

PER CAPITA AND TOTAL PERSONAL INCOME, 1970–1999

This issue of *Puget Sound Trends* presents updated personal income data for the central Puget Sound region, and discusses local and national personal income trends over the past three decades.

TOTAL PERSONAL INCOME

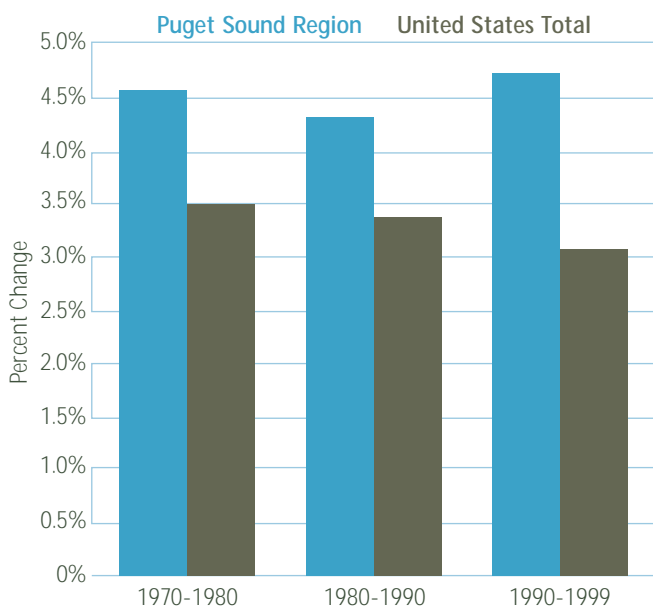
Total personal income is a measure of the total income received by all residents in a geographic area. Changes in total personal income growth are the result of changes in the size of the labor force, average earnings, and economic inflation over time. For consistency, all data presented in the figures and discussed in the text have been adjusted to represent constant 1999 dollars, unless otherwise noted.

In the central Puget Sound region, total personal income exceeded \$114 billion in 1999. The region's total personal income grew faster than the nation as a whole from 1970 to 1999 – 4.5 percent annually for the region, compared with 3.3 percent annually for the nation.

As shown in **Figure 1**, the growth rates of total personal income during the 1970s exceeded those during the 1980s, for both the regional and national data. In the 1980s and 1990s, the region's percentage of growth of total personal income grew from 4.3 percent to 4.7 percent, while the nation's total slowed from 3.4 percent to 3.1 percent.

Two factors contribute to the changes in county shares of total personal income in the region: relative changes in the average earnings of workers living in each county and changes in the distribution of workers among counties. Note that changes in the regional population distribution do not always accurately reflect changes in the distribution of total personal income. As the region's population increases, some counties gain proportionally more workers while others gain proportionally more non-workers and children. For example, as shown in **Table 1**, while King County's share of the regional total personal income has remained consistent from 1970-1999, the county's share of regional population has declined from nearly 60 percent to slightly more than 52 percent.

FIGURE 1: Total Personal Income Average Annual Growth Rates, 1970-1999



SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis

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TABLE 1: County Shares of Regional Total Personal Income and Population, 1970-1999

	TOTAL PERSONAL INCOME				POPULATION			
	1970	1980	1990	1999	1970	1980	1990	1999
KING	64.4%	62.9%	62.6%	65.1%	59.7%	56.6%	54.7%	52.2%
KITSAP	4.8%	5.5%	5.9%	4.9%	5.2%	6.6%	6.9%	7.4%
PIERCE	18.9%	17.7%	16.9%	15.2%	21.3%	21.7%	21.3%	21.6%
SNOHOMISH	11.9%	13.9%	14.6%	14.7%	13.7%	15.1%	17.0%	18.7%

