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Research Brief: Personal Income in the Recession: How Maine Compares to the U.S. and New England

Maine Department of Labor

Maine Center for Workforce Research and Information

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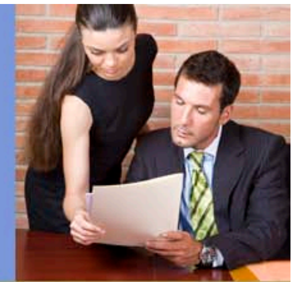


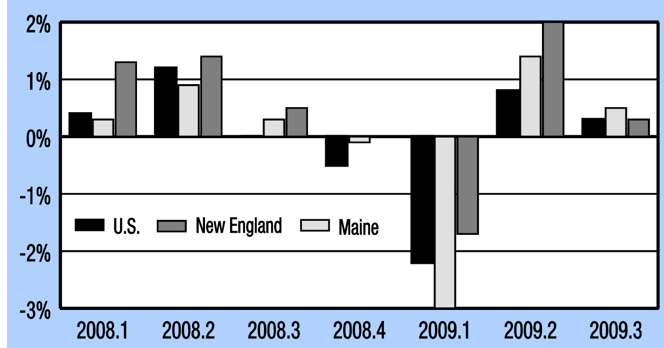
December 2009

Personal Income in the Recession: How Maine Compares to the U.S. and New England

AS THE RECESSION MOVES NEARER TO AN END, additional data is becoming available to analyze its impact and our performance relative to the nation and New England. Monthly unemployment estimates have reflected better workforce conditions in Maine than the nation and much of New England throughout 2009. Recently released personal income data reflects better performance as well. According to estimates by the U.S. Bureau of Economic Analysis, personal income in Maine increased 3.8 percent from the fourth quarter of 2007 (the beginning of the recession) through the third quarter of 2009. During the same period, personal income declined 0.1 percent nationally and increased just 0.3 percent in New England. Maine outperformed the nation and the region each quarter with the exception of the most recent. Income declines were sharpest in the first quarter of 2009. (It is important to note that personal income estimates are subject to sometimes large revisions.)

Personal income is the sum of net earnings from work (both wage and salary employment and proprietor's income), investment income (dividends, interest, rents), and transfer payments (primarily retirement and disability insurance, medical, income maintenance, and veterans benefits, plus unemployment compensation and education assistance).

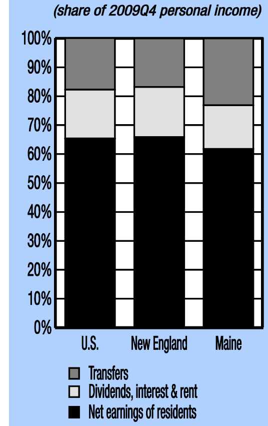
Earnings are the largest income source, comprising nearly 65 percent of total personal income in Maine at the onset of the recession and just under 62 percent in the most recent quarter. During that period as employment and average hours worked declined, net earnings dropped 0.7 percent. Nationally and in New England, earnings declined a faster 2.5 percent.



Some of the personal income losses from last fall and winter have been recovered the last two quarters

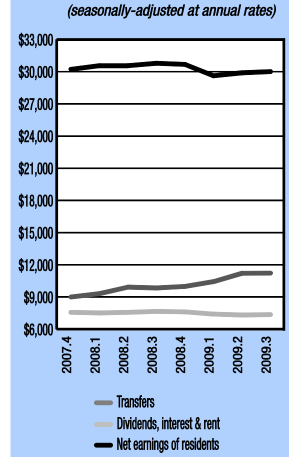
Investment income also declined from the onset of the recession as sagging stock valuations reduced dividend income, lower rates reduced interest income, and rising vacancies reduced rental income. Those sources combined were down three percent in Maine in the seven quarters from the start of the recession. Nationally and in New England, investment income declined nine and seven percent, respectively.

A surge in transfer payments, up nearly 25 percent, partially offset declines in earnings and investment income as unemployment compensation and other forms of assistance were relied on more heavily. Transfers share of total personal income increased from 19 to 23 percent. As a state with lower than average earnings and investment income, transfers have accounted for a larger-than-average share of income in Maine for many years.



Earnings and investment income account for a lower share and transfers a higher share of income in Maine

(share of 2009Q4 personal income)



Rising transfers largely offset declining earnings in Maine

(seasonally-adjusted at annual rates)

A Closer Look at Earnings

From 2007Q4 to 2009Q3, net earnings increased in 13 sectors, though only three posted net job growth. The largest gains in earnings were in government and health care & social assistance. The largest declines in earnings were in the two sectors with the largest job losses: construction and manufacturing.