FACTORS IN LABOR FORCE GROWTH

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Twenty years ago, in December 1939, the field staff of the Works Progress Administration's Division of Social Research conducted the first run-through of the first monthly survey of a sample of the population preparatory to the official enumeration in April 1940. The purpose of this operation was to compile a direct and objective measure of unemployment. Our Chairman, Gladys Palmer, was a member of the advisory group that watched over the survey in its embryo and infancy stages, and is the only person who has remained in that advisory role during all of the years since. She has seen the survey grow from a 41-county sample to a sample of 330 areas, extending into 638 counties. In the beginning, about 15,000 households were interviewed; now the number is 35,000. Over the years, the growth in the output of the survey in terms of information on labor force and population behaviour and characteristics has been even more spectacular. During these two decades, Miss Palmer has provided the leadership for the discussions which produced developments in concept and measurement techniques, bringing to each problem a fresh eye and a rich knowledge of real life outside the Washinton statistical offices. At the same time, she has firmly pressed for preserving the degree of continuity needed to measure important changes. A great deal of what we know about the labor force today can be credited to her stimulating questions and her unflagging interest, in her role as chairman of the interagency Committee on Labor Supply, Employment and Unemployment.

My purpose in this paper is to note briefly some of the things we have learned over these years from the survey and from two decennial censuses about the factors affecting labor force growth and to raise a question about the meaning of its rate of growth. Of course, the primary factor in the growth of the labor force is the changing number in the population of working age and the changing age-sex composition of the population. Within that frame, what determines the proportions of various types of people who will be in the labor force?

Looking again into the past, I reminded myself that some 13 years ago, a paper by Wolfbein and Jaffe was read at the annual meeting of the American Sociological Society, entitled "Demographic Factors in Labor Force Growth". Comparing gainful worker rates in 1890 and 1930, and using a simple standardization procedure, the authors concluded that changing labor force rates could not be fully explained by changes in the composition of the population—i.e., changes in age, sex, color, nativity, and for women, marital status. A similar comparison for 1940 and 1946 led to the same conclusion. There are, in fact, changing propensities to work whose true causes, the authors speculated, must be sought in "nondemographic" or "socio-economic" factors—social acceptance of women in employment outside the home, the growing importance of white-collar jobs, changes in technology opening factory jobs to women, the changing role of women, the transfer of many household tasks into the commercial field, and so forth. For men, the decreases in worker rates, the authors believed, were the result of longer schooling and earlier retirement.

This pioneering work was further extended by John Durand in his 1948 study. Using a slightly more refined technique, and also taking account of the shifts of the population from farm to nonfarm residences, he too measured the effects of basic demographic changes, and concluded that nondemographic factors were dominant in explaining changing labor force rates between 1920 and 1940. I reached the same conclusion for the period 1940 to 1950 for white women, whose labor force rates, of course, rose, and for nonwhite men, whose labor force rates declined. For white men, labor force rates were almost unchanged during the decade. Nonwhite women would have decreased their labor force participation had they not moved from farm to nonfarm areas in such numbers. Clarence Long, in his very detailed study published last year, made many similar calculations for the United States and other countries.

Some of the other demographic factors affecting the labor force growth that have been measured or discovered will be mentioned briefly.

Whether or not a woman is married and has children is not nearly so important in determining her labor force status as is the age of her children. Women under 45 who are, or have been, married and who have no children under age 6 are two or three times as likely to be in the labor force, age for age, as are women with preschool children. This is true even though the majority of married women under 45 with no preschool children have children of school age. Accordingly, it is not enough to examine the changing proportions of married women or of married women with children in order to predict or explain labor force growth in the age groups 20 to 35 or 40.

For this reason, age at marriage is another factor that helps to determine the size of the female labor force. Where age at marriage is comparatively late, the young female labor force will be large, and will change in relation to the size of the population in the age-group between school-leaving and marriage. Where age at marriage is early, the female labor force will be relatively small in the late teen years and early twenties. However, young brides are also likely to be young mothers and to complete their families before they are out of their twenties. This means that those who want to return to the labor force before they are 35 may do so with comparative ease. They are still below an age where age itself is a criterion for hiring. They are young enough to be thought worth training and not too far away from their school days.

A bit of evidence on this point is the comparative labor force rates in 1950 of urban

married women over 35 in the Western States and in the Northeastern States. Age at marriage is earlier for women in the West than in the Northeast. In the age group 35 and over, 25 percent of the Western married women were in the labor force in 1950, but only 20 percent in the Northeast. Later data are not available by age but 1959 data show that urban married women of all ages are somewhat more likely to be in the labor force in the West than the Northeast.

