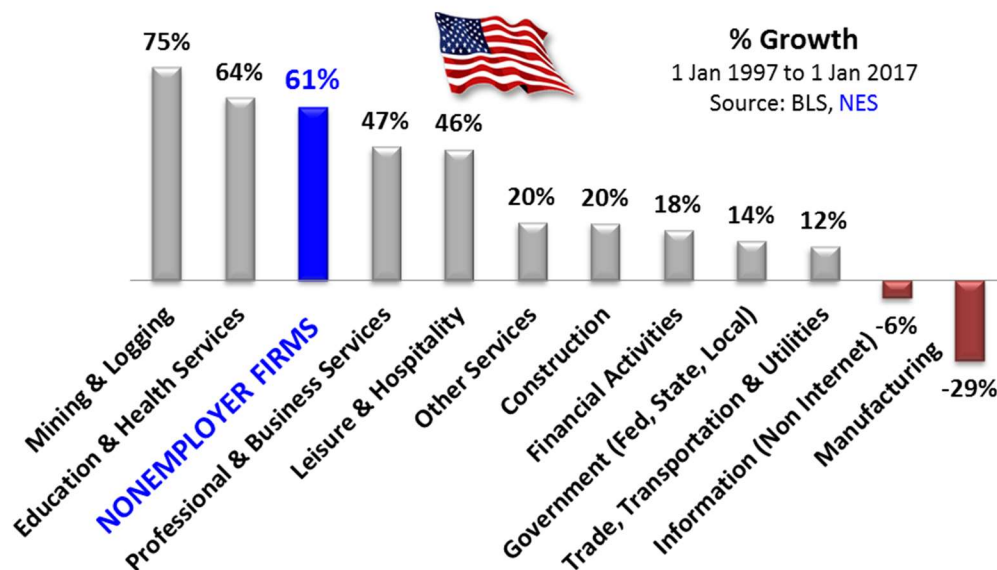
Source: Bureau of Labor Statistics (traditional industries), Census Bureau NES (nonemployers)



As shown, in comparison to the number of employees in the eleven industry and government supersectors as reported by the U.S. Bureau of Labor Statistics, the 24.8 million nonemployer owners (employees) ranks second behind the 27.4 million Trade, Transportation & Utilities workers in the United States. The combined total employment of the three supersectors in the U.S. Goods Producing Group (Manufacturing, Construction, and Mining & Logging) is 20.0 million people or only 81% of the number of single-person nonemployer firms.

Rapid Rise of Nonemployer Business Over the Last Decade

Source: Bureau of Labor Statistics (traditional industries), Census Bureau NES (nonemployers)



This chart measures the rate of growth over the last decade (1997 to 2017) of employer firms in the eleven primary industry, and government supersectors reported monthly by U.S. Bureau of Labor Statistics (Employer) Establishment Survey (CES)⁵³ compared to nonemployer firms as recorded on the latest U.S. Census Bureau's Nonemployer Statistics survey. Nonemployer firms rank third behind Mining & Logging that grew by 75% (from 369,000 to 646,000) due to the explosive growth in fracking, and Education & Health Services that grew 64% (from 13,951,000 to 22,922,000) mainly due to increasing healthcare demand. It is noteworthy that the highly touted Manufacturing supersector downsized by -29% (from 17,284,000 to 12,351,000) during this period.

Nonemployers also play an oversize role in the economies of every major city in America. In 2016, nonfarm proprietors' income in the Washington DC metro exceeded \$33 billion, which was more than Department of Defense procurement or earnings from state and local government employment, or 10% of all earnings by place of work in the Washington region. Other major metropolitan areas have similar statistics.⁵⁴

More importantly, from a Jobenomics standpoint, **mass-producing startup nonemployer businesses are vital to restoring financially distressed and beleaguered communities** where big businesses fear to go, and small businesses struggle to compete against nearby big box stores.

⁵³ U.S. Bureau of Labor Statistics, Data Retrieval: Employment, Hours, and Earnings (CES), Table B-1, Employees on nonfarm payrolls by industry sector and selected industry detail, <https://www.bls.gov/webapps/legacy/cesbtab1.htm>

⁵⁴ See the Nonemployer Establishments in the Washington DC Region section for more substantiating detail.

