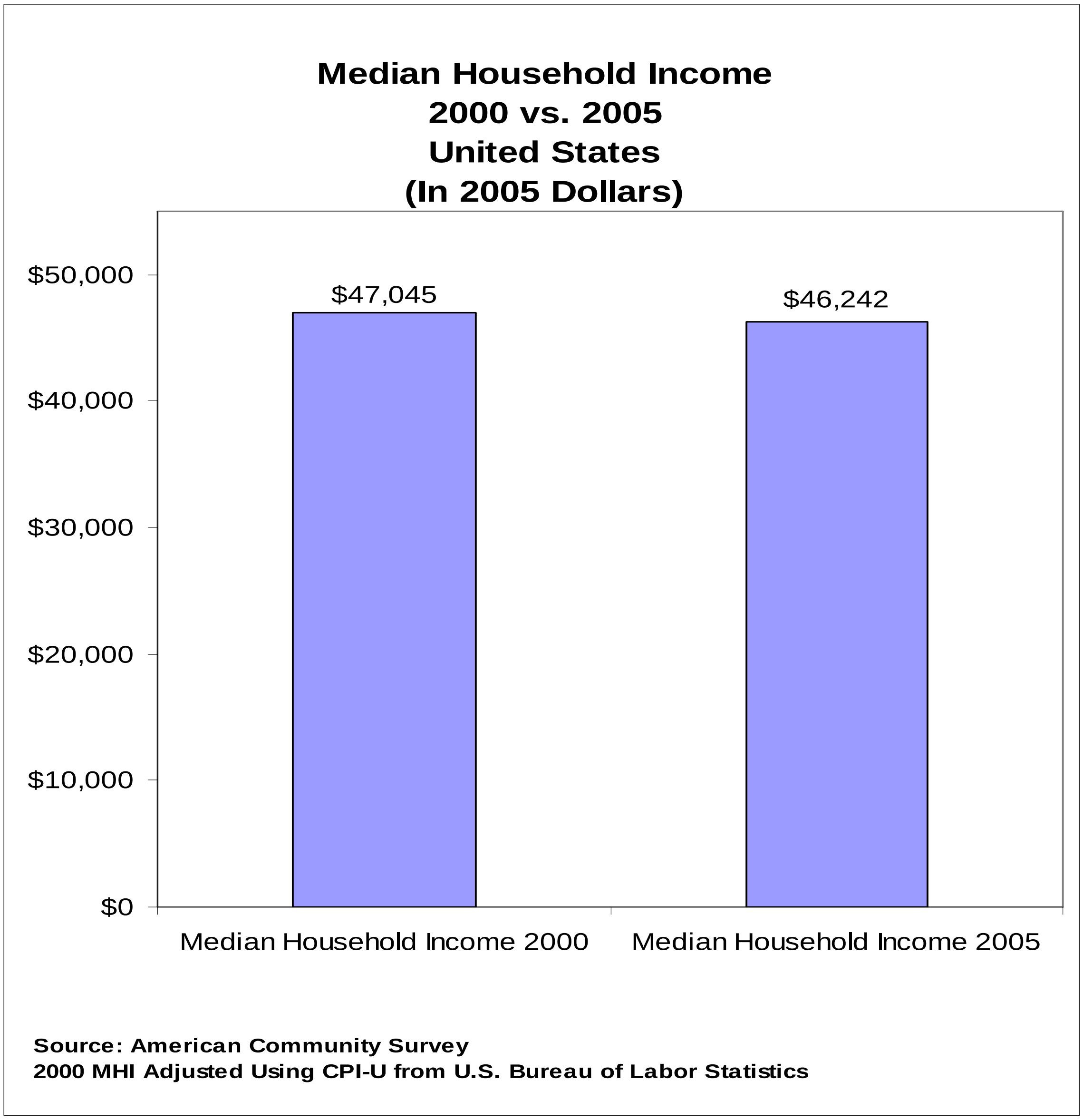
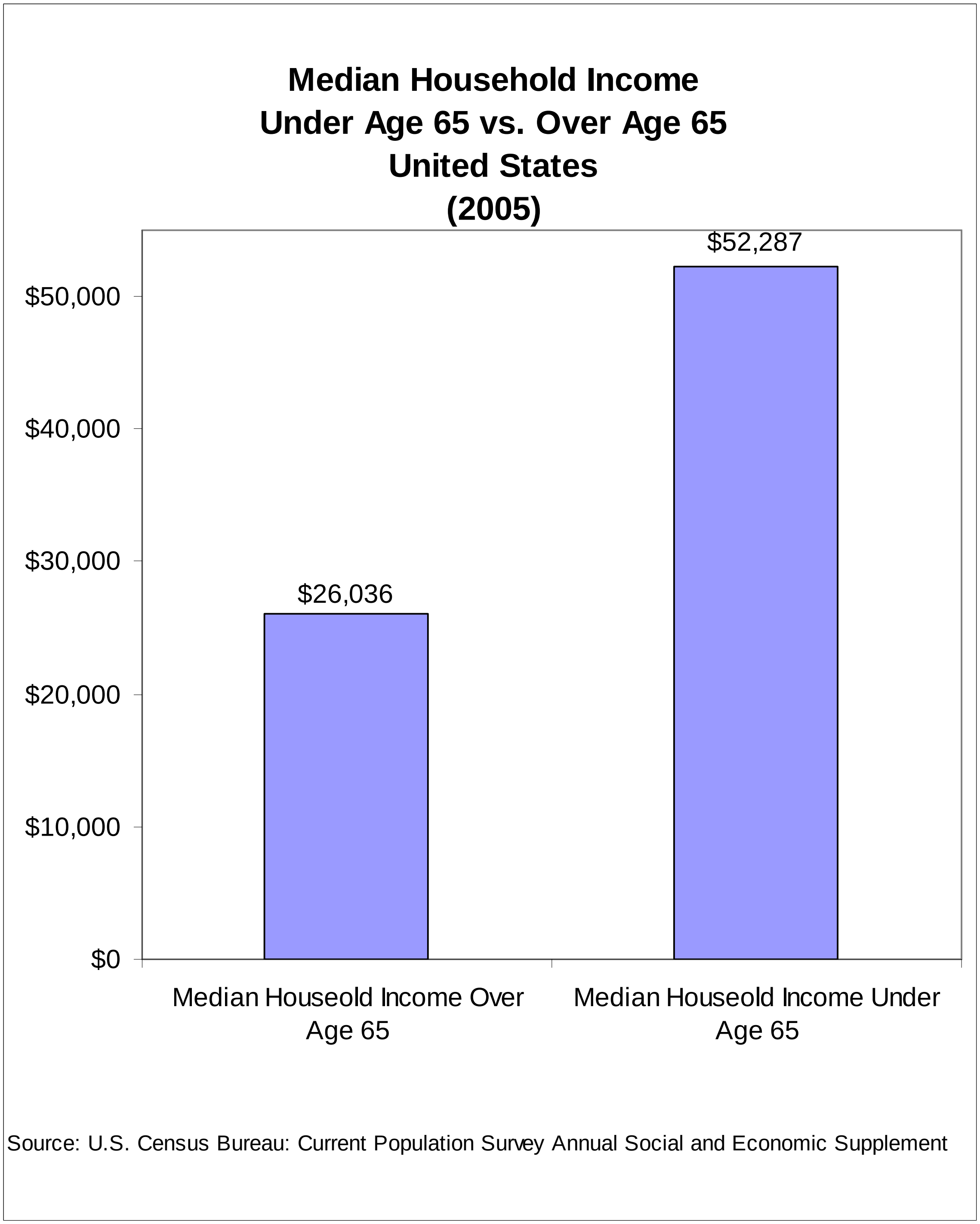
Executive Director's Report
Economic Update
Long Island Regional Planning Board
Sept. 12, 2006
Mineola, New York

