

Business insights

Employment and unemployment

Early each month, usually the first Friday, the United States Bureau of Labor Statistics (BLS) issues its report, "The Employment Situation." This publication presents a dozen statistical tables with estimates of total employment and unemployment, nationally, with appropriate breakdowns.

The news media typically give wide publicity to current estimates of changes in unemployment, but often omit mention of estimates of changes in *employment*. This practice distorts the overall intelligence provided by the data. Not infrequently, unemployment increases in months when employment also increases, and vice versa. The unemployed are not necessarily people who have "lost their jobs," but, rather, people without jobs who are "seeking work" for whatever reason. Rising job opportunities sometimes encourage potential workers to look for jobs. Until they find work or cease looking, they are classified as unemployed.

Big gain in employment

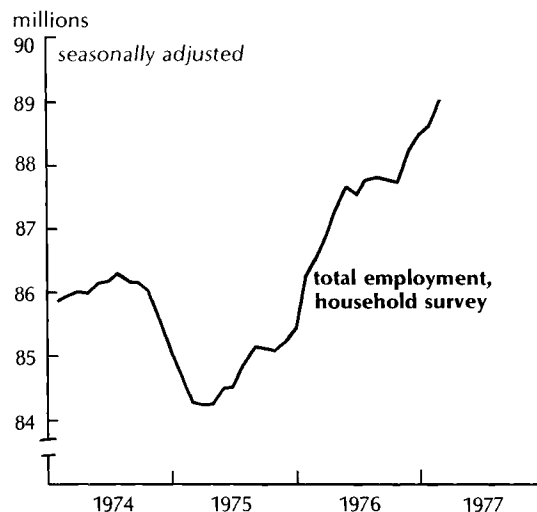
High levels of unemployment unquestionably reflect underutilized human resources, and often personal tragedy. But keeping the spotlight on unemployment has tended to obscure the substantial growth in output and employment that has occurred in the past two years.

In December, before the severe weather struck, 88.4 million Americans were employed in civilian jobs. (These figures allow for normal seasonal influences.) This was 3 million more than a year earlier, 2.2 million more than at the prerecession high in 1974, and 4.2 million more than at the recession low in the spring of 1975. Almost 41 percent of the entire population held civilian jobs in late

1976, a record proportion.

Despite the strong rise in employment in the past two years, unemployment is estimated to have totaled 7.5 million in December—7.8 percent of the civilian labor force, which includes both those working and those seeking work. Unemployment was almost as high as the average for 1975. The civilian labor force rose 3 percent last year, twice as fast as in 1975, and substantially more than most analysts had expected on the basis of historical experience. Reasons for the rapid rise in the labor force are not fully understood. Aside from the growth of job opportunities, other suggested reasons include a desire for supplementary income to offset inflation, and pressures on employers to hire people who had been considered unemployable in the past.

Sharp rise in employment since early 1975



Samples and surveys

BLS estimates of total employment and unemployment (the "household" series) are derived from interviews by the Bureau of the Census in its Current Population Survey. About 47,000 households, representing almost 150,000 individuals, are contacted each month. Respondents are asked a series of questions, relating to the week containing the 12th day of the month. Each individual is classified as employed, unemployed, or "not in the labor force." Estimates are for the civilian noninstitutional population (inmates are excluded) 16 years and over.

Employed persons counted by the household series are those who worked full-time or part-time for pay, either as employees or proprietors or as unpaid workers in a family enterprise. The household series considers strikers to be employed.

The BLS also prepares a monthly estimate of nonagricultural payroll employment based on reports from employers (the "establishment" series). Payroll employment, also for the week including the 12th, excludes proprietors, domestics, and farm workers, but may count people twice if they hold two jobs.

The establishment series does not include strikers. Also, it provides no information on unemployment. Employment estimates for states and local areas are based on the establishment survey.

Both the household and establishment series include government as well as private workers. Neither includes the armed forces, which number 2.1 million currently.

