

# CH 2: ECONOMIC GROWTH BENEFITS HISTORICALLY DISADVANTAGED AMERICANS

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# LABOR MARKET

- **Definition:** place where workers and employees interact with each other
- disproportionately benefits Americans
- revival resulting from Trump's pro-growth policies
- Strong labor market helps ALL Americans, but largest benefits are to those who were left behind in previous economic recoveries
- US labor market strongest it's been since last half century
- In a strong market for jobs, it creates work opportunities for those with less education or training, prior criminal convictions, or a disability

# TRUMP ADMINISTRATION POLICIES

- Pro-growth economic policies
  - boost labor demand & lowered structural barriers to enter labor market
  - contributing to strength of labor market
- Helped boost job market's expansion
  - increased demand with unchanged supply raises quantity (employment) & prices (wages) in labor markets
- Launching initiatives to increase economic opportunity by removing barriers to work
  - National Council for American Worker, Pledge to America's Workers, Initiative to Stop Opioid Abuse, and Second Chance Hiring Initiative

# HOW TRUMP INFLUENCED EMPLOYMENT

- More job openings than unemployed people
- 2019: unemployment rate at 3.5%
- African American unemployment at lowest level ever, while series lows for Asians, Hispanics, American Indians or Alaskan Natives, veterans, people without a HS degree, and people with disabilities
- 2016: economy added 7 million jobs which exceeded 1.9 million predicted by Congressional Budget Office (CBO) pre-election
- Trump Admin led to creation of more jobs & higher pay

# IMPACT TRUMP HAD ON DISADVANTAGED

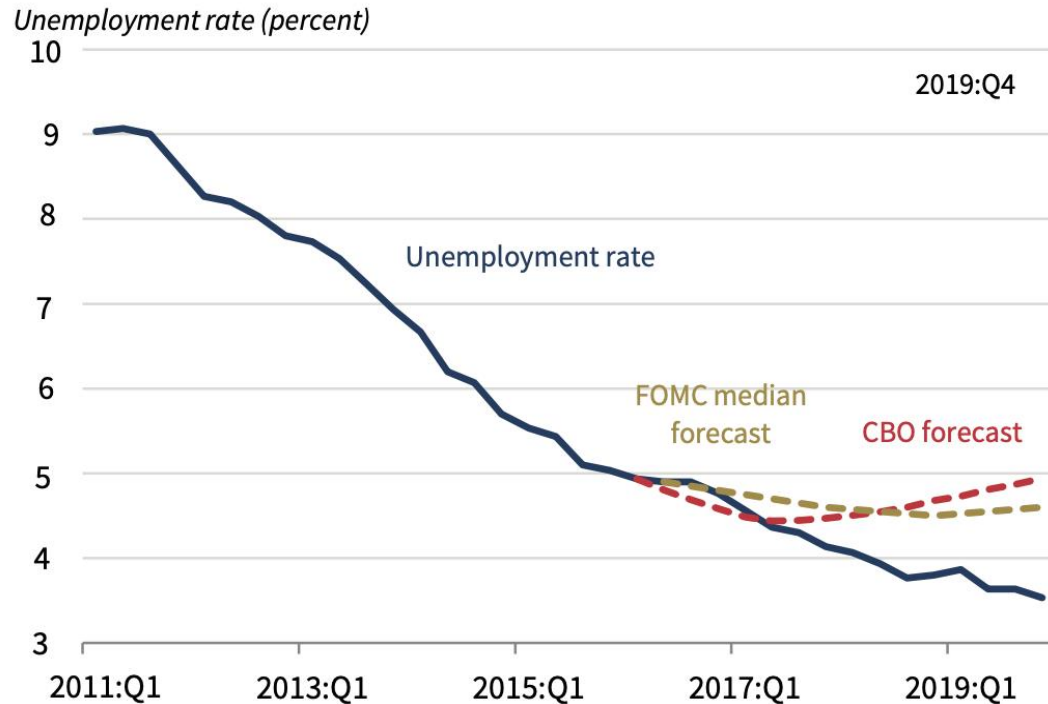
- Disadvantaged groups becoming more self-reliant in economic activity instead of remaining inactive in labor market to qualify for means-tested government programs that incentivize people to limit their hours or stop working to qualify
- 2017-2018: number of people living in poverty decreased by 1.4 million and the poverty rates for African Americans & Hispanics at record lows
- 7 million fewer people on food stamps at time of 2016 election
- Temporary Assistance for Needy Families fell by 700,000 individuals & people on Social Security Disability Insurance fell by 380,000