Prepared By
Dr. Seth Forman
Acting Executive Director

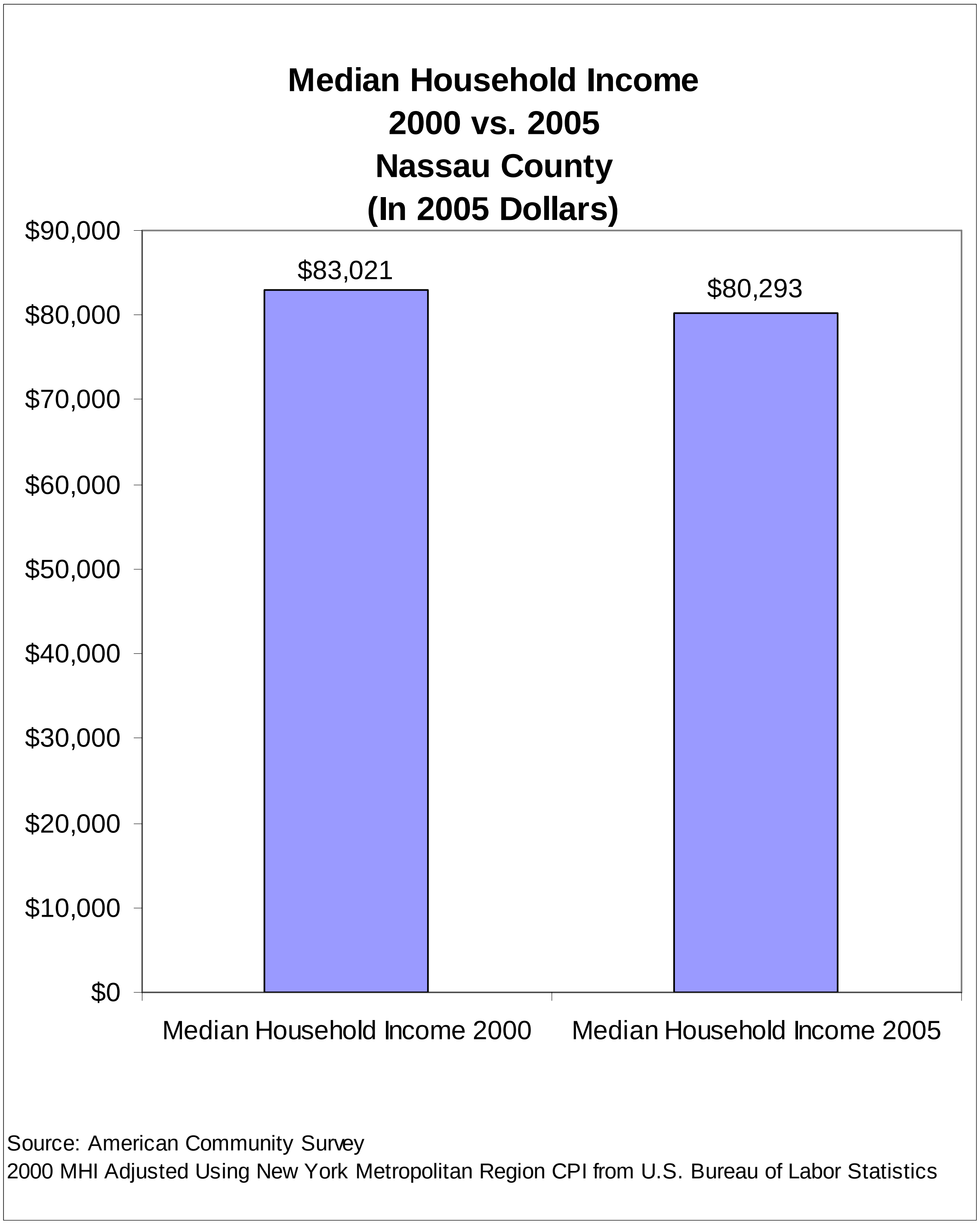


1. *Annual median household income nationwide has declined by 1.7 percent in inflation adjusted terms between 2000 and 2005.*
2. *Economists are divided on the usefulness of median household income as a measure of economic well-being, as many factors apart from earnings capability go into this number, including:*
    - A. *Household size*
    - B. *The number of workers per household*
    - C. *The number of retirees in a household*
    - D. *Proportion of income from wages and salaries*
    - E. *Proportion of income from transfer payments, like social security*

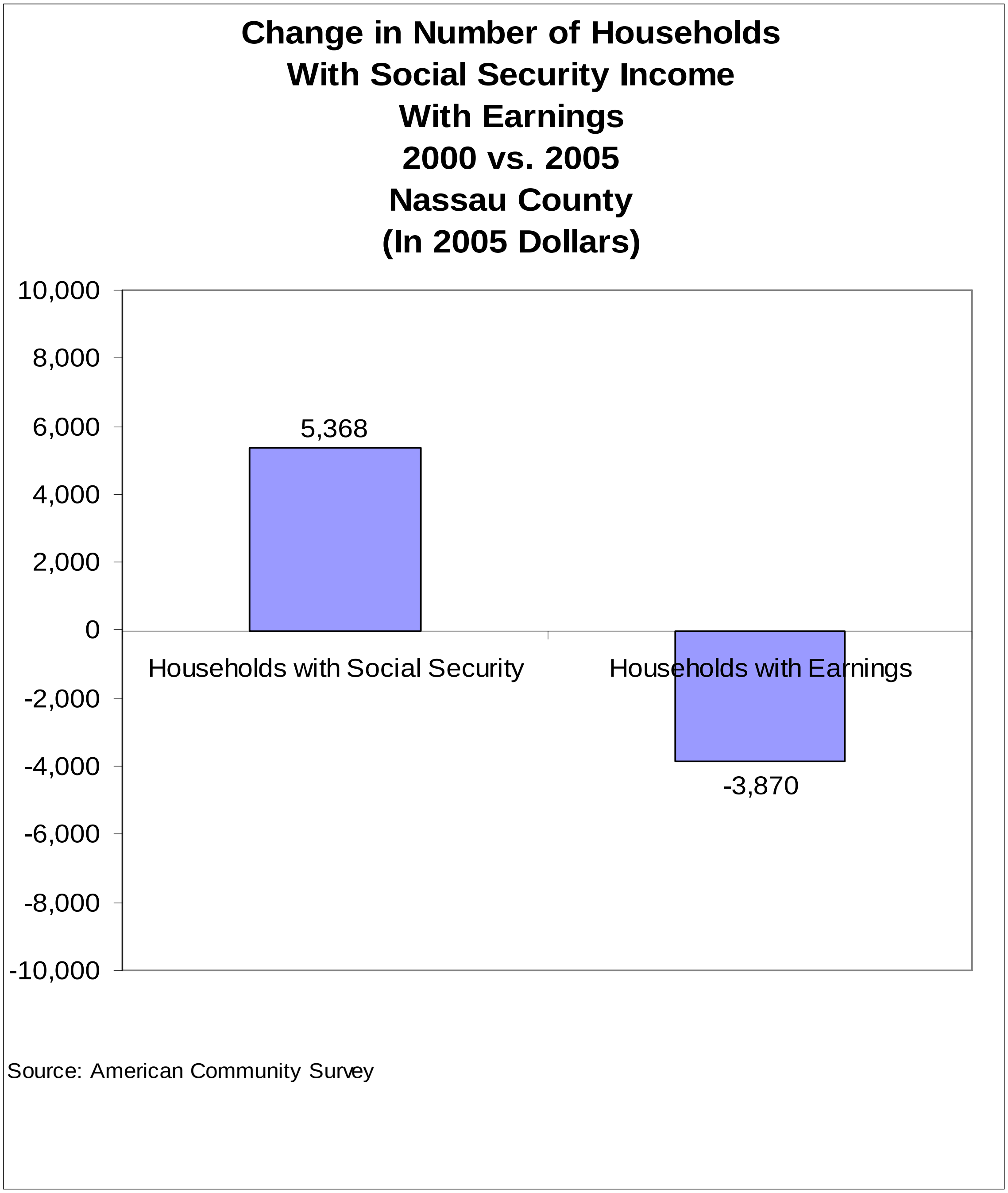
In short, while median household income remains the standard measure of economic well-being, declining median household incomes do not necessarily mean declining standards of living.



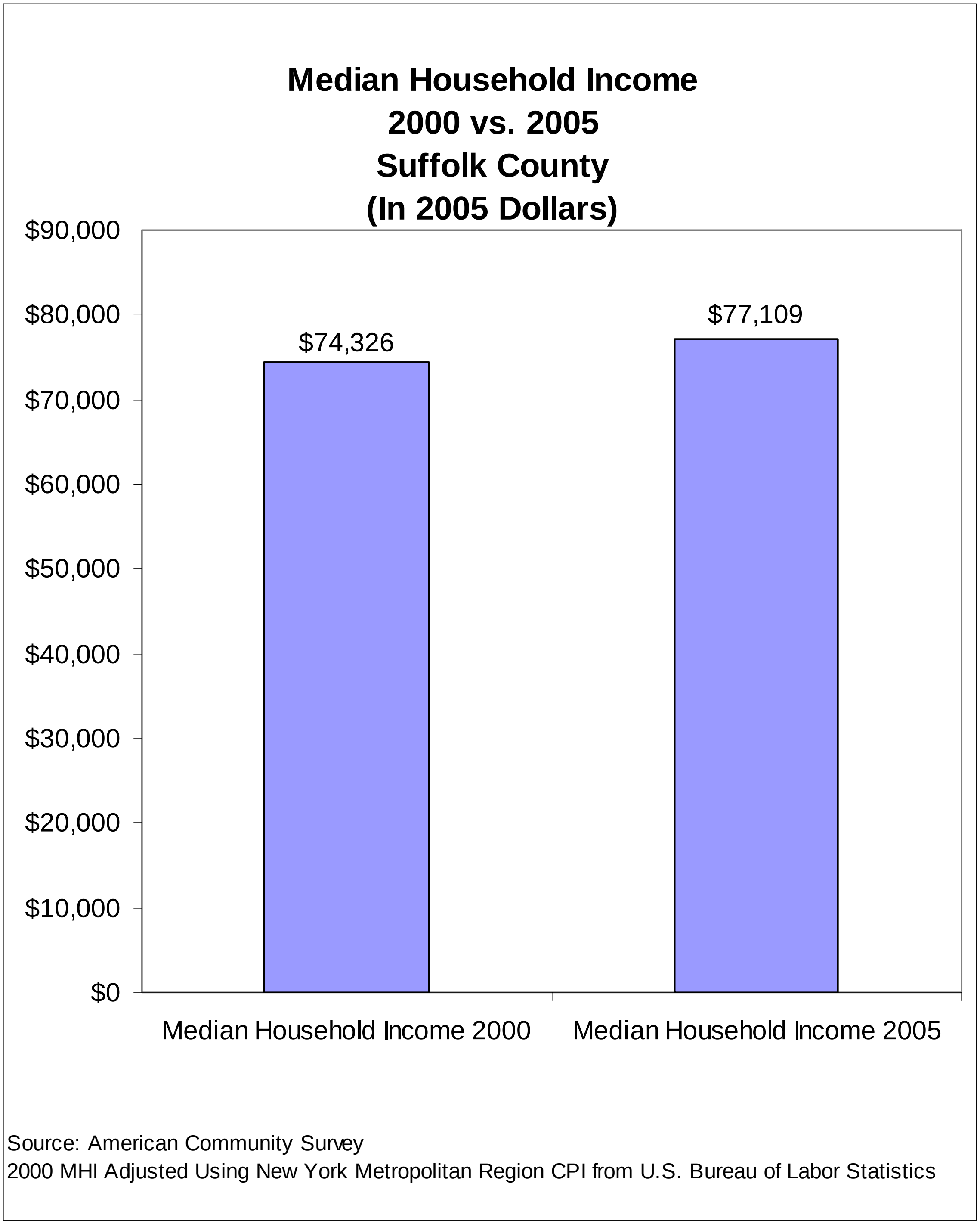
For example, an aging population is likely to experience a decline in median household income. Households with householders over the age of 65 have roughly half the income of households with householders under the age of 65. But householders over 65 as a group have high net wealth, often own their homes outright, are not saving for college, *and qualify for Medicare. Incomes shrink with age, but standards of living may not diminish.*