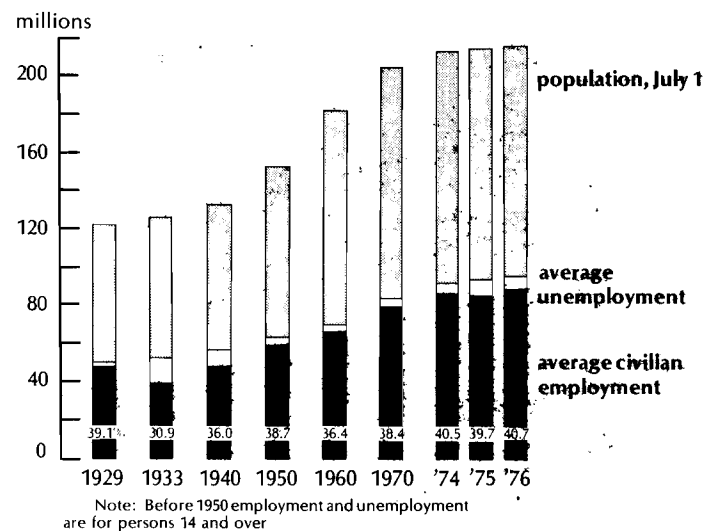
The household series counts people as unemployed if (1) they did not work at all in the survey week, and (2) they had searched for work in any of the preceding *four* weeks. The job search may take any form, e.g., asking relatives or

scanning want ads. Some job seekers, especially "secondary" workers who are not responsible for dependents, may have strict reservations as to the pay, hours, and type of work they will accept. No attempt is made to evaluate the degree of determination involved in seeking work. On the other hand, the unemployed do not include "discouraged" people who have decided a job search is fruitless.

Only about half of those counted as unemployed each month are "job losers." The other half either (1) left their jobs voluntarily, (2) are first-time job seekers, or (3) have reentered the labor force after taking time out for school, child rearing, or other reasons.

Clearly, the concept of unemployment is less precise than the concept of employment. Definitions of unemployment have changed over time, thereby affecting historical comparisons. The social environment also has changed as unemployment compensation has been liberalized and extended, and welfare programs have been expanded. These benefits are supposed to be paid only if people able to work represent themselves as seeking suitable work. Increased home ownership, larger accumulated savings, and

Employment at new high relative to population



broader use of severance pay also permit people to withhold their services from the job market if attractive jobs are unavailable. Finally, the rise in the proportion of the labor force represented by women, teen-agers, and minority groups in the past decade or so tends to increase total unemployment because these groups have higher unemployment rates than adult men.

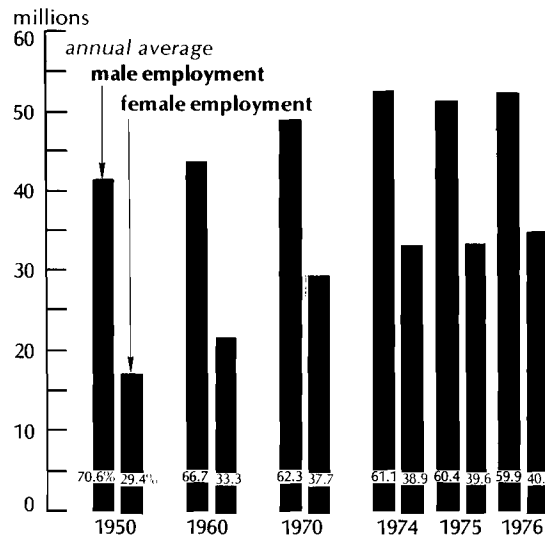
More women workers

In 1947, after many women had given up war-related jobs, women workers averaged 16 million, 28 percent of the total 57 million American workers. This proportion has increased almost every year. Last year, female employment averaged over 35 million, 40 percent of total employment, which averaged a record 87.5 million. As recently as 1965 the proportion of women workers was under 35 percent.

The absolute number of women workers has averaged higher each year since 1958. In this period the number of male workers averaged lower than in the previous year in 1961 and 1975. The contrast was particularly striking in 1975, when the average number of male workers declined 1.3 million, or 2.5 percent, while women workers increased 130,000, or 0.4 percent.