Startups succeed by satisfying pain-points in a scalable way. Without question, the communities with the most pain include beleaguered inner-city neighborhoods and financially distressed rural areas. The two-dozen ongoing Jobenomics urban and rural renewal initiatives incorporate the Jobenomics Community-Based Business Generator concept⁵⁵ to train, certify and mass-produce self-employed and independent contractor nonemployer business that are oriented to alleviating poverty, wellness, and crime pain points.⁵⁶

Single-Person Nonemployer Types



Nonemployer firms are characterized by a wide variety of specialties, including:

- **Independent contractors** (accountants, authors, actors, bookkeepers, engineers, masons, real estate agents, teachers, and many more),
- **Consultants** (human resources, financial, information technology, management, etc.),
- **Freelancers** (administrative support, design, legal, journalists, tutors, marketing and sale, web and apps developers, etc.)
- **On-Demand Workers** (home health aides, Uber and Lyft drivers, nurses and doctors, delivery services, operations support, IT and security analysts and services, physical therapists, etc.)
- **Flex Workers** (analysts, dental assistants, loan officers, engineers, x-ray technicians, EMT, educational assistants, community support assistants, etc.)
- **Gig Economy Workers** (ridesharing, delivery driving, selling crafts, coding and programming, handyman, photography, babysitting, dog walking, renting, chef, etc.)
- **Contingent Workers** (non-permanent workers hired on a per-project basis.)
- **Self-Employed Workers** (earn income directly from one's own business, trade, or profession rather than as a specified salary or wages from an employer.).
- **Part-Timers** (who work less than 40 per week out of necessity or choice and workers who work full-time via multiple part-time jobs.)

Today, nonemployer businesses are easier to start than ever before due to the revolution in network and digital technologies. 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

⁵⁵ See the Jobenomics Community-Based Business Generators Concept section for more i.

⁵⁶ See the eighteen free downloadable Jobenomics Urban Renewal documents in the Jobenomics Library, <https://jobenomicsblog.com/library/>

have 10-times the number of innovators that can innovate at one-tenth the cost than traditional startups.⁵⁷ The reason for such a provocative assessment is due in part to the network-effects (connecting customers to providers) of new digital platforms (Amazon, Apple, Alphabet/Google, Microsoft, Facebook, etc.) mobile apps (Waze, Deliveroo, Uber, Lyft, Airbnb, Handy, PeopleHour, Task Rabbit, Expert360, Craig's List, Mechanical Turk, and thousands more) and online back-office support systems (Amazon Prime, Legal Zoom, PayPal, and numerous others).

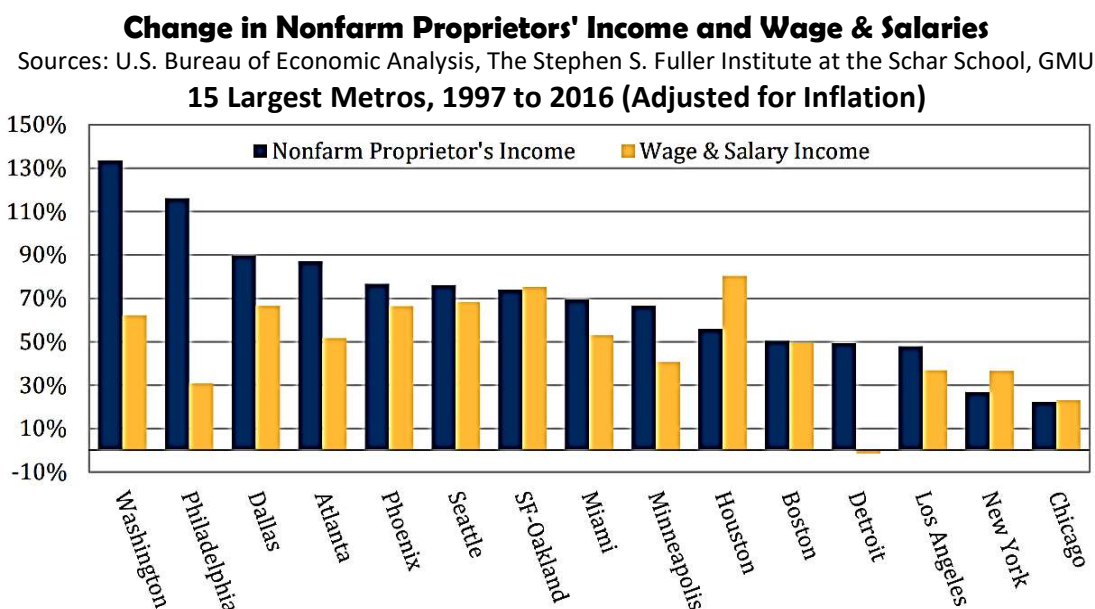
⁵⁷ James McQuivey, Digital Disruption: Unleashing the Next Wave of Innovation, Figure 1-1: Digital Disruption Creates One Hundred Times the Innovation Power, Page 11.