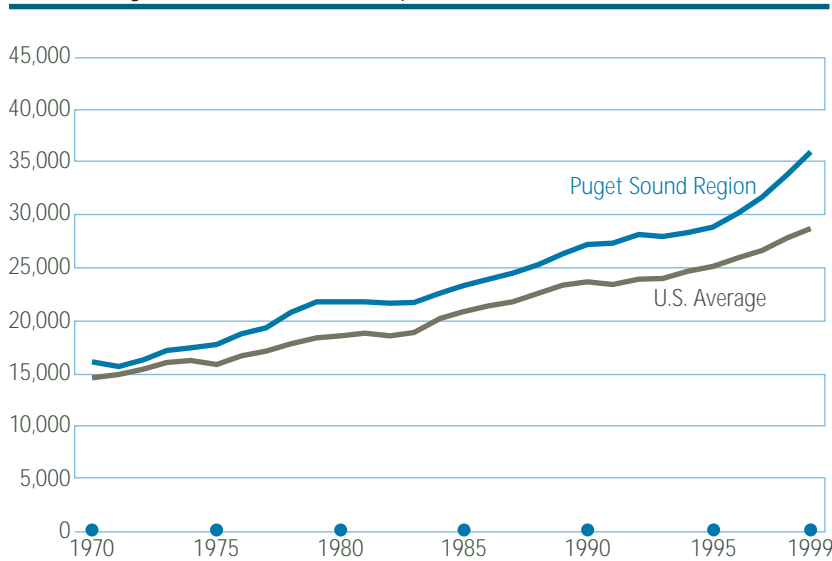
SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis, and Dept. of the Census Washington State Office of Financial Management

PER CAPITA INCOME

Per capita income estimates are a useful measure of an average person's economic status. Per capita income is estimated by dividing total personal income from all sources by total population. In the long run, per capita income levels of a region are affected by both changing demographic composition and changing local economic conditions. For example, if workers in two counties have similar earnings, but one county has a higher proportion of children (and therefore a lower proportion of workers) that county will likely also have a lower per capita income.

As shown in **Figure 2**, per capita income for the Puget Sound region has consistently been higher than the national average, with an average spread of more than 12 percent recorded between 1970 and 1990. The difference lowered to single-digits only during the region's "bust" period in the early 1970s. Wider differences between regional and national per capita income were evident in the late 1970s and late 1980s.

FIGURE 2: Regional and National Per Capita Income Trends



SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis

The per capita income line graph shows that during the 1990s the gap between the national average and the Puget Sound region has continued to widen. A comparison of average per capita incomes for the central Puget Sound region and the U.S. shows that the region's per capita incomes averaged 18 percent higher than the U.S. during the 1990s, with a high of 26 percent recorded in 1999. This increase may be at least partially due to the impacts of stock option income. Overall, per capita income in the Puget Sound region reached \$35,864 in 1999 — more than double the region's 1970 per capita income in constant 1999 dollars.

PERSONAL INCOME

— DEFINITIONS AND DATA SOURCE

Personal income statistics are compiled by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) using data from all income sources, and are published periodically in the BEA's publication Summary of Current Business. For more information, contact their customer service department at (202) 606-9900, or refer to the BEA's website at www.bea.doc.gov/.

Note that personal income differs from money income reported by the U.S. Census because personal income includes employee fringe benefits, in-kind assistance payments, and an inventory adjustment to proprietors' income. Personal income also excludes employee contributions to social security.

Personal income can be divided into three major components or sources:

Earnings from work — wage and salary payments to employees; the income of sole proprietors and partnerships (i.e., consultants and business owners); and other labor income including employer contributions to private pension and private welfare funds such as group health and life insurance, and worker's compensation.

Investment income — income attributable to the rental of real property and the imputed net rental income of owner-occupants of non-farm dwellings; interest income from all sources; and all dividend income paid by businesses.

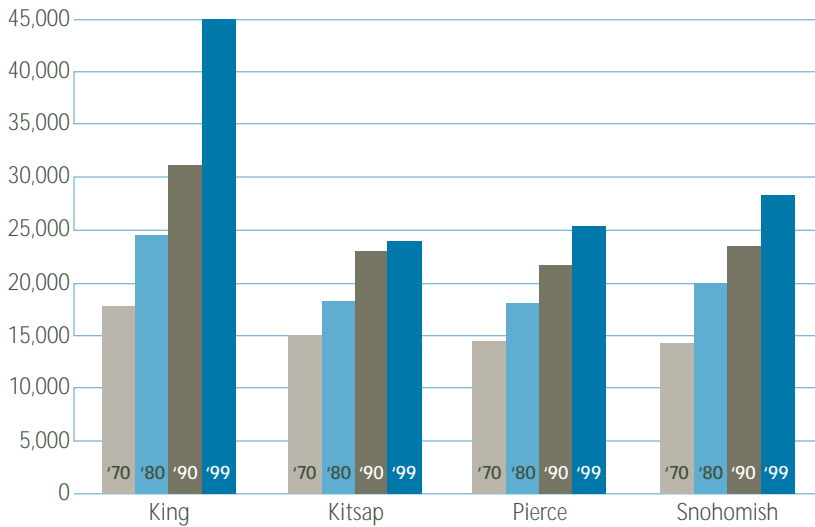
Transfer payments — payments to individuals for which they do not render current services, such as federal old-age, survivors, and disability benefits (Social Security); supplementary medical insurance; Medicaid; state unemployment insurance; workers' compensation; and food stamps.