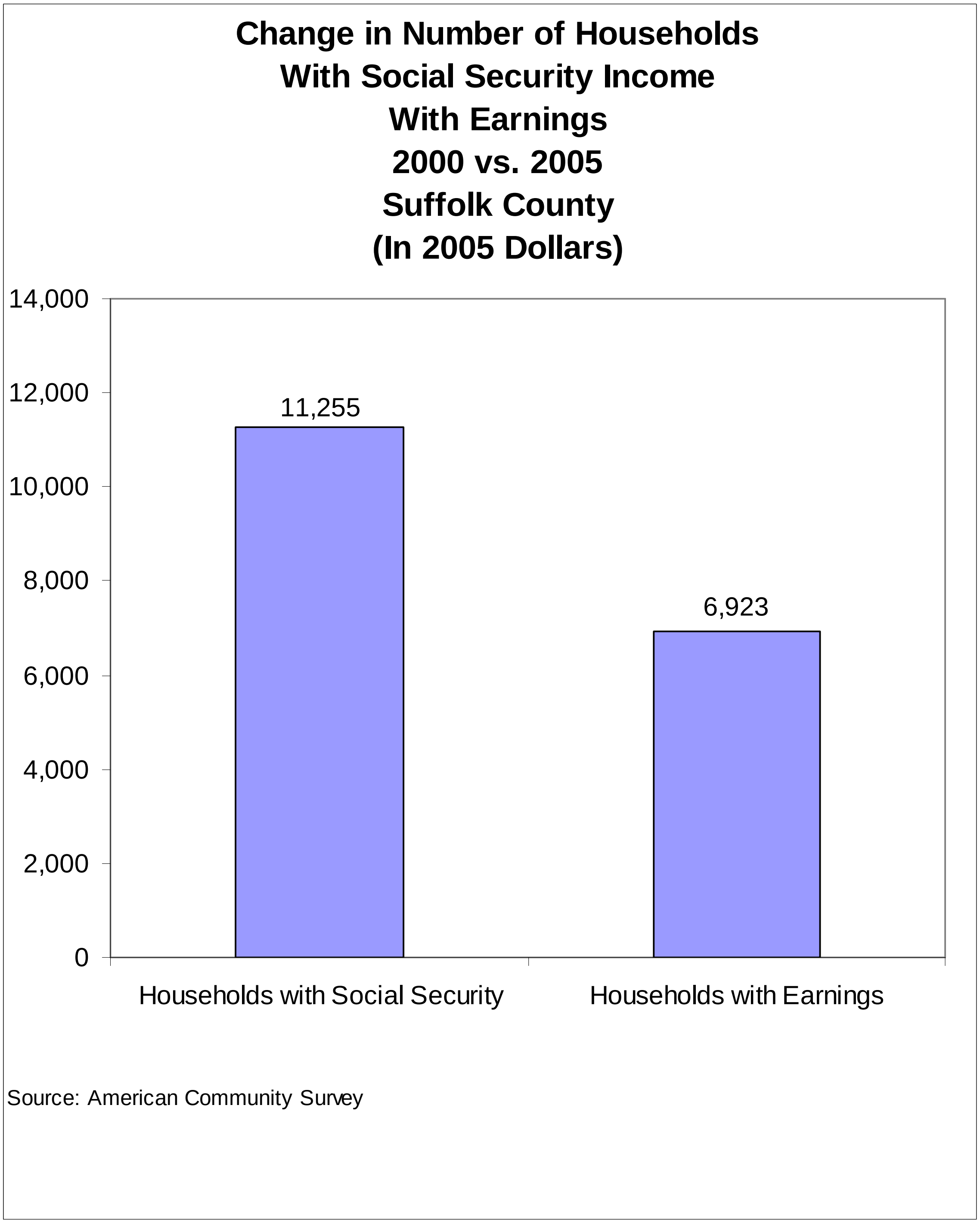
Nassau County experienced a decline of roughly $2,728 in median household income between 2000 and 2005, or 3.3 percent, in inflation adjusted dollars.



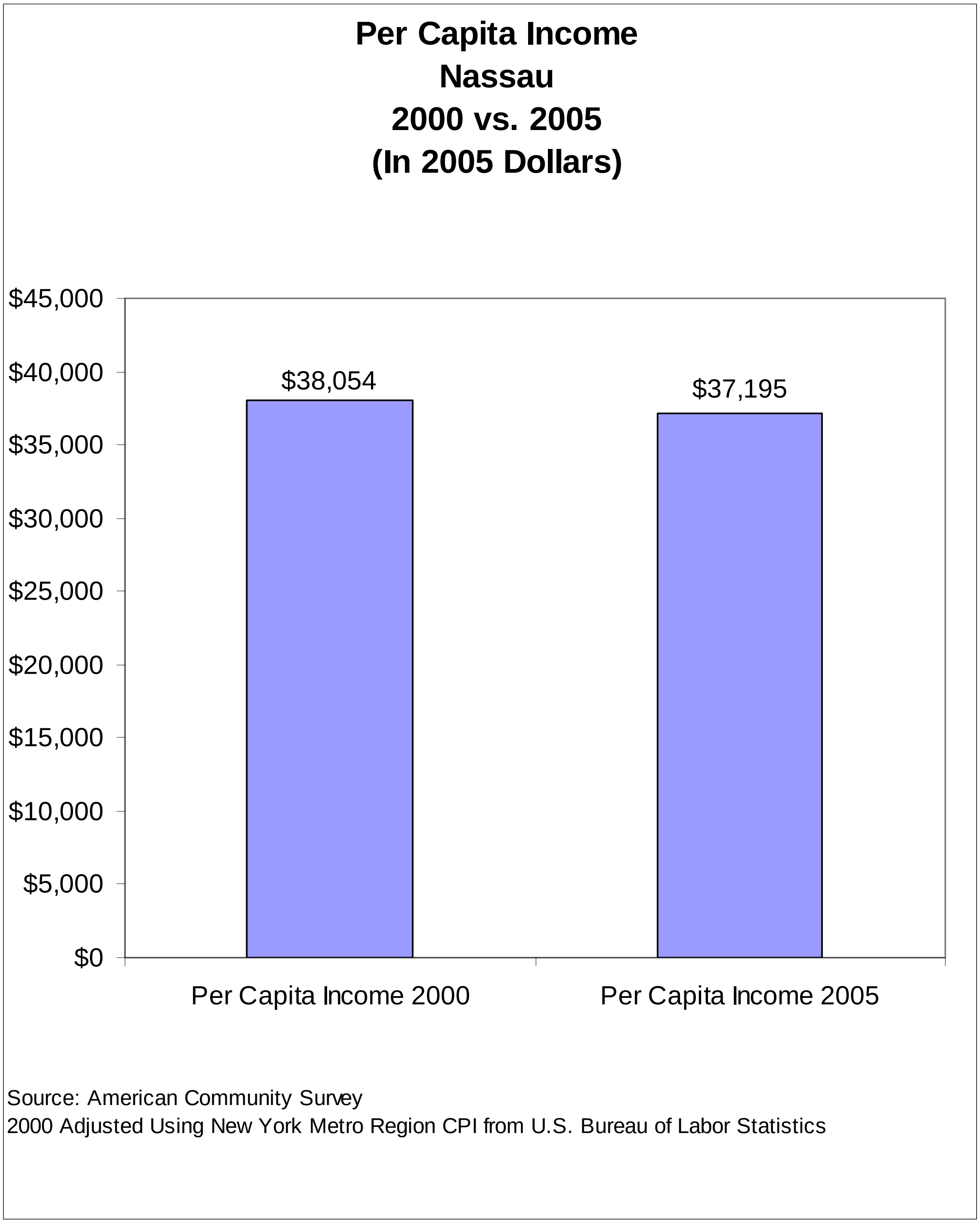
This decline may in part be due to a higher number of retiree householders (5,368) and a lower number of householders with earnings (-3,870), which is essentially wages and salaries.