Economic Impact Of The Nonemployer Workforce

Jobenomics asserts that nonemployer business creation plays a vital role in increasing economic prosperity in these beleaguered Wards. To validate this assertion, Jobenomics would like to introduce two exemplary and scholarly studies, published in 2018 and 2017, by The Stephen S. Fuller Institute (the premier source for information and analysis of Greater Washington's regional economy) at the Schar School of Policy and Government at George Mason University.

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According to The Stephen S. Fuller Institute (SFI), nonemployer firms play a sizable role in the Washington DC region (District of Columbia, and the seventeen surrounding Maryland and Northern Virginia counties). The 2018 SFI report, entitled *Earnings Without a Salary: Trends in Proprietors' Income in the Washington Region*, examines how nonfarm proprietor (owner) earnings "outside of wages and salary employment" contributed to the Washington region economy.⁵⁸



According to the 2018 SFI report:

- As shown above, the Washington region experienced the most significant level of growth in nonfarm proprietors' income among large metro areas from 1997 to 2016, with a 130% increase compared an increase of only 60% in wages and salaries from employer firms. Like most other large metropolitan areas, Washington's nonfarm proprietors' income grew faster than wage and salary income in employer firms.

⁵⁸ Schar School of Policy and Government at George Mason University's The Stephen S. Fuller Institute, *Earnings Without a Salary: Trends in Proprietors' Income in the Washington Region*, 30 April 2018, http://sfullerstitute.gmu.edu/wp-content/uploads/2018/04/SFI_Proprietors_Income_043018.pdf

- In 2016, nonfarm proprietors' income in the Washington region exceeded \$33 billion, which was more than Department of Defense procurement or earnings from state and local government employment, or 10% of all earnings by place of work in the Washington region.
- Proprietors' income is growing at a faster rate than wages and salaries in the Washington region. On an inflation-adjusted basis, total nonfarm proprietors' income increased 133% from 1997 to 2016, while wage and salary income in the area increased by 62%.
- Average nonfarm proprietors' income varied widely across the region. The District of Columbia was the highest with an average 2016 income of \$66,970, followed by adjacent Montgomery County (MD) with \$66,660 and nearby Arlington County (VA) with \$34,803. The remaining fifteen counties ranged from \$31,348 to a low of \$11,381.

The 2017 SFI report, entitled *Working Without a Job: Trends in Non-Employer Establishments*, provides insight on the economic impact of non-employer establishments in the Washington region economy. As defined by The Stephen S. Fuller Institute, nonemployer businesses include a mix of solopreneurs, freelancers, passive businesses, hobby businesses, corporations, gig economy workers and independent contractors.⁵⁹

According to the SFI 2017 study, in 2015, there were more than 526,000 nonemployer establishments in the Washington metro, accounting for about three-quarters of all establishments. Average receipts per nonemployer business increased from \$47,000 in 1997 to \$54,000 in 2015.