# WAGE GROWTH

- nominal wage growth for private sector workers has been at or above 3% for most of 2019
- Has been higher for historically disadvantaged groups than advantaged groups
- Low levels of unemployment makes rapid job creation more difficult because harder to find workers which leads to increased pay
- For many disadvantaged groups, the wage growth is now much higher than the wage growth for advantaged groups

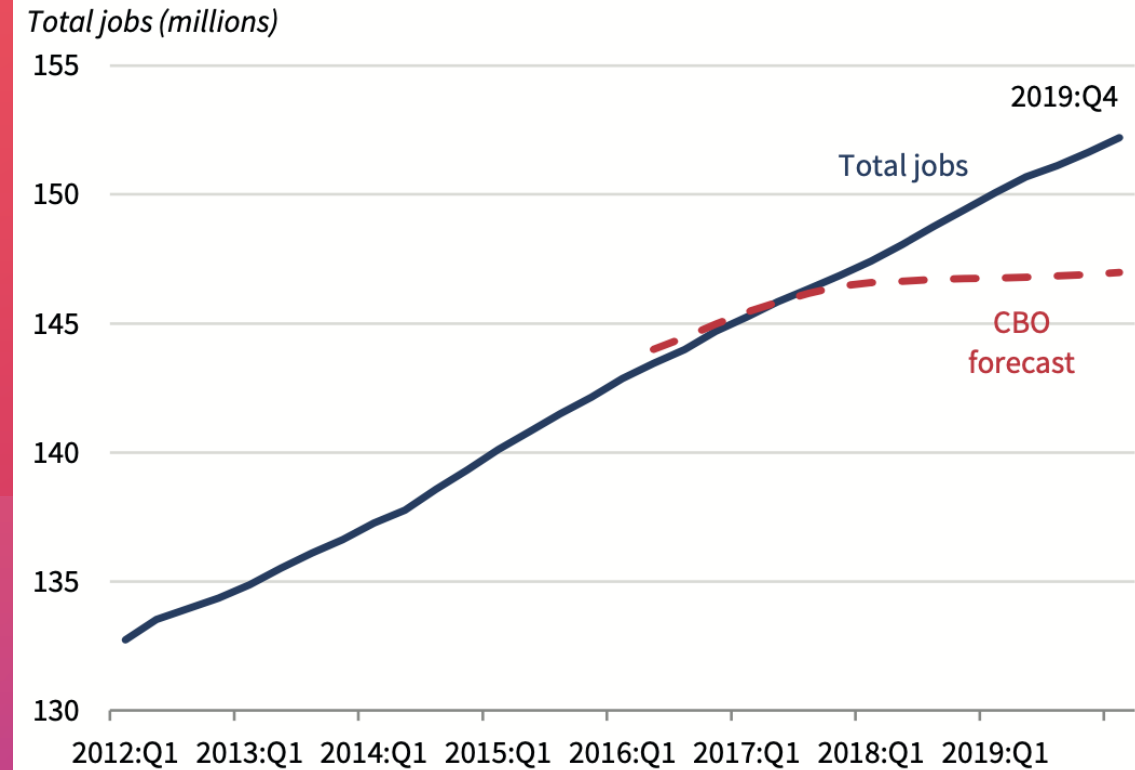
# FIGURES 1 & 2

**Figure 2-2. Unemployment Rate versus Preelection Forecasts, 2011-19**



Sources: Congressional Budget Office; Bureau of Labor Statistics; Federal Reserve.  
 Note: CBO = Congressional Budget Office. FOMC = Federal Open Market Committee. CBO forecast is from August 2016. FOMC forecast is from September 2016.

**Figure 2-1. Total Jobs versus Preelection Forecast, 2012-19**



Sources: Congressional Budget Office; Bureau of Labor Statistics; CEA calculations.  
 Note: CBO = Congressional Budget Office. CBO forecast is from August 2016.

# POVERTY IMPACT

- Number of people in poverty decreased by 1.4 million from 2017-2018 & poverty rates for Black people & Hispanics are at record lows
- Number of working-age adults without health insurance who are below federal poverty line fell by 359,000 between 2016 & 2018
- Aug 2019: nearly 7 million fewer people participating in Supplemental Nutrition Assistance Program (food stamps) than in 2016
- Temporary Assistance for Needy Families fallen by 700,000 individuals & number of people on social security disability insurance fell by almost 380,000 since 2016 election
- Medicaid rolls decreasing as US pop increases



# FACTS & FIGURES

## 2019

- Unemployment Rate for:
  - African Americans 5.4%, lowest since 1972
  - Hispanics 3.9%, series low since 1973
  - American Indians or Alaska Natives 6.1%, lowest since 2000

## 2021

- Unemployment Rate for:
  - African Americans 9.6% (3/21)
  - Hispanics 8.2% (3/21)
  - American Indians 6% (3/21)
  - Alaska Natives 6% (3/21)

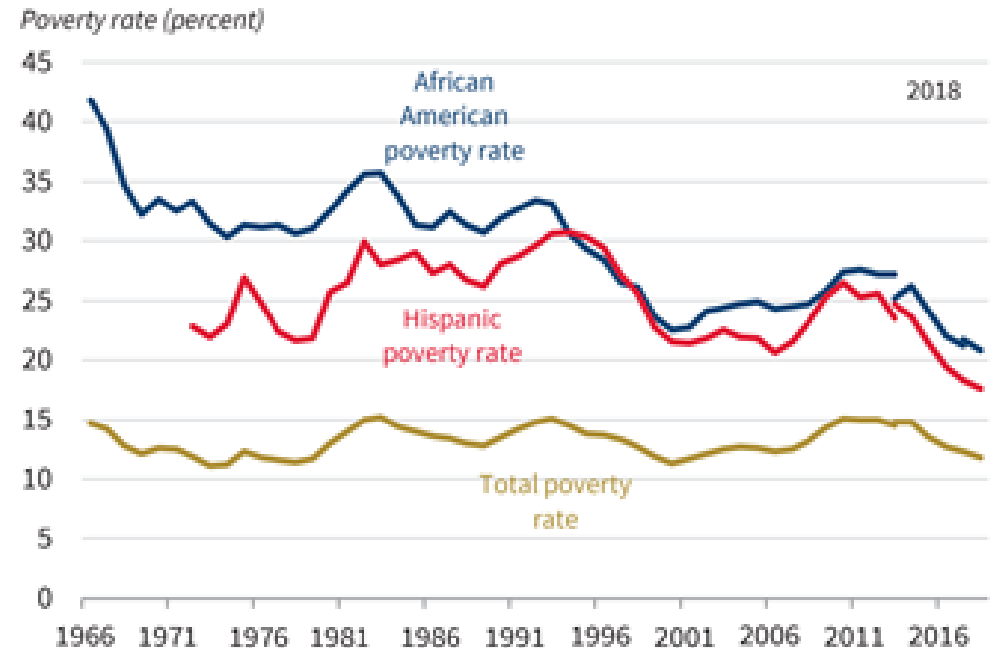
# POVERTY AND INEQUALITY

- The gains in employment and wages for those who had previously been left behind are lifting many out of poverty.
- In 2018 the official poverty rate fell by 0.5 percent to 11.8 percent, the lowest level since 2001
- This was all calculated before tax

# POVERTY AND INEQUALITY

- Disadvantaged groups experienced the largest poverty reductions in 2018
- The poverty rate fell by 0.9 percentage point for African Americans and by 0.8 percentage point for Hispanic Americans
- Reaching historical lows

Figure 2-10. Poverty Rates by Race and Ethnicity, 1966–2018



Source: Current Population Survey (CPS) Annual Social and Economic Supplement.  
Note: The data for 2013 and beyond reflect the implementation of the redesigned income questions. The data for 2017 and beyond reflect the implementation of an updated CPS Annual Social and Economic Supplement processing system.

# HEALTH INSURANCE AND MEDICAID

- Employer-sponsored health insurance is by far the largest source of health insurance coverage in the United States
- The employment and earnings gains that are reducing poverty are also driving a decrease in the number of people on Medicaid
- Households have a choice to remain eligible by working less

# FULL-INCOME MEASURES OF POVERTY

- The Census Bureau determines poverty status by using an official poverty measure (OPM), which is based on pretax money income
- The Full-Income Poverty Measure (FPM) overcomes the limitations of the (OPM)
- It subtracts Federal income and payroll taxes and adds tax credits and it also includes the market value of SNAP, subsidized school lunches, rental housing assistance, employer-provided health insurance, and public health insurance

# SUPPORTING FURTHER ECONOMIC GAIN

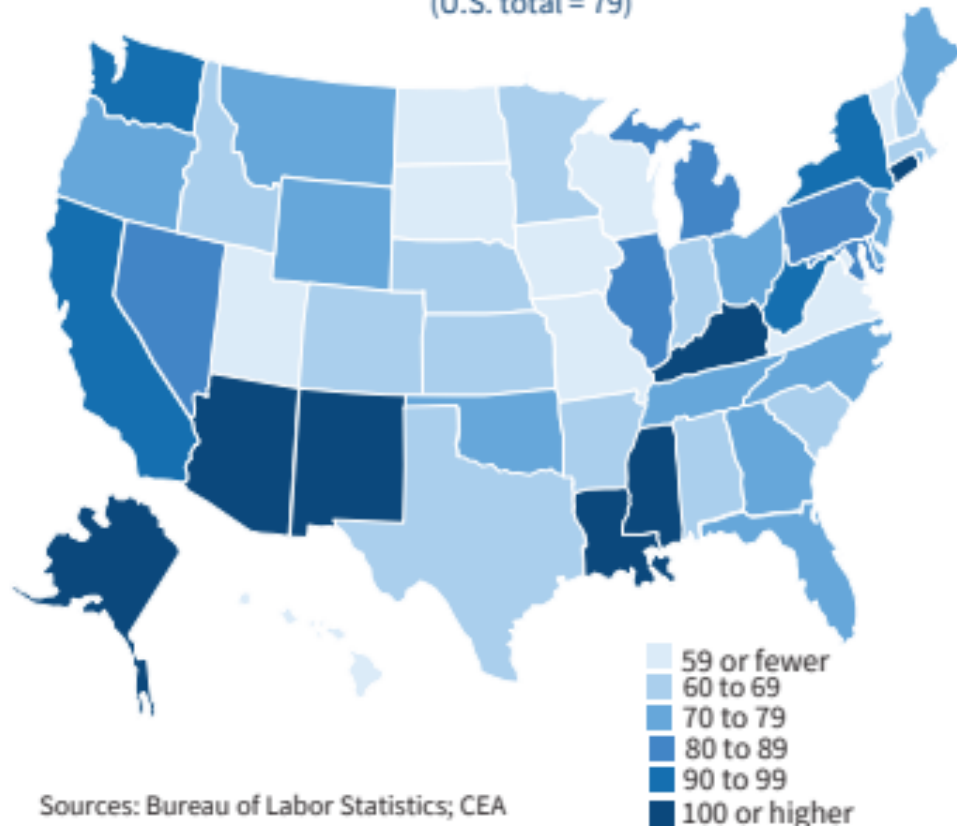
- The strong U.S. labor market has led to historic labor market successes, but certain barriers are preventing people from fully benefiting from the strong labor market
- Ex: childcare costs, a criminal record, or drug addiction
- The Trump Administration was pursuing finding a way to work around these barriers

# MAKING SURE THAT WORKERS HAVE THE SKILLS TO SUCCEED

- The skills gap refers to the situation whereby the skills of available workers are not matching the skills needed by employers
- The Administration has created the National Council for the American Worker (NCAW), which is addressing issues related to improving skillstraining programs, focusing on private-sector-led approaches and promoting multiple education and training pathways for individuals