Potentially, women in their late twenties and thirties have a long working life ahead. Of course, those who married at 19 or 20 probably did so before they completed or even entered college, and so may be unsuited for many professional or technical jobs, where so much of the expansion in the next ten years is expected. But in other occupations their prospects are brighter. On balance, under present employment patterns, early marriage by itself probably fosters growth in the number of women in the labor force because it frees for employment outside the home, the large number past 30 or 35 years. At the present time, the labor force participation rates of married women are considerably higher in the twenty-year age span, 35 to 54, than in any of the younger groups. For 1958, the average labor force rate for married women 20 to 24 years was 32 percent, for 35 to 44 years, 37 percent, and 45 to 54 years, 40 percent.

If, however, early marriage also means larger completed families, which just now appears to be true, then the probability of a young married woman's return to the labor force on a more or less continuous basis may be reduced. It is not necessary to point out that the demands on a mother to stay at home and function as nurse, chauffeur, teacher, den mother, and so forth, increase with the number of children she has.

The movement of the population from farms to cities has had its effect on the size of the labor force, as many have pointed out. This type of migration tends to reduce the proportion of men in the labor force but to increase the proportion of women. Other things being equal, in the future off-farm migration will continue to have its effect on labor force growth, particularly for the nonwhite population, although with the forthcoming change in the definition of the farm population, in connection with the 1960 Census, it will be difficult for aw ile to measure its effect. What about the other form of migration that each of us is conscious of every day—the movement from central cities to suburbia or exurbia? Current estimates of the Census Bureau show that the greatest relative increases in population since 1950 have been in Standard Metropolitan Areas outside central cities and in portions classified as rural in 1950, now probably urban.

We have no current data on the labor force participation rates of the population in central cities as compared with the outlying parts of Standard Metropolitan Areas. But we know that in 1950 the rates for women living in the fringes of urbanized areas—that is, the contiguous built-up areas surrounding cities of 50,000 or more and sometimes called suburban—were 5 or 6 percentage points below the rates for those living within the city limits. Suburban married women with young children are not very likely to be wage earners, but their labor force rates in 1950 were not different from those of mothers of young children in the central cities—despite differences in income, ethnic stock or race, education, etc. Suburban married women without young children had labor force rates well below those of women living in central cities except in the age group 45 to 64 where they were about the same. We shall know much more about this after the 1960 Census is completed but it looks at this point as if the movement of the population away from large cities to their suburbs would have a depressing effect on the labor force activity of younger married women. Job opportunities, however, are moving out too and we may find greater similarity in the future between urban and suburban women.

For men, there is little difference between central cities and fringe areas, except for the younger group. Those under 25 living in central cities had labor force rates about two percentage points higher than those in the suburbs. Again, the movement to the suburbs may have a slightly dampening effect on the growth of the male labor force.

Another factor that has been measured in recent years is the impact of increasing high school and college enrollment on labor force growth. Young people of high school and college age are two to three times as likely to be in the labor force if they have left school. Yet the proportion continuing in school has grown prodigiously since 1950—from 40 to 50 percent of the total—and is expected to continue to rise. Except for the boom year 1956, the last decade has seen a decline in labor force rates of teenagers and almost no change for young people 20 to 24 years. In the latter age group, there has been an increase in student employment but the rising rate of school and college attendance has kept down the overall rate. Relatively few students, of course, work full time. Thus, in the last 10 years or so, the number of workers supplied by the age classes under 25 has declined, relatively speaking, and their output in terms of hours worked has also diminished.

The advancing educational level of the population may also be a factor favoring labor force growth, particularly among women. Between 1940 and 1950 the greatest increases in labor force activity were for high school graduates and women with some college training, after allowance is made for increasing marriage rates and childbearing in this group. This tendency for the better educated women to enter or return to the labor force in relatively greater numbers was also seen in the big expansion of the 1950's, particularly for middle aged or older women. There is some evidence from the latest data, however, that the labor force rates may have leveled off, at least temporarily, at the upper end of the educational ladder. Even if there are no further

increases in the labor force rates for women with high school education or better, the growing number of these in the population would point to some expansion, if there are no offsetting developments.

As far as men are concerned, there have been no marked changes among the better-educated, but those with minimum amounts of schooling are less likely to be labor force members than in former years. This may reflect the continuing decline in in the labor force participation of nonwhite men that has been observed for more than half a century. It may also reflect the reductions in the labor force participation of elderly men whose average educational attainment is below that of the younger population.