Although work performed by women in their own homes clearly has economic significance, housewives have never been counted in the labor force and their "product" is not counted in the gross national product. Increased use of household appliances and convenience foods has freed many women for paid jobs. Other women have sought work because of the rise in divorces and broken homes. A very important factor has been the decline in the birth rate from 25 per 1,000 population in 1957 to under 15 in the past five years. This has meant that a declining proportion of adult women have small children to care for. Along with these forces female employment has been increased by changes in social attitudes. Increasingly, jobholding by women has been viewed with esteem rather than opprobrium.

Women workers comprise rising share of work force



The growth of female employment also has been aided in recent years by court orders and regulatory decrees. Job upgrading for women has also been pushed. Nevertheless, earnings for women in full-time jobs average significantly less than for men, and a larger proportion of women are voluntary part-time workers. These factors tend to slow growth in average earnings and average hours as calculated for all workers.

Teen-agers

The problems young people encounter in getting and finding jobs is a matter of continuing concern. However, it should be kept in mind that relatively few teen-agers are the "primary" workers in a household or family. Although they may add significantly to total family income, much of their earnings is spent on their own education, automobiles, or other wants.

Unemployment rates for the 16-19 year age group have held close to 20 percent in recent years, while rates for both males and females aged 20 and over have been below the average for all workers. Unemployment among teen-agers tends to be high for a number of reasons: (1) the high birth rates of

the late 1950s have increased the supply of young workers relative to demand; (2) they often lack experience, skills, and proper work habits; (3) they have low seniority on full-time jobs; (4) their attachment to the job market is often sporadic; (5) personnel requirements of the armed forces which draw heavily on teen-agers are less than in earlier years; and (6) minimum wages, whether enforced by government or unions, tend to restrict opportunities for new workers.

In 1976 there were 17 million Americans aged 16 through 19. This is virtually the same as the number of births in the years 1957-60 when births were at an all-time high of 4.3 million per year. The number of births began to decline in 1962 and in recent years has averaged just over 3 million. In future years, therefore, the number of teen-agers will be declining while the total population continues to grow, partly through net immigration from abroad.

Only about 53 percent of the 16-19 age group is in the labor force, either employed or unemployed at a given time. Of 7.3 million teen-agers employed last year, on average, 46 percent held part-time jobs, compared to 14 percent for all workers. Of these, the great majority did not want full-time jobs, usually

because they were full-time students.

Teen-age workers have accounted for 8 percent of total employment in recent years. This proportion has tended to fluctuate year by year, but is well above the 6 percent ratio of the late 1950s. The higher proportion of young workers tends to reduce somewhat average hours and average earnings for all workers. This influence appears to have reached its peak, but much depends on trends in the average number of years spent in school.

Part-time workers

The BLS defines full-time employment as 35 or more hours per week. Part-time workers are those who work less than 35 hours per week—with a range from one to 34 hours.

About 80 percent of all part-time workers do not choose to work full time. They are called “voluntary” part-time workers in contrast to those who are on short weeks for economic reasons. Last year the number of voluntary part-time workers averaged 12.5 million, over 14 percent of all workers. This ratio has increased gradually from under 11 percent in the early 1960s.

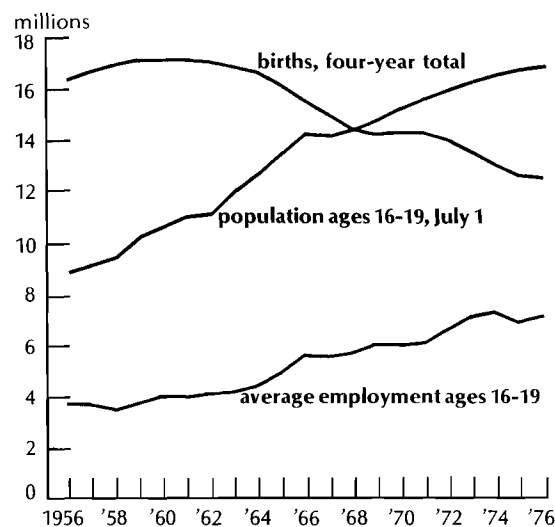
In the 16-19 year bracket voluntary part-time workers account for over 46 percent of the total. For women over 20 the proportion is 22 percent; for men over 20 it is 5 percent.