Total personal income is the sum of income from all the sources listed above except personal contributions (withholdings) for "transfer payments."

Per capita personal income is equal to the sum of all income sources divided by the total number of persons in a geographic area.

Recent growth trends have sharply increased the divergence of per capita income levels among counties within the region. **Figure 3** displays the per capita income estimates in 1970, 1980, 1990, and 1999 for each of the four counties in the region. As can clearly be seen, King County enjoys not only the highest level of per capita income but also the highest rate of per capita income growth in the past three decades. As a result, in 1999, per capita income in King County was 24.7 percent above the average per capita income for the region, substantially higher than the difference of 7.8 percent in 1970.

FIGURE 3: Per Capita Income by County, 1970-1999



SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis

King County had a per capita income growth in the 1990s that far exceeded that of the other three counties. As shown in **Table 2**, between 1990 and 1999, King County had an average annual increase of 4.1 percent in per capita income, followed by Snohomish County with an average increase of 2 percent. Kitsap County increased 0.4 percent. In contrast, between 1970 and 1990, the change in per capita income was similar for all four counties, between 2 and 3 percent.

TABLE 2: Average Annual Percent Changes in Per Capita Income by County

	1970-1990	1990-1999
KING	2.9	4.1
KITSAP	2.2	0.4
PIERCE	2.0	1.8
SNOHOMISH	2.6	2.0
REGION	2.6	3.1

Sources: U.S. Department of Commerce, Bureau of Economic Analysis

Table 3 shows the annual per capita income in current dollars and constant 1999 dollars for the four counties and the region between 1970 and 1999. Geographically, growth in an area's personal income is closely associated with local population and employment growth. In the future, if a higher share of the region's population and job growth occurs outside of King County, gaps in total and per capita income among the region's counties could decrease. However, as discussed in the introduction, if growth in higher-paying jobs and smaller, multiple worker households continue to be concentrated in King and Snohomish counties, per capita income gaps are more likely to be sustained.

CURRENT DOLLARS VS. CONSTANT DOLLARS

Personal income in *current dollars* is an amount of money *in the year the money was reported as income*. In contrast, personal income in *constant dollars* is an amount of money adjusted for inflation based on a price index. Economists usually compare per capita personal income in *constant dollars* because it provides a better measurement for studying changes in individual's economic status or purchasing power over time than when current dollars are used. *Current dollars* are often used for comparison within a single time period, or for estimating regional shares of total income (e.g., accounting, budgeting, or market potential studies based on total personal income). Current dollars are also useful for comparing regional and national trends in income growth over time *not* accounting for inflation, or for comparing income growth with other trends such as population growth.

Current dollars are converted to constant (e.g., 1999) dollars based upon the U.S. Gross Domestic Product (GDP) implicit price deflator for personal consumption expenditures, compiled by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). The GDP implicit price deflator is commonly used in adjusting personal income because it reflects both changes in prices and changes in consumption patterns, whereas the Consumer Price Index (CPI) mostly reflects changes in prices.