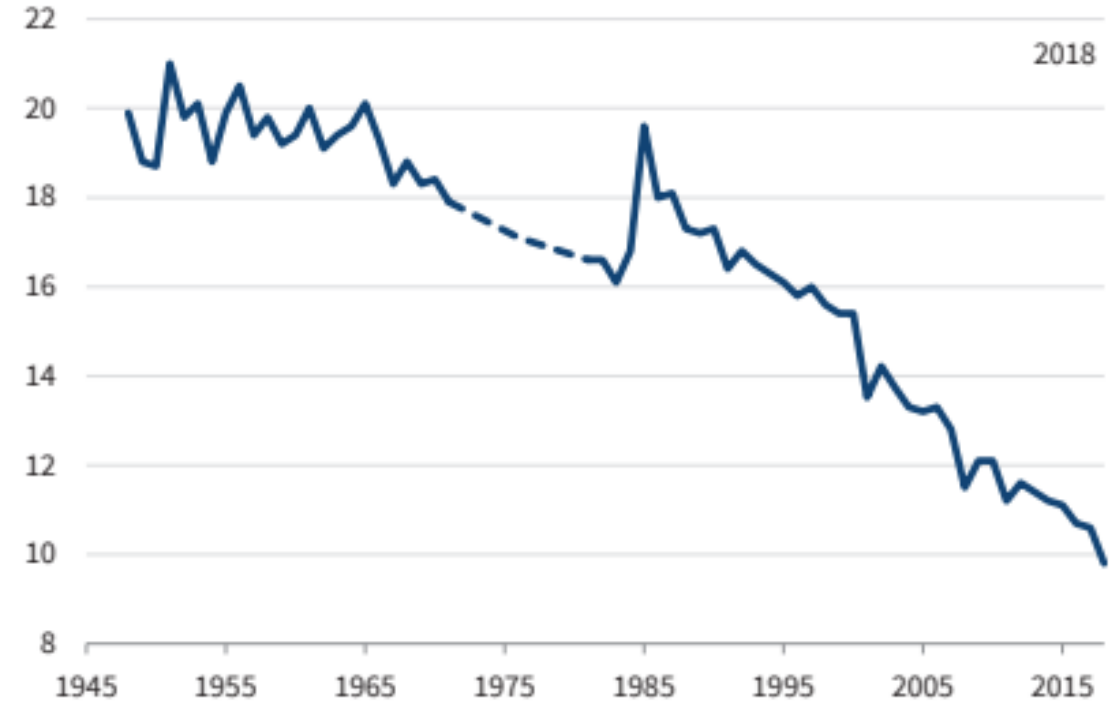
**Figure 2-13. Number of Unemployed Workers per 100 Job Openings, Q2:2019**

(U.S. total = 79)



**Figure 2-14. Share of U.S. Residents Who Moved, 1948–2018**

Percentage share



Source: Current Population Survey.

Note: The one-year geographic mobility question was not asked between 1972 and 1975 or between 1977 and 1980, so the value is interpolated, as shown by the dotted line.



- Available jobs and available workers do not always match geographically.
- The JOLTS data show that at a national level, there are more job openings than unemployed workers.
- In addition to booming job markets in many States, geographic mobility has reached the lowest rate in at least 70 years, declining by 0.8 percentage point over the year, to 9.8 percent in 2018.
- Workers in licensed occupations see the largest reductions in interstate migration rates.
- Absent State agreements to recognize outside licenses, State-by-State occupational licensing laws prevent workers from being able to provide their services across State lines or move to another State to work in a licensed profession.

# **OPPORTUNITY ZONES: PEOPLE & COMMUNITIES**

- Over time, areas with less income grew faster than areas with more income, leading to convergence in income per capita.
- The Opportunity Zone provision of the 2017 Tax Cuts and Jobs Act seeks to counter the solidification of geographic economic inequality by bringing capital to low-income communities through tax cuts on capital gains.
- The zones are home to nearly 35 million Americans, and on average they have a poverty rate nearly twice as high as the average census tract.

# **OPPORTUNITY ZONES: INVESTOR'S ACTIVITIES**

- Data from Real Capital Analytics, which tracks commercial real estate properties and portfolios valued at \$2.5 million or more, show that year-over-year growth in development site acquisitions in zones surged by more than 25 percent late in 2018.

# EXPANDING OPPORTUNITIES FOR EX-OFFENDERS

- Having a job can help someone just released from prison reenter society, and it reduces the likelihood of recidivism.
- In December 2018, the previous administration signed into law the historic First Step Act, which is aimed at establishing a fairer justice system for all, reducing recidivism, and making communities across America safer.
- The Administration's initiatives like the First Step Act and Second Chance hiring, will help ex-prisoners reenter society as productive members of the community.
- These initiatives will meet the needs of businesses that may be struggling to find workers and reduce crime across American communities.

# SUPPORTING WORKING FAMILIES

- The previous administration signed into law the largest-ever increase in funding for the Child Care, thus expanding access to high-quality childcare for nearly 800,000 families across the country.
- Also, for the first time, nationwide paid parental leave was included in the presidential annual budget.

# SOURCES

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