Percentage growth from 1997 through 2015 of nonemployer firms (78.4%) significantly outpaced employer establishments (46.9%) and the overall population (34.4%). In the future, SFI projects that nonemployer business will continue outpacing traditional firms in terms of wage and employment growth. One of the principal reasons for this optimistic forecast is due to network and digital technologies that will enable a rapid rise in the gig/contingent economy.

While nonemployer establishments grew faster than employer establishments, the proportion of nonemployer owners to employees at employer establishments has stayed relatively consistent at around 14% to 17%. In other words, nonemployer establishments with one employee (i.e., the owner) matched the growth of new jobs in traditional employer establishments during the period—a significant statistic that is unknown to most policymakers and decision-leaders across the United States.

According to SFI, in 2015, there were more than 526,000 nonemployer establishments or jobs (i.e., the owner). The largest nonemployer establishment in the Washington DC metro was the Professional, Scientific & Technical Services sector with 107,850 jobs or 20.5% of all nonemployer establishments. Employer establishments in this sector accounted for about the same share (21.7% of establishments and 20.3% of employment) of activity.

The Other Services sector came in second with 64,470 employees, followed by Real Estate & Rental & Leasing (50,360), Transportation & Warehousing (47,980), Health Care & Social Assistance (47,430), Construction (45,370), Administration & Support & Waste Management (41,070), Arts, Entertainment, & Recreation (30,410), Retail Trade (29,950), Educational Services (30,410), Educational Services (30,410), Finance &

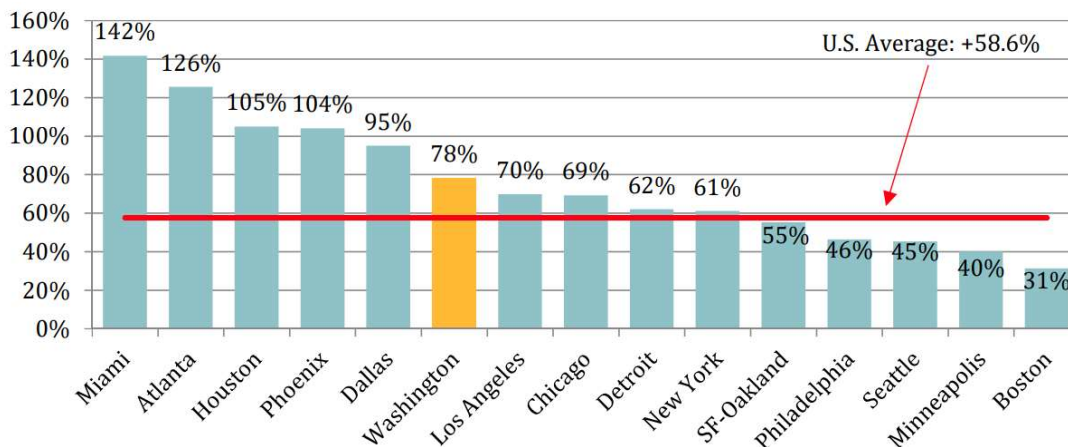
⁵⁹ Schar School of Policy and Government at George Mason University's The Stephen S. Fuller Institute, *Working Without a Job: Trends in Non-Employer Establishments*, 15 November 2017, http://sfullerinstitute.gmu.edu/wp-content/uploads/2017/11/SFI_Non-Employer_Trends_111517.pdf

Insurance (10,760), Information (9,020), Accommodation & Food Services (8,350), Wholesale Trade (5,220), and Other (5,880).

The types of the nonemployer occupations (e.g., doctors, lawyers, managers, accountants, managers, artists, drivers, and food service, etc.) listed above mirrored occupations associated with employer establishment occupations.