EXAMPLE: Conversion of 1980 per capita income to 1999 constant dollars

1980 per capita income = \$11,926
(1980 *current* dollars)

1980 implicit price deflator = 0.5704

1999 implicit price deflator = 1.0465

1980 per capita income measured
in 1999 dollars

$\$11,926 \times (1.0465 / 0.5704) = \$21,880$
(1999 *constant* dollars)

TABLE 3: Annual Per Capita Income Estimates

YEAR	CURRENT DOLLARS						CONSTANT 1999 DOLLARS					
	KING	KITSAP	PIERCE	SNOH.	REGIONAL TOTALS AVERAGE	REGIONAL TOTALS CHANGE	KING	KITSAP	PIERCE	SNOH.	REGIONAL TOTALS AVERAGE	REGIONAL TOTALS CHANGE
1970	4,877	4,157	4,018	3,926	4,526	—	17,563	14,970	14,470	14,138	16,299	—
1971	4,998	4,316	4,152	3,898	4,628	2.2%	17,138	14,799	14,237	13,366	15,868	-2.6%
1972	5,389	4,655	4,372	4,210	4,972	7.4%	17,723	15,309	14,379	13,846	16,352	3.0%
1973	6,014	4,861	5,039	4,690	5,560	11.8%	18,731	15,140	15,694	14,607	17,318	5.9%
1974	6,685	5,771	5,510	5,325	6,195	11.4%	19,104	16,492	15,746	15,217	17,705	2.2%
1975	7,470	6,267	5,961	5,965	6,862	10.8%	19,529	16,384	15,584	15,594	17,940	1.3%
1976	8,290	6,994	6,609	6,679	7,620	11.0%	20,509	17,303	16,351	16,524	18,852	5.1%
1977	9,175	7,786	7,146	7,414	8,398	10.2%	21,327	18,099	16,611	17,234	19,522	3.6%
1978	10,566	8,448	7,977	8,557	9,575	14.0%	22,926	18,331	17,309	18,567	20,776	6.4%
1979	12,009	9,233	8,845	9,982	10,839	13.2%	24,052	18,493	17,715	19,993	21,708	4.5%
1980	13,249	9,865	9,761	10,977	11,926	10.0%	24,308	18,099	17,908	20,139	21,881	0.8%
1981	14,608	10,504	10,722	11,854	13,071	9.6%	24,511	17,625	17,990	19,890	21,931	0.2%
1982	15,386	11,615	11,308	12,282	13,769	5.3%	24,304	18,347	17,862	19,401	21,750	-0.8%
1983	16,038	12,485	11,882	12,727	14,382	4.5%	24,367	18,969	18,052	19,336	21,851	0.5%
1984	17,319	13,177	12,672	13,581	15,442	7.4%	25,370	19,303	18,563	19,894	22,621	3.5%
1985	18,460	13,784	13,341	14,489	16,409	6.3%	26,216	19,575	18,946	20,576	23,303	3.0%
1986	19,494	14,110	13,921	15,388	17,279	5.3%	27,089	19,607	19,344	21,383	24,010	3.0%
1987	20,657	14,815	14,541	16,099	18,214	5.4%	27,865	19,984	19,615	21,716	24,570	2.3%
1988	22,158	15,532	15,178	17,089	19,373	6.4%	28,910	20,265	19,803	22,296	25,276	2.9%
1989	23,954	16,598	16,266	18,549	20,911	7.9%	30,104	20,860	20,442	23,312	26,280	4.0%
1990	25,750	19,090	17,853	19,358	22,517	7.7%	31,149	23,093	21,597	23,417	27,238	3.6%
1991	27,124	19,984	18,032	20,072	23,459	4.2%	31,659	23,325	21,047	23,428	27,381	0.5%
1992	28,707	20,168	18,892	21,051	24,653	5.1%	32,711	22,981	21,527	23,987	28,091	2.6%
1993	29,108	20,341	19,572	21,430	25,077	1.7%	32,389	22,634	21,778	23,845	27,903	-0.7%
1994	30,360	20,706	20,124	22,191	26,006	3.7%	33,092	22,569	21,935	24,188	28,347	1.6%
1995	31,868	20,633	20,842	22,754	27,028	3.9%	33,996	22,011	22,234	24,273	28,832	1.7%
1996	34,203	21,309	21,785	24,146	28,755	6.4%	35,793	22,300	22,798	25,269	30,092	4.4%
1997	36,476	22,434	23,490	26,170	30,754	6.9%	37,442	23,028	24,112	26,863	31,568	4.9%
1998	40,519	23,085	24,455	27,109	33,287	8.2%	41,088	23,409	24,799	27,490	33,755	6.9%
1999	44,719	23,902	25,289	28,105	35,864	7.7%	44,719	23,902	25,289	28,105	35,864	6.2%

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis