

Addendum to Testimony on Paid Sick Days

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My thanks to the committee for the opportunity to testify today. I am following up in response to questions about 2 graphs handed out at today's testimony.

Regarding Figure 1a below, this graph measures trends in the dollar value of output per worker (productivity) and total worker compensation that includes wages and other benefits. I have added an additional graph that extends these data to 2013 (Figure 1b). The data source is the Bureau of Labor Statistics, and the methodology used to create these figures is similar to that adopted by a wide variety of researchers and thus the figures are representative of what others have found. The question was raised that we do not have "real time" data. That is because data is usually available only with a lag, given the time it takes to conduct surveys, clean and analyze the data, and publish it. This is especially so with data based on establishment and labor market surveys.

That means that analysts must make inferences based on other indicators. In that regard, I do not find evidence that significant changes have occurred in the last year that would contradict the trends shown in these figures. As I note below, data from the US Bureau of Labor Statistics reports that economy-wide productivity growth continued in 2014, and in many industries, exceeded growth of compensation. There is variation across industries in these trends, but the data do not point to a significant closure of the gap between productivity and compensation shown in Figure 1 for any specific industry.

Regarding Figure 2 that I discussed with the committee today (see below), the data on corporate profits are from the Bureau of Economic Analysis, the national government agency reporting these data. The small business earnings data are from the National Federation of Independent Businesses, a private membership organization that collects and reports data on small business economic trends. To my knowledge, they do not report these data by state, and report only national averages. The small business earnings shown in that figure are not net of intermediate costs ("overhead") or labor costs and thus do not represent net profits. We can assess profits indirectly by a) using inflation to assess overhead costs and b) using data on wages and productivity to assess labor costs.

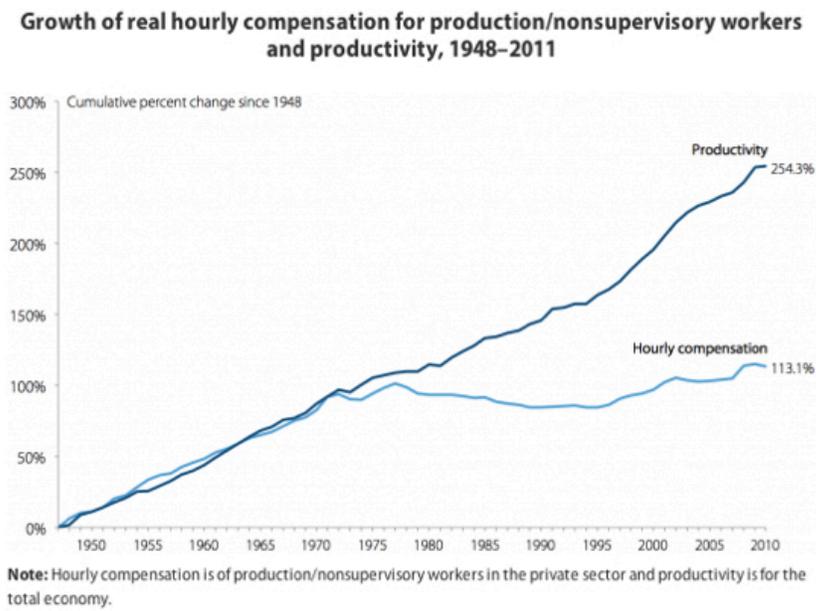
Regarding costs other than labor (in other words, "overhead" costs or the costs of intermediate inputs), a 2015 report by the NFIB (<http://www.nfib.com/surveys/small-business-economic-trends/>) indicated a 0% increase in costs over the previous year with survey respondents reporting no inflation pressures on the horizon. That same report noted that any wage pressures have been offset by lower energy costs. That is consistent with Bureau of Labor Statistics preliminary estimates for the fourth quarter of 2014 that

productivity increased 3.7% while real hourly compensation has increased 0.2%. As a result, unit labor costs have declined by 2.7% (<http://www.bls.gov/news.release/prod2.nr0.htm>).

Does this mean small business profits have increased? The answer to that would appear to be yes since profits are what are left over after paying input costs and labor. In the absence of precise data on small business profits, however, a conservative analysis would suggest that at a minimum, small business profits are not declining. I am not aware of publicly available Vermont data on small business profits. We do know, however, that the Vermont economy continues to outperform many other state economies in the country, with the 6th lowest unemployment rate in the country.

I hope this additional information is helpful and would be happy to answer any follow up questions or provide clarification where needed.

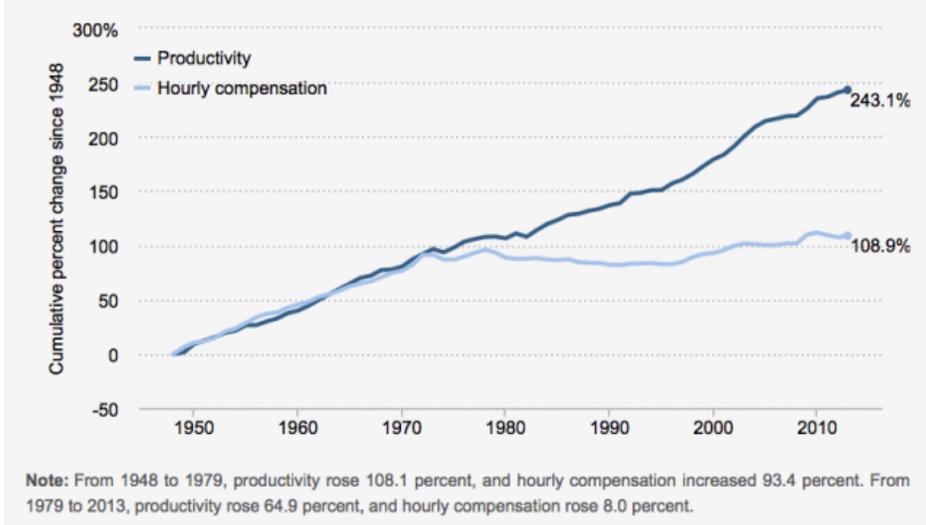
Figure 1a



Source: Economic Policy Institute, based on Bureau of Labor Statistics data.

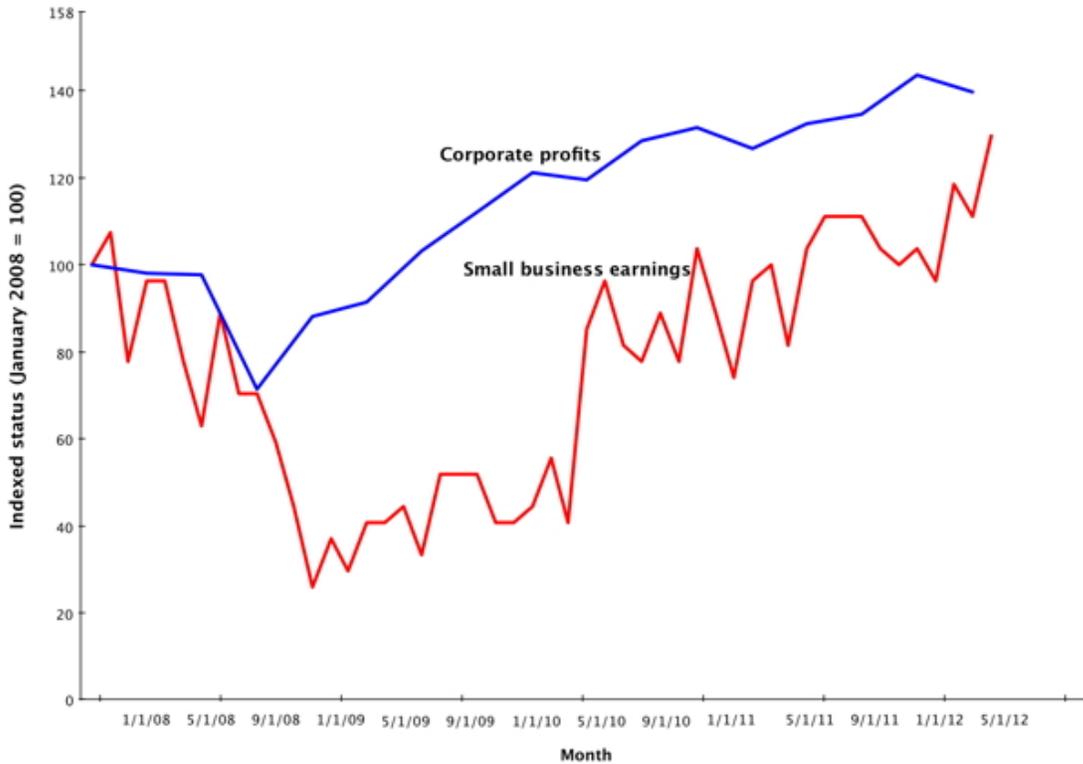
Figure 1b.

Disconnect between productivity and typical worker's compensation,* 1948–2013



Source: Economic Policy Institute, based on Bureau of Labor Statistics data.

Figure 2. US corporate and small business earnings since the Great Recession



Source: Bureau of Economic Analysis (corporate profits) and National Federation of Independent Businesses (small business earnings).