Percent Change in Nonemployer Establishments 15 Largest Metros, 1997-2015

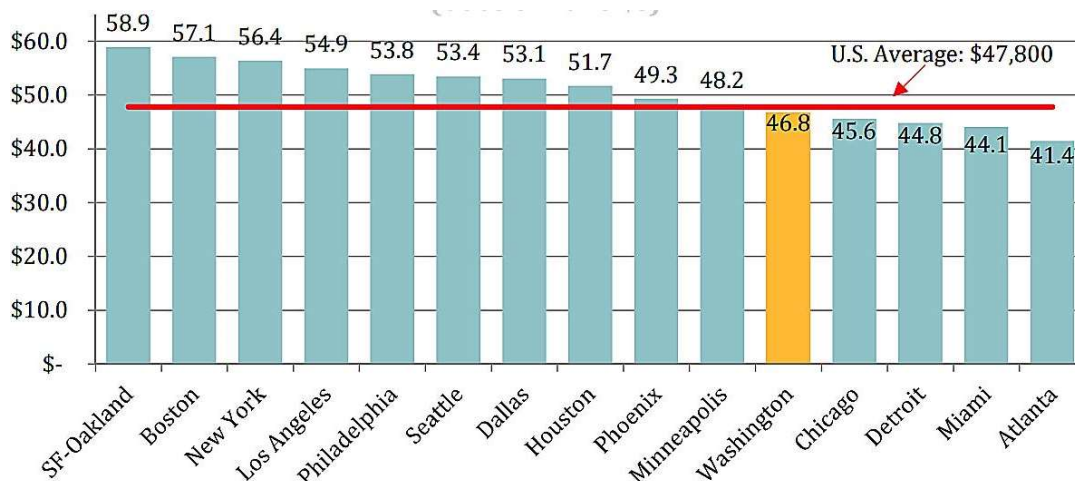
Sources: U.S. Census Bureau (Nonemployer Statistics), The Stephen S. Fuller Institute at the Schar School, GMU



Of the 15 largest metropolitan areas in the United States, the Washington metro had the sixth-largest increase in nonemployer establishments between 1997 and 2015. Miami had the fastest growth, rising 141.7%. Boston had the slowest growth, increasing by only 31%.

Nonemployer Receipts Per Establishment, 2015 (000s of 2016 \$)

U.S. Census Bureau (Nonemployer Statistics), The Stephen S. Fuller Institute at the Schar School, GMU



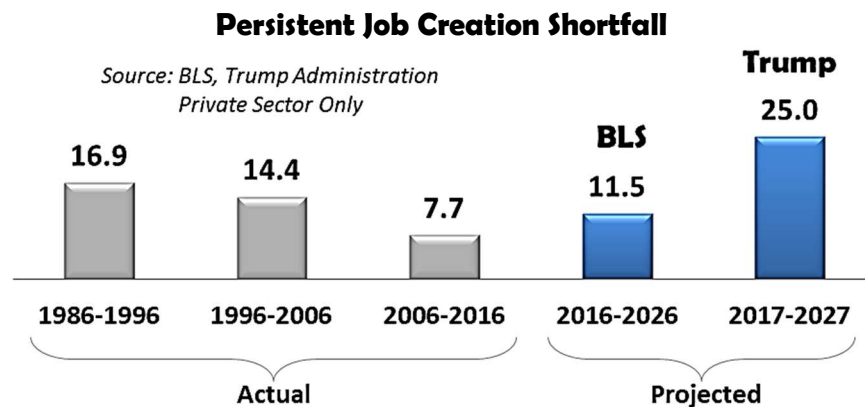
In 2015, inflation-adjusted receipts per nonemployer establishment in the United States were \$47,810 compared to \$46,770 in the Washington region. As shown, in comparison to the 15 major metropolitan areas, Washington's nonemployer firms (ranked 11th) have a lot of room to grow.

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 ⁶⁰, “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 Summary⁶¹ 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.

For Agriculture/forestry/fishing industries, the BLS Employment Projections Summary expects a net loss of 6,100 jobs. Small self-employed farmers will suffer job losses of 23,000 workers while larger corporate farms

⁶⁰ Congressional Budget Office, 2017 to 2027 Budget and Economic Outlook, <https://www.cbo.gov/publication/52370>

⁶¹ U.S. Bureau of Labor Statistics, Employment Projections 2016-26 Summary, <http://www.bls.gov/news.release/ecopro.toc.htm>



will increase by 17,000 wage earners. According to the Department of Agriculture⁶², 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.

⁶² 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/>