Voluntary part-time employment has increased each year since 1963 (earliest comparison available) when it averaged 7.3 million. It rose in 1975, when total employment declined substantially, although at a slower pace. The uptrend accelerated again last year.

Supplementary income

Part-time workers, both adult women and teen-agers, are often members of families in which the “head” and primary income earner is an adult male. In 1975, latest year available, over 58 percent of the husband-wife families with the husband working had other family members employed. (Many of these other members were full-time workers.) This proportion has risen steadily from 47 percent in 1965 and under 40 percent

Teen-age population and employment growth slow



in 1955. For working wives alone the ratio was 38 percent in 1975, compared to 29 percent in 1965 and 24 percent in 1955. For families with the head unemployed—2.3 million, on average, in 1975—62 percent reported at least one other member working. The ratio was 45 percent for wives alone.

In 1975 the number of heads of husband-wife families working declined from 38.3 million to 36.8 million. This decline of 1.5 million exceeds the decline of 1.2 million for all workers in 1975. It appears that the heads of households were affected more than proportionately by the recession. Many were fortunate that wives and other members of the family were able to contribute to family buying power.

The flexible work force

With estimated unemployment holding fairly steady at almost 7.5 million in the past year, there is a tendency to view this total as a stable group of people who bear the whole burden. Actually, some of the people classified as unemployed find jobs soon after the survey. Only about one-fifth of the unemployed have been in this category for six months or more. Average duration of unemployment in December was 16 weeks, implying a very substantial turnover in three and one-half months, while the total number of unemployed may have changed only slightly.

The particular individuals who are employed also change from month to month, although not to the same degree as in the case of the unemployed. Some people retire each month; others are seasonal workers; others leave the labor force voluntarily either forever or for periods of time; and some are unemployed part of the year.

In 1976, when employment averaged 87.5 million, about 103.5 million different people had some work experience during the year. For the past decade the number of people with some work experience during the year has exceeded total average employment by almost 20 percent, a remarkably stable proportion. However, this ratio has increased slightly in the past decade for men, while it has decreased for women.

In 1974, the last year for which detailed data are available, men with some work experience during the year exceeded average employment by 12 percent. For women the ratio was 28 percent. As in the case of part-time employment, these comparisons indicate that men are more likely to be permanently attached to the labor force than women.

Further growth ahead

The aggregate figures released each month by the BLS on employment and unemployment reflect the net results of many individual actions. People are losing jobs and finding jobs, changing jobs voluntarily or under pressure, leaving, entering, or reentering the labor force.

In the past 30 years the structure of the labor force has changed significantly. Among the most important developments are the increase in the proportion of women workers, the change in the proportion of young workers, the rise in college enrollment, and the trend toward earlier retirement. These changes were reflected in the labor force participation rate (percent of the non-institutional population 16 years and older), which has trended irregularly upward. In 1976 this ratio was 62.1 percent, a record for the period since World War II. It was 58.9 percent in 1947 and 61 percent as recently as 1972. Changes of 1 percent or more in this ratio reflect a complex of forces that may have profound implications.

Employment is a measure of activity; unemployment of inactivity. Since World War II average employment has declined from one year to another only five times, and never for two consecutive years. The increase from 1975, when employment declined, to 1976 was 3.2 percent. This compares favorably with earlier recoveries: 2.2 percent in 1950, 3.4 percent in 1955, 2.5 percent in 1959, and 1.4 percent in 1962. Employment is expected to rise throughout 1977 and average higher than in 1976, but probably by a smaller ratio than in 1976. Unemployment is expected to decline but not to prerecession levels.

George W. Cloos