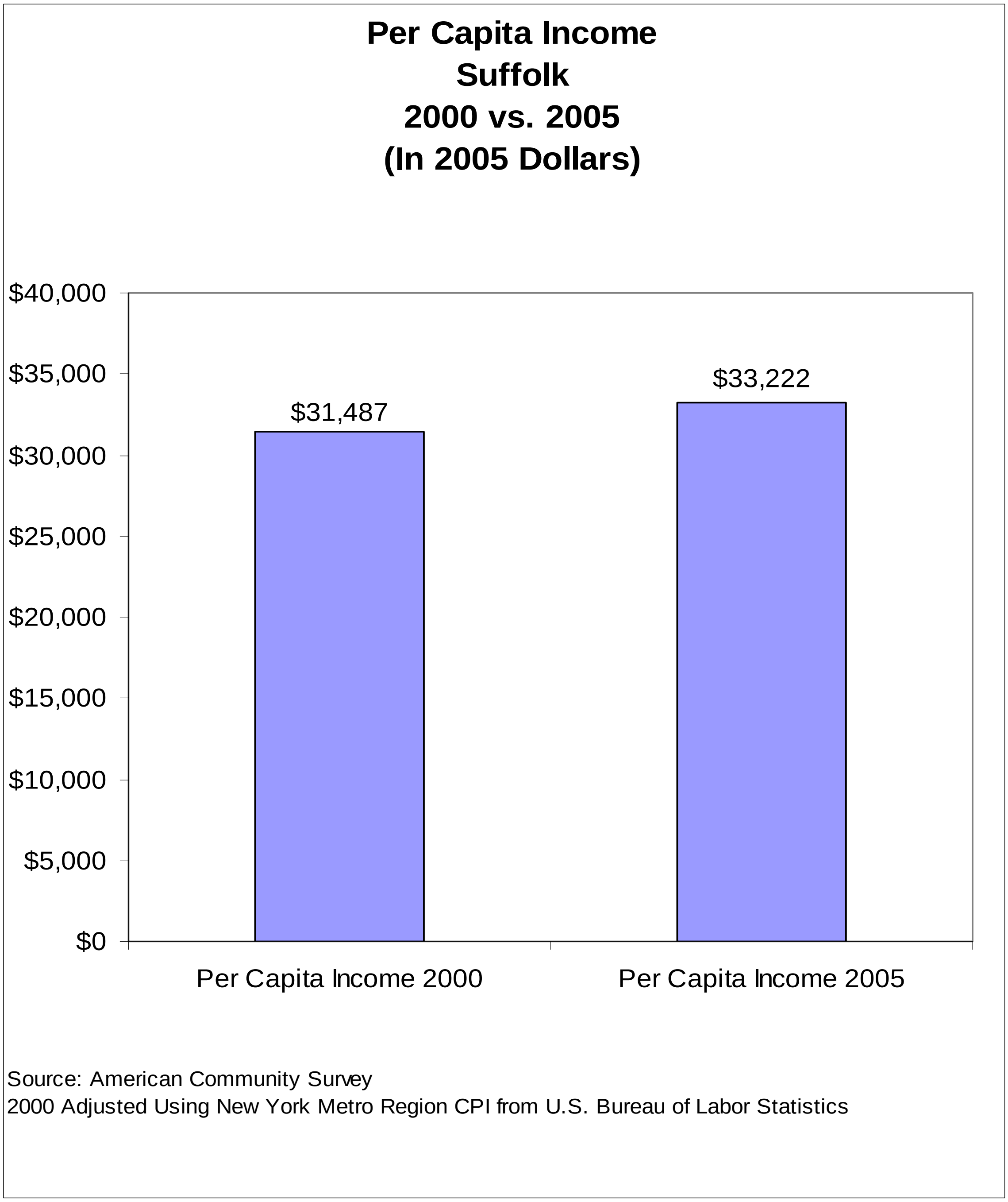
Suffolk county median household income increased by $2,783, or 3.7 percent, in inflation adjusted dollars between 2000 and 2005.



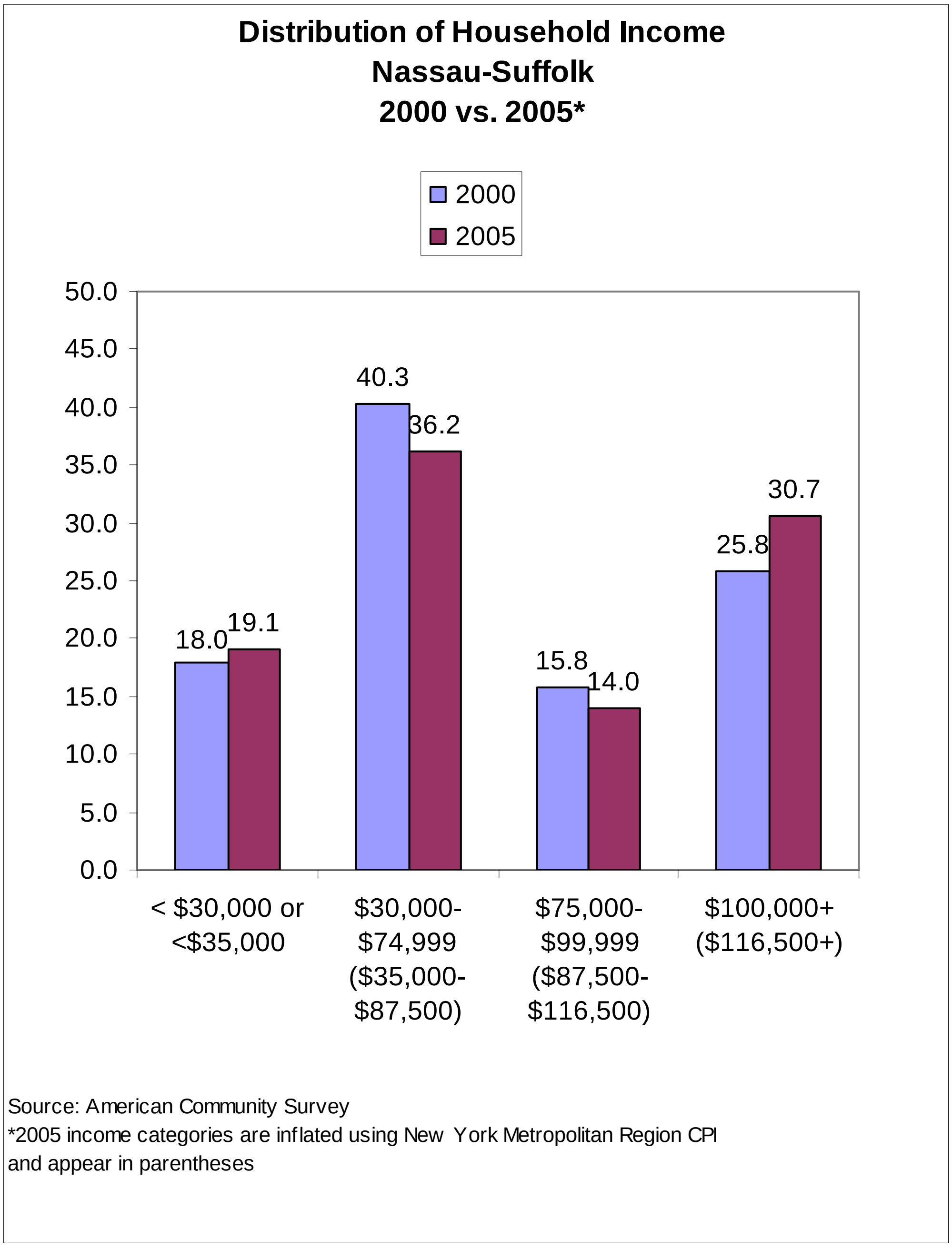
Although Suffolk had an even larger increase than Nassau in the number of households receiving social security (11,255), this was offset in part by an increase in the number of households with earnings (6,923). Suffolk has approximately 30,000 more householders between the prime working ages of 25 to 65 than Nassau does.



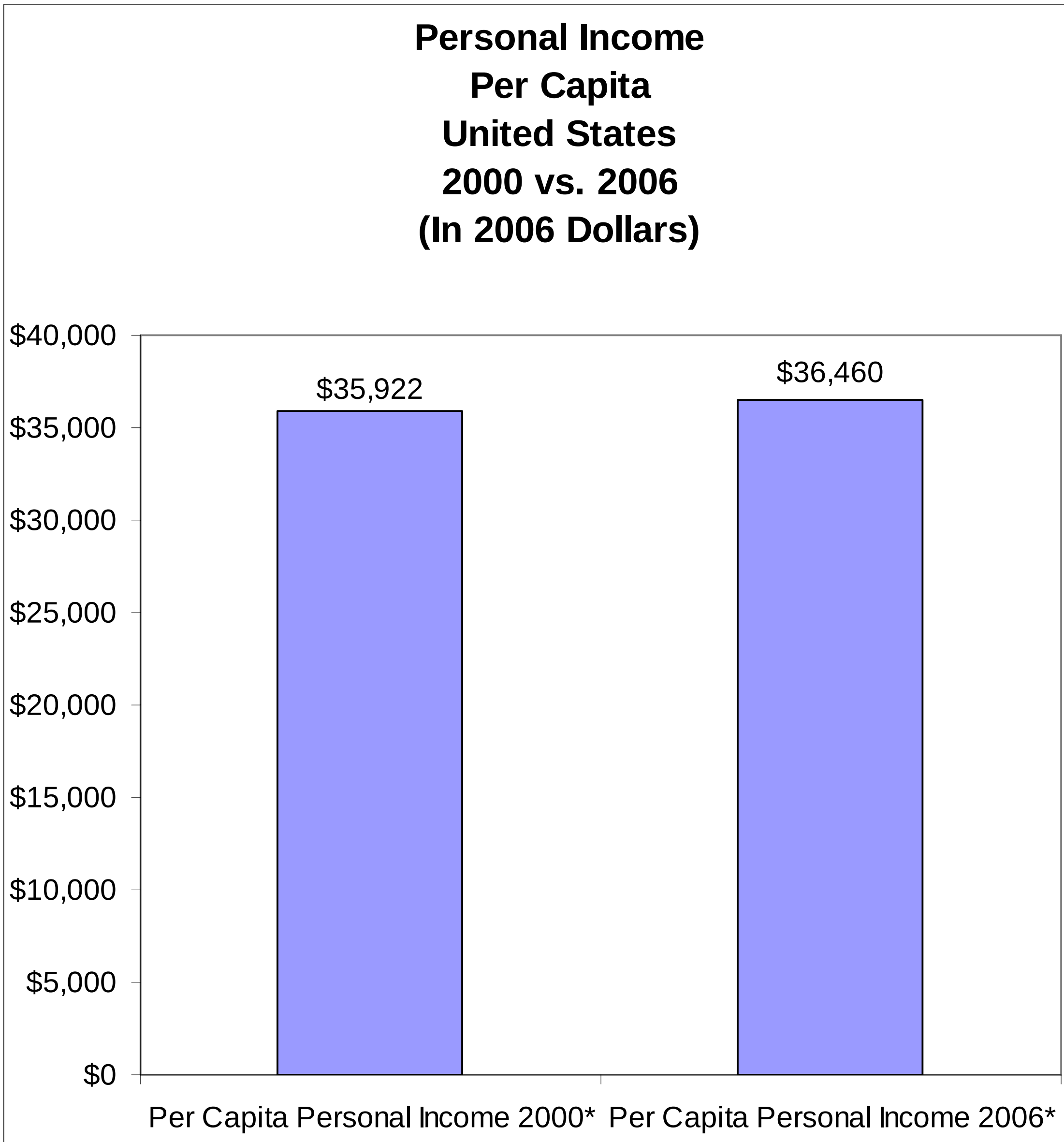
Per capita personal income in Nassau decreased by $859, or 2.3 percent, in inflation adjusted dollars, from 2000 and 2005



Per capita personal income in Suffolk increased by $1,735, or 5.5 percent, in inflation adjusted dollars, from 2000 and 2005. Suffolk's per capita income trails Nassau's by more than the median household income does because there are now many more residents in Suffolk county than in Nassau. In 2005, Suffolk's population of 1,474,927 exceeded Nassau's population of 1,333,137, by 141,790, or almost 11 percent. Many of *these "extra" residents are children who are under the age of 20 and do not work. Suffolk county now has 55,114 more residents below 20 years of age than does Nassau. In other words, in Suffolk, incomes are supporting more people.*

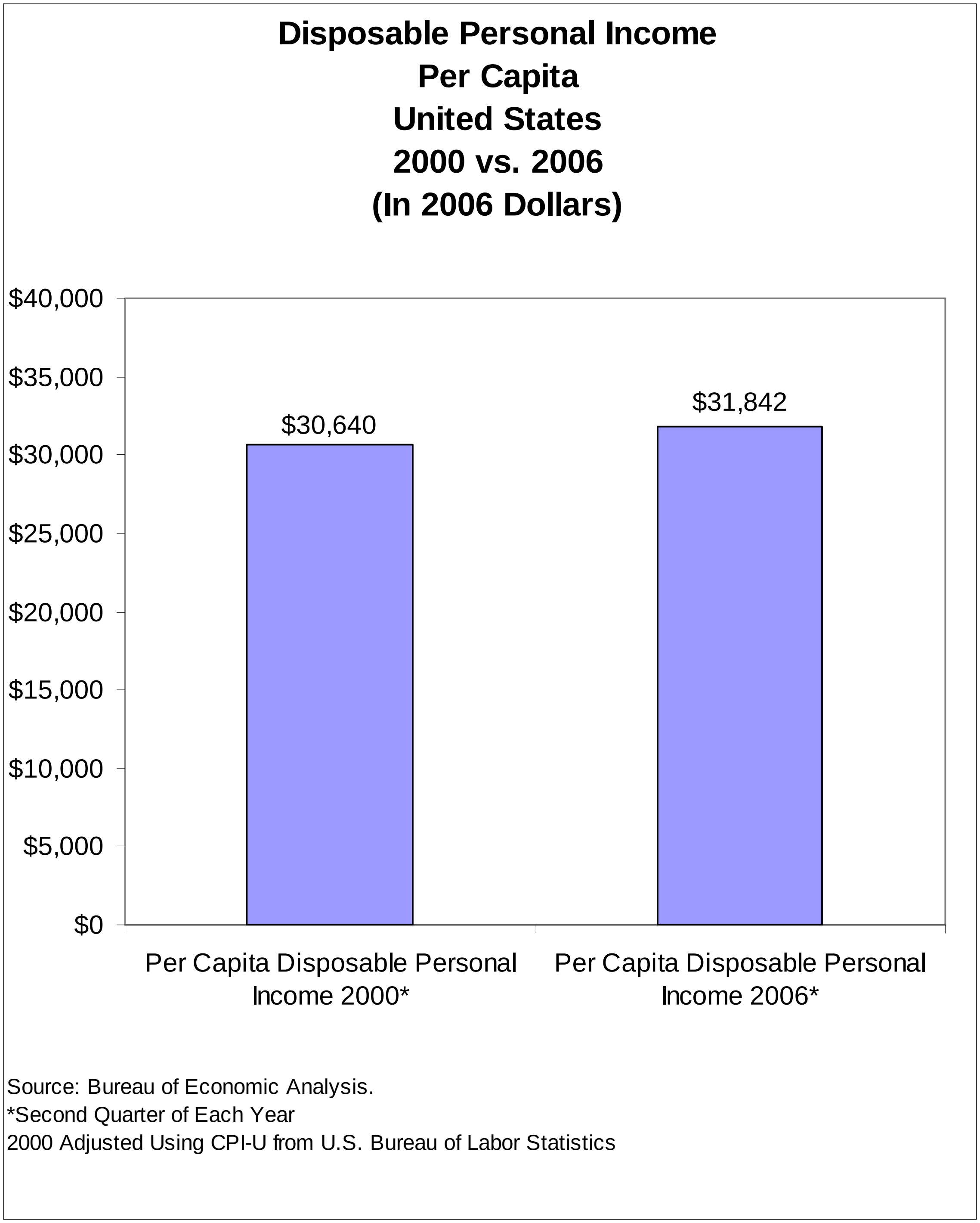


The middle class is shrinking on Long Island, but more households are moving up into the upper-income bracket than moving down into the lowest one. Households in the lower-middle class income bracket of $30,000-$74,999 (or $35,000-$87,500 in 2005) dropped from 40.3 percent of all households in 2000 to 36.2 percent in 2005. Households in the $75,000 to $99,999 dropped from 15.8 to 14 percent. But the top income bracket of $100,000 or more ($116,500 or more in 2005) rose from 25.8 percent in 2000 to 30.7 *percent in 2005. The lower income bracket also gained slightly more households, going from 18 percent of total households in 2000 to 19.1 percent in 2005.*

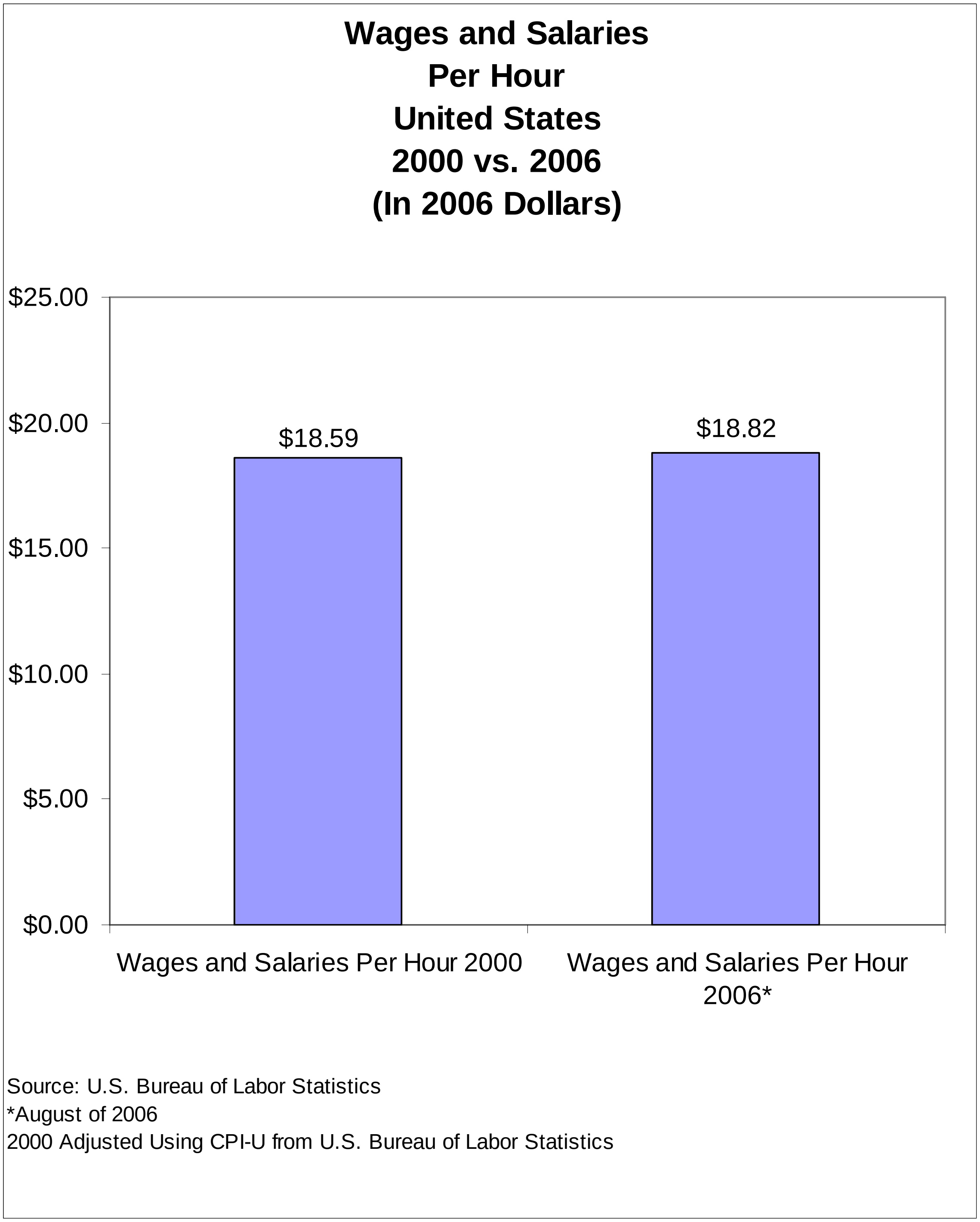


Source: Bureau of Economic Analysis.
*Second Quarter of Each Year
2000 Adjusted Using CPI-U from U.S. Bureau of Labor Statistics

One measure of income that allows economists to measure the general level of income without guessing at the number of people that income must support is per capita personal income. Per capita personal income in the United States increased by $538, or 1.4 *percent, in inflation adjusted dollars, between the second quarter of 2000 and the second quarter of 2006.*

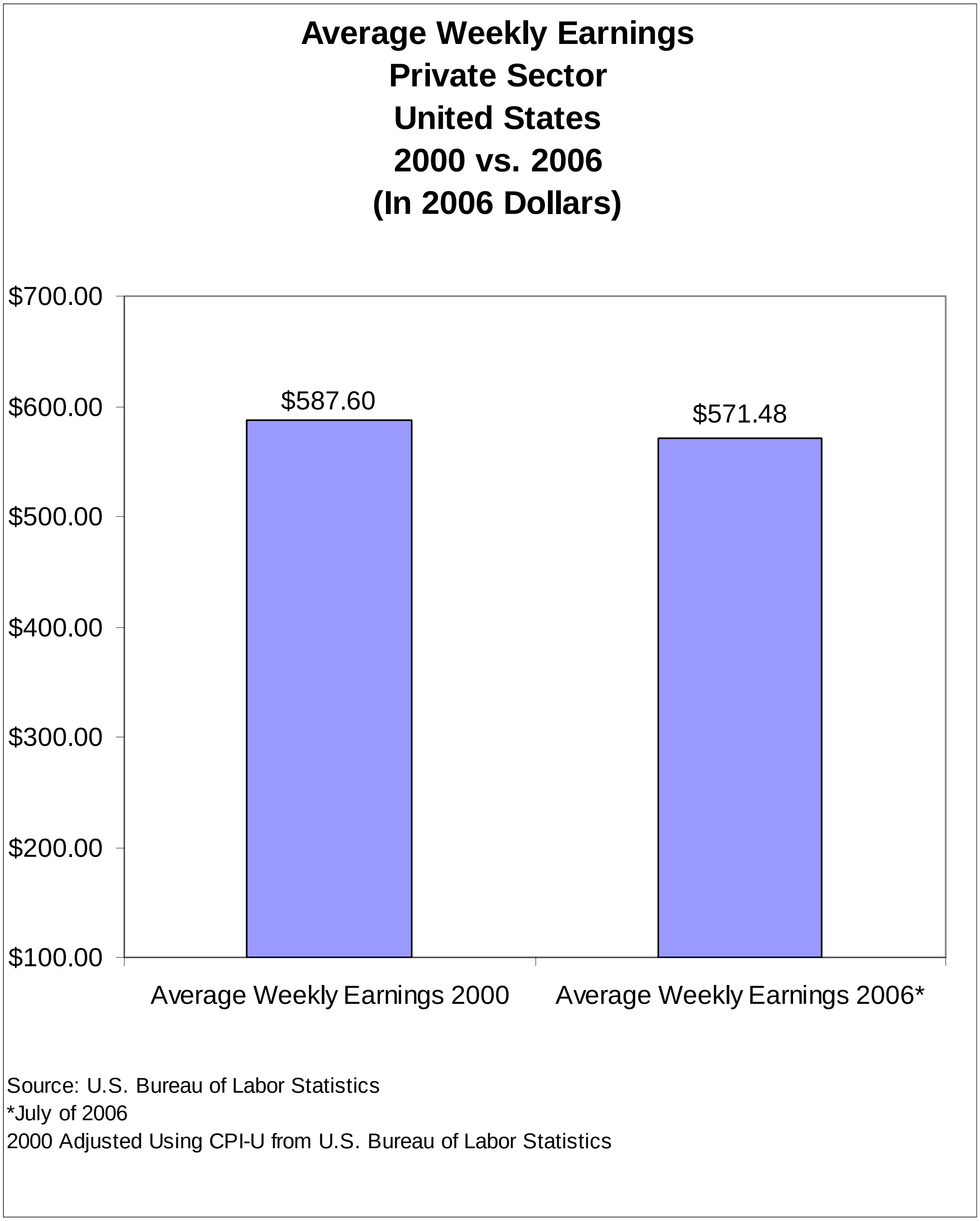


Disposable personal income per capita, which is basically personal income per capita minus taxes, increased in the U.S. by $1,202, or 3.9 percent, in inflation adjusted dollars, between the second quarter of 2000 and the second quarter of 2006.

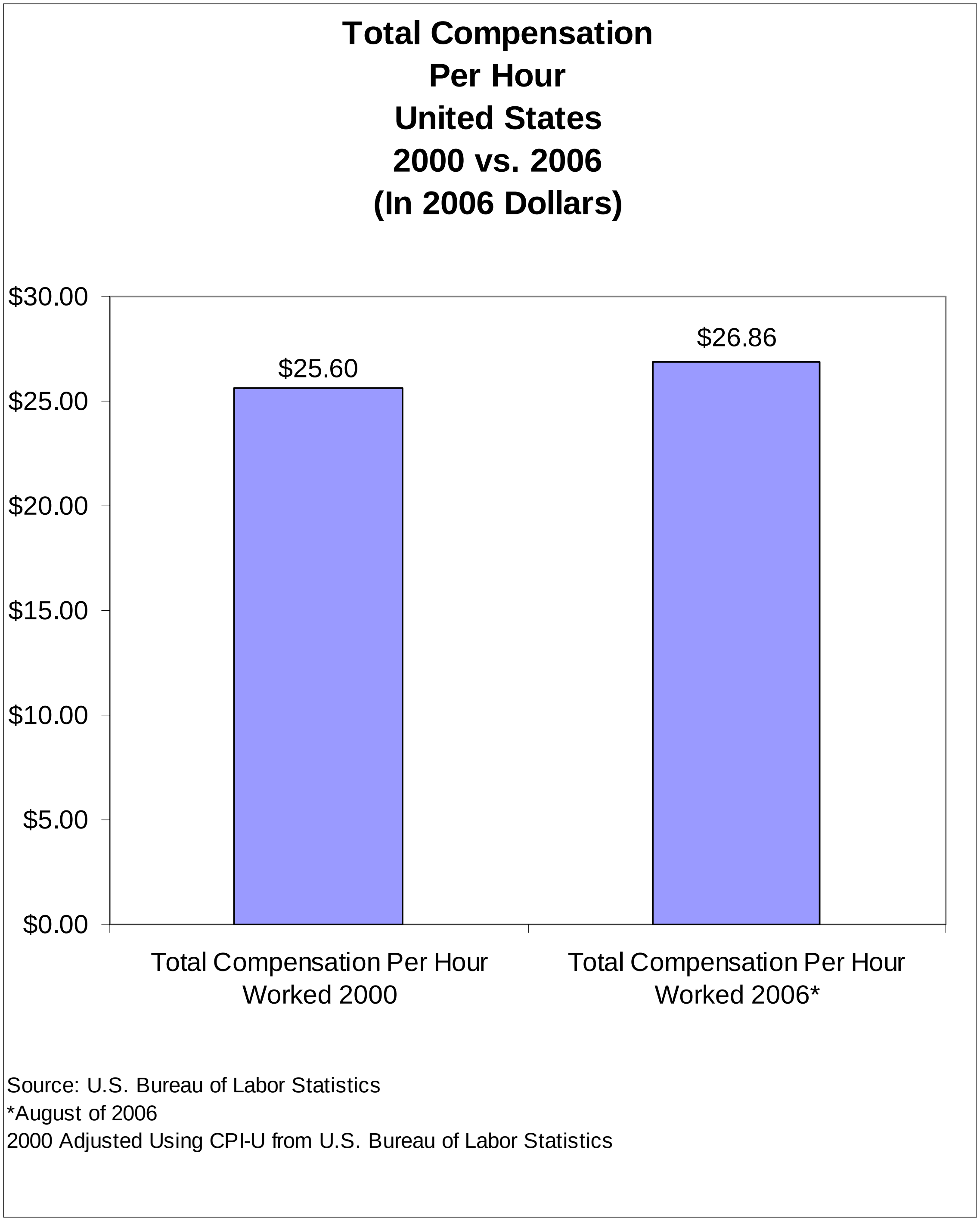


While per capita incomes have grown at a modest pace wages and salaries of workers have not. The average wage and salary per worker hour has been basically flat since

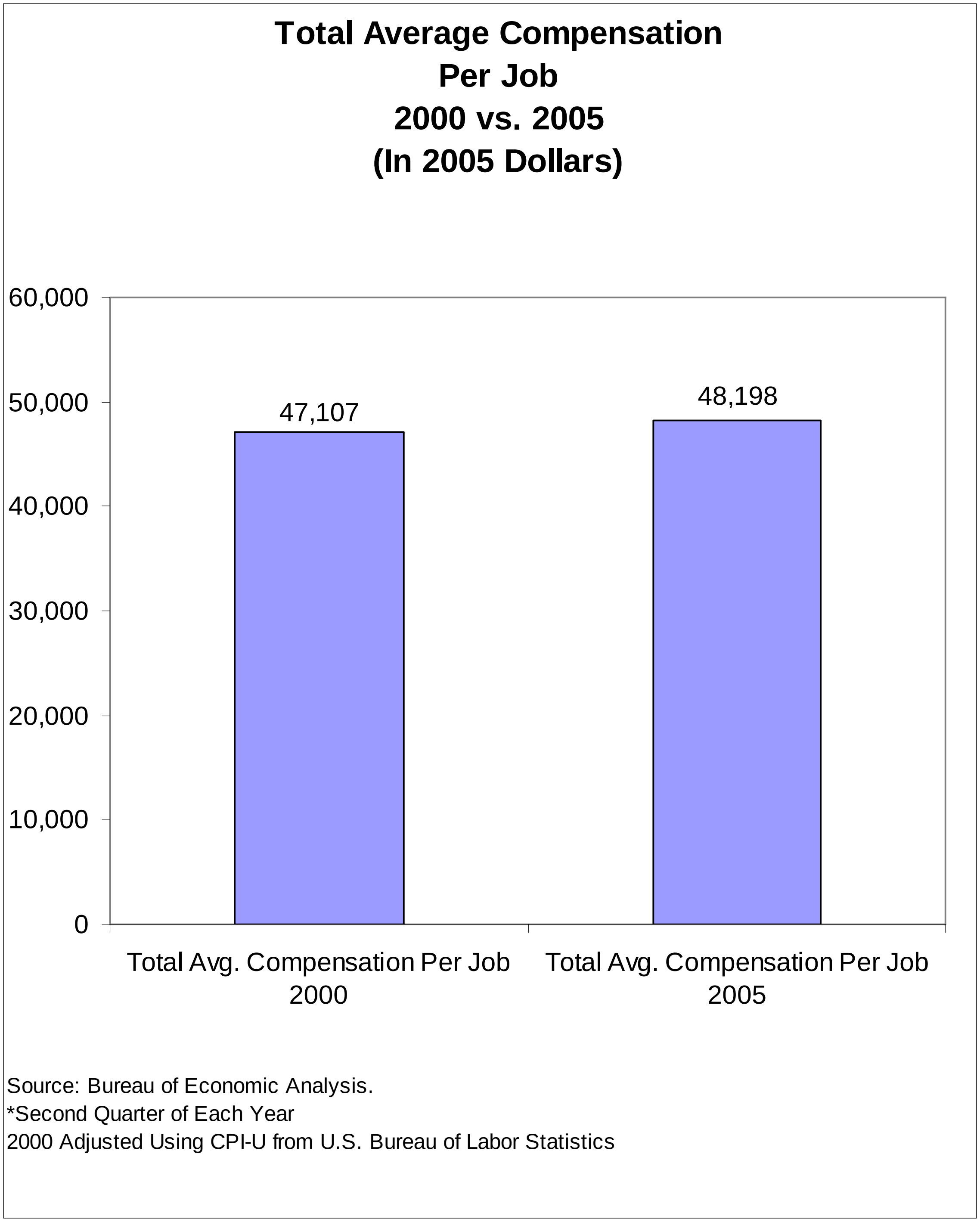
2000, growing by only 23 cents between 2000 and 2006, despite a growing economy and, in particular, rapid growth in the productivity of workers.



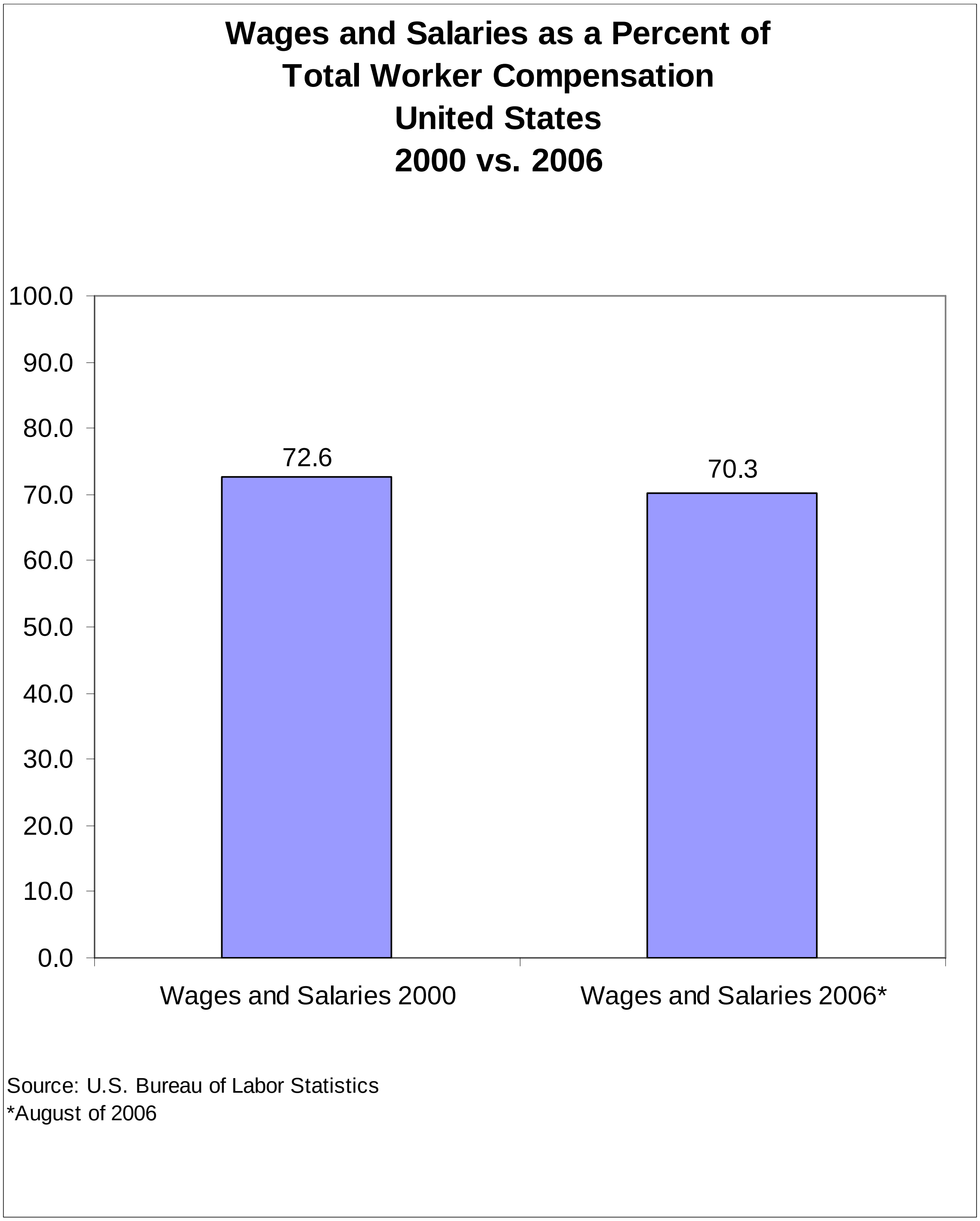
Average weekly earnings for private sector workers has declined in inflation adjusted dollars, from $587.60 in 2000 to $571.48, or 2.7 percent.



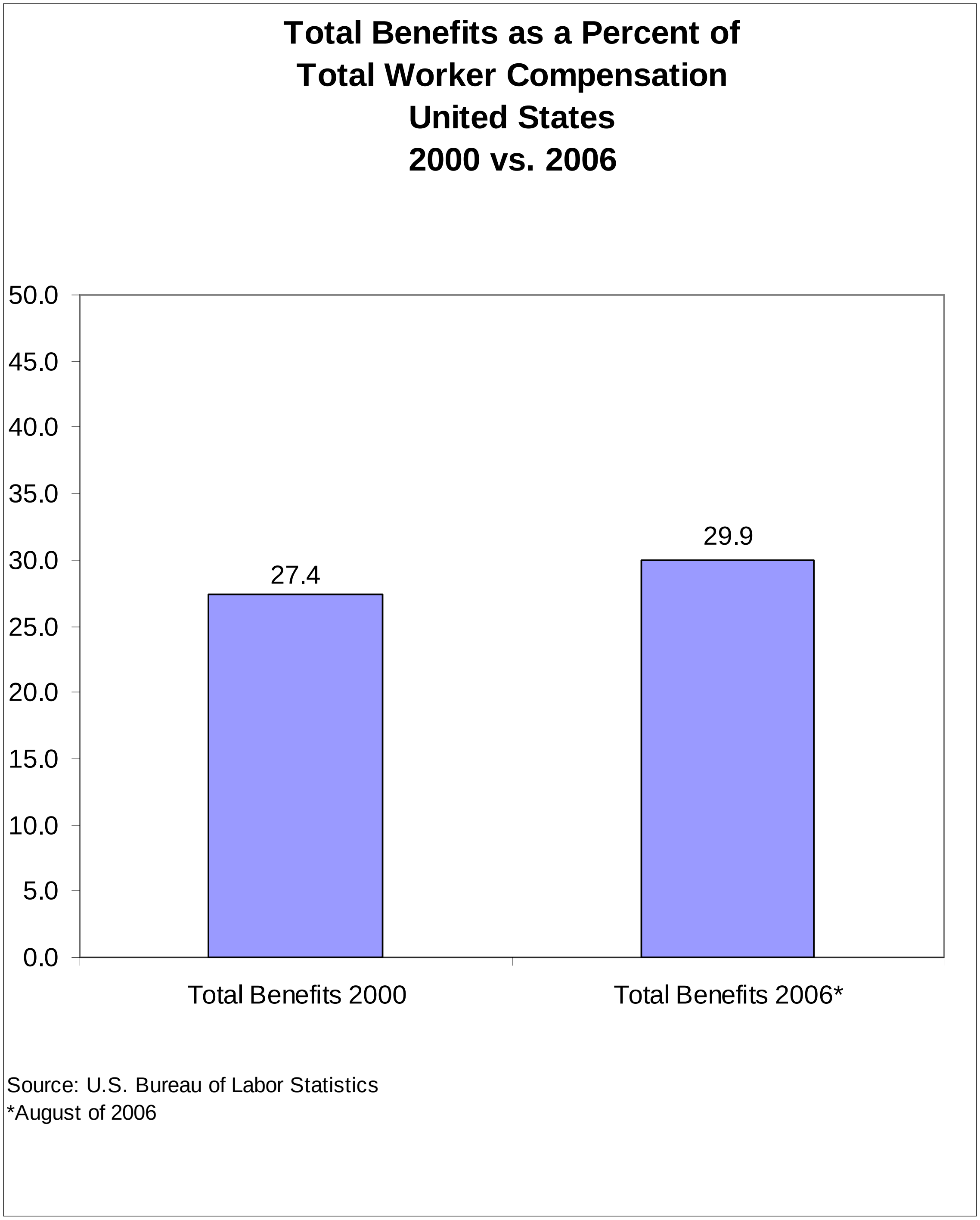
Overall compensation to workers, including health benefits, pensions, and employer contributions to social insurance programs, has grown. Total compensation per hour in *the U.S. increased $1.26, or 4.9 percent, in inflation adjusted dollars between 2000 and 2006.*



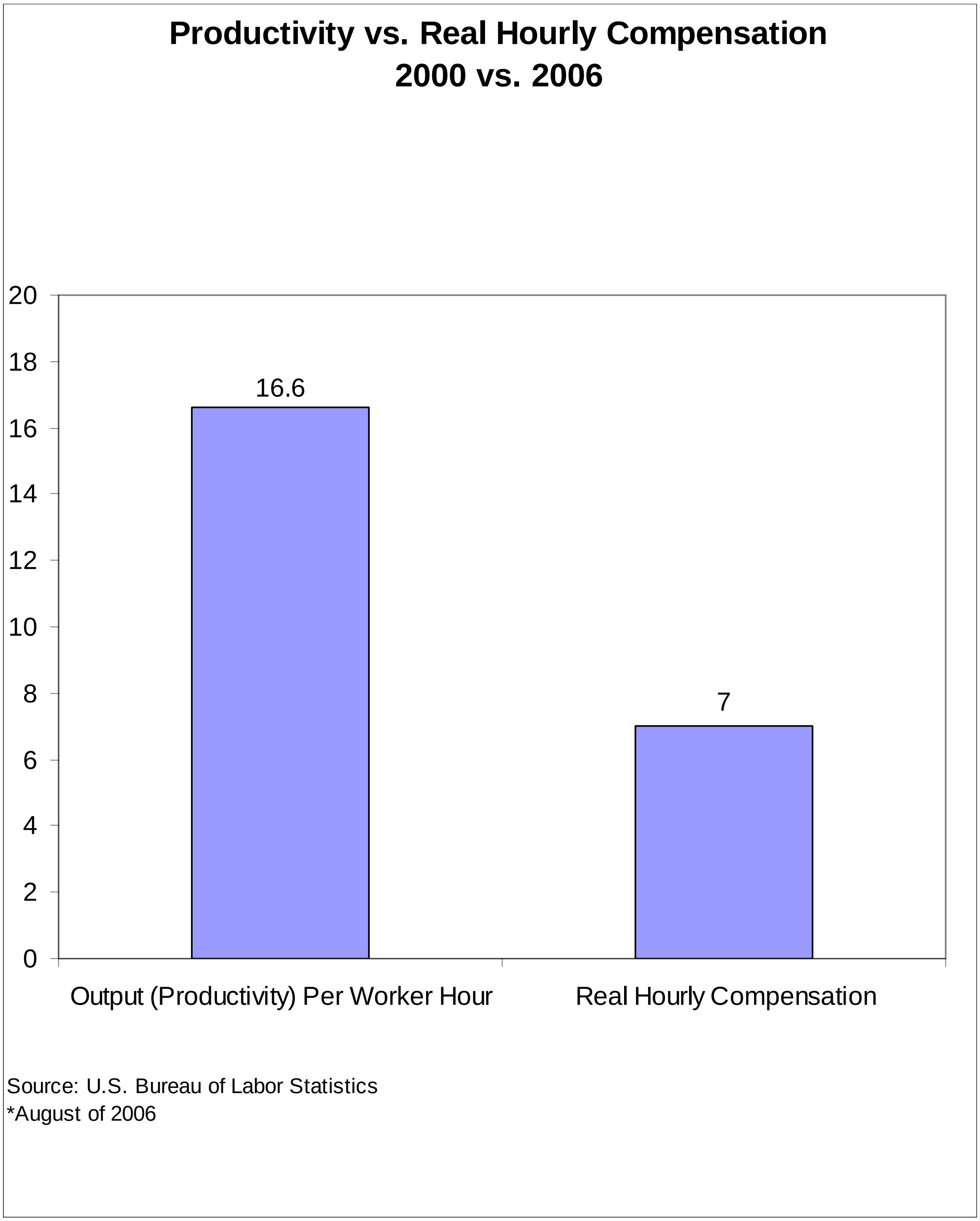
Total average compensation per job increased between 2000 and 2005 by $1,091, or 2.3 percent in inflation adjusted dollars.



Wages and salaries for workers have declined from 72.6 percent of total compensation in 2000 to 70.3 percent in 2006.

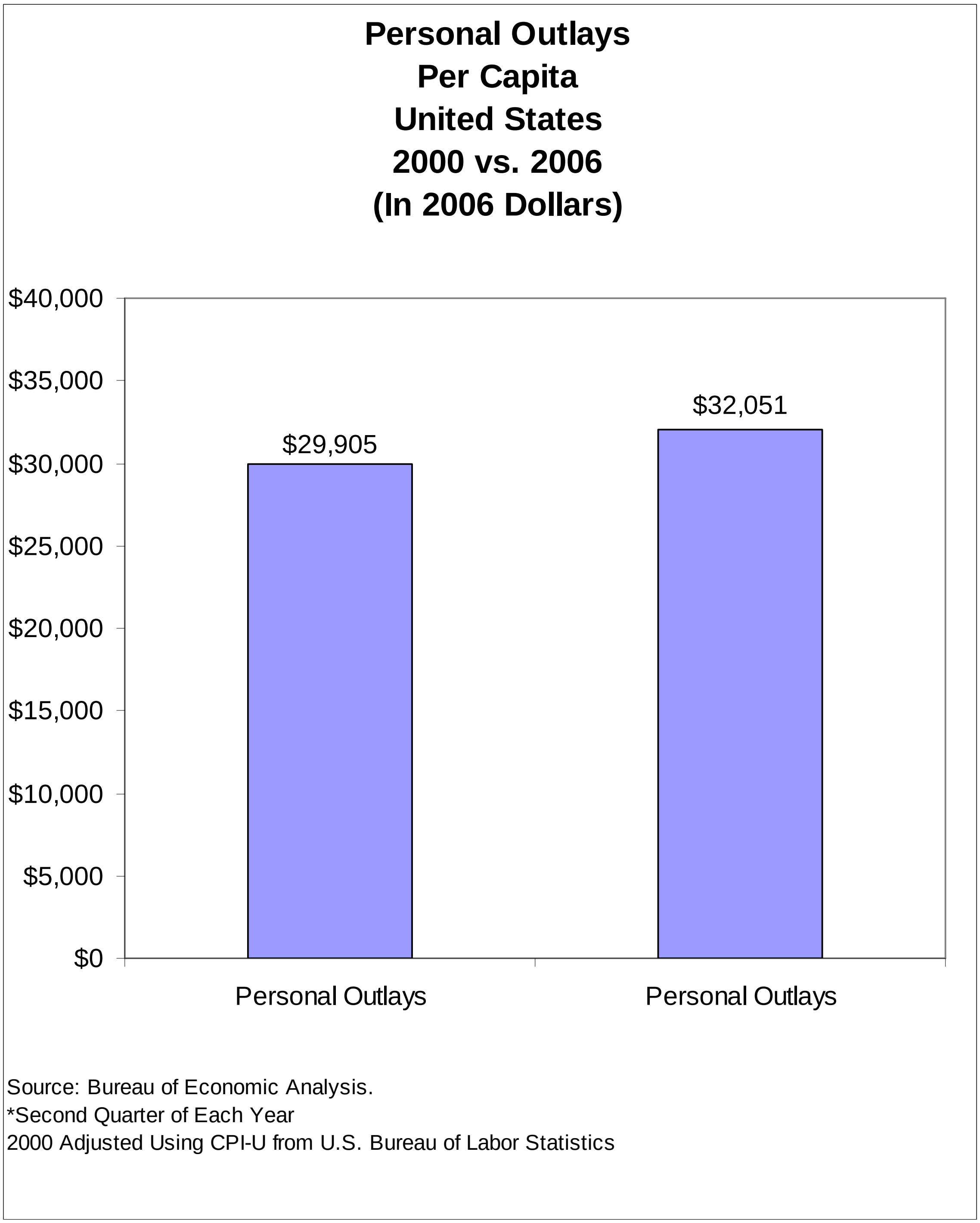


Total benefits for workers have grown from 27.4 percent of total compensation in 2000 to 29.9 percent in 2006.



Worker productivity has increased at a much faster pace than real hourly compensation. According to the U.S. Bureau of Labor Statistics Productivity and Labor Compensation

Indices, since 2000 output per worker hour has increased by 16.6 percent, while real hourly compensation to workers has grown by only 7 percent. This means that workers have not been able to demand a higher share of increased output.



Many economists have noticed a large and growing disparity in reported incomes from various government surveys and the amount of money that people actually spend. In short, people in the United States spend a lot more money than they report to have. Economists are divided on the reasons for this disparity and on whether income or expenditures are a more accurate gauge of economic well-being. Per capita personal outlays increased by $2,146, or 7.1 percent, in inflation adjusted dollars, between the second quarter of 2000 and the second quarter of 2006.