The great flexibility of our labor force is a characteristic that was not revealed until we had a repetitive current measure. Not only is it capable of rapid expansion, as we learned during World War II, and again in the Korean War and the postwar boom, but a shortage in one segment seems to call forth workers from reserves in other segments. For example, during the 5-year period 1950 to 1955, the working age population under 25 did not grow at all but remained just over 24 million. A small increase (750,000) in the 14 to 19 age group was more than offset by a shrinkage in the 20 to 24 year age group. Partly as a result of the lack of population increase and partly because of some reduction in participation rates of teenagers, the labor force in these entrance ages declined by one-half million in these five years. A further shortage factor was the high marriage and birth rate which restricted the labor force availability of young women 25 to 34 years old. Yet the demand for workers and for military manpower were very strong during most of these years. These shortages were met by an unprecedented increase of 2.2 million in the number of women workers over 35, the extent of whose availability for jobs and acceptability to employers could not have been forecast. True, their labor force participation rates had shown a slow upward trend which World War II sharply stimulated, but no one thought the war time increases would continue or even be sustained.

Some analysts think that the availability for employment of a large number of relatively well educated women not only made up for the shortage of young workers, but may also have hastened the retirement of older men. During the same 5-year period, the labor force rates of men 65 and over dropped from 44 to 39 percent—also an exaggeration of long-term trends. What was cause and what was effect here, no one can know from any information we now have. In any case, the past decade has seen an astonishing amount of adaptation of labor supply and demand to meet shortages originally demographic in origin. What will happen during the next decade when young people will start flooding the labor market should be of great interest. Is it possible that the growth of the female labor force over age 35 will slow down or cease altogether, apart from population changes? Present projections assume some continuation in the rise in labor force rates for this population group, and it seems unlikely that the long-term upward trend would be reversed.

The shortage of young workers may have reduced the barriers to employment set up against middle-aged and married women, but what increased the willingness of these women to take jobs? When we turn to nondemographic factors affecting propensity to be in the labor force we are on much less solid ground statistically. We know that, at any given time, the labor force participation of married women varies inversely with husband's income but that this relationship does not hold for changes over time. Rising income has not dampened growth; on the contrary, for a time in recent years, the greatest increases in labor force activity of women have been at the upper ends of the income scale. But increases have occurred all along the line. So we have come to the belief that changing social attitudes and customs which permit or encourage a wife to take a job to help raise family levels of living or to enliven her daily life may be the important factor affecting the propensity of married women to work.

Certainly the change in attitude has been widespread. In every large city in the United States except one, the labor force participation rates of married women increased between 1940 and 1950, with the average rate rising from 18 to 26 percent. The increase tended to be greatest where the average earnings of men were highest, where perhaps demand for women workers was at a maximum to fill the lower paid jobs which men refused to take. It will be interesting to see what the 1960 Census shows about the impact of the great expansion of this decade in different types of areas. Is there an upper limit to the number of women who can be in the labor force in an American community with our present standards and institutions? In general, past growth has been related to the size of the reserves and has been relatively greater in those areas or population groups where there had been a comparatively low rate of labor force activity initially. In the past 5 years, however, (measuring from third quarter 1954 to third quarter 1959) the amount of increase in the labor force rates for women between 30 and 50 years of age has been almost the same for each 5-year cohort even though at the beginning of the period, the rates ranged from 33 percent for age 30 to 34 to 43 percent for ages 40 to 44 and 45 to 49.

The almost universal change in attitude toward the employment of married women must itself have had a variety of causes. Two major and familiar causes for which we have some statistical evidence are the vast expansion in agreeable types of jobs like office and sales jobs, and the greater prevalence of part-time arrangements for work. Between 1950 and 1958 when total employment of women increased by 3 million, professional and technical workers increased by 700,000, clerical and sales workers by 1.7 million. There was also an increase of one million in service occupations—baby sitters, practical nurses, beauty

operators, waitresses, and so forth. The occupations that lost workers were the farm occupations and operatives, mostly factory workers. The rising importance of service-producing activities has provided the kinds of jobs opportunities that both well-educated and untrained women could fill. At the same time, the proportion of part-time workers has risen—from 15 percent of the total at work in 1950 to 20 percent in 1958. Part-time jobs are a much more significant factor in the employment of teen-age than of adult workers but at least one in four women in each age class 25 or over was working part-time in 1958—the majority as regular part-time workers. Except for farm work, part-time arrangements are found most frequently in sales and service jobs and to the extent that these types of jobs expand in the future, we may expect further impetus to labor force growth. After all, many but not all, part-time arrangements, particularly in retail trade, require the employment of two workers where under other labor market conditions, one worker—with or without overtime—could have done the job. Thus, a shortage of persons available for full-time work has been a real factor in the increasing numbers in the labor force, without a correspondingly large increase in man-hours worked. Between 1950 and 1957, the average number of persons at work increased by 8.2 percent, but the man-hours worked by those persons increased only 6.4 percent.

Availability of part-time work is not always associated with labor force expansion. The increasing employment of high school and college age students has been largely of a part-time nature, but on balance, the activity of the age group has declined. Elderly men, 65 and over, also frequently work part-time, although the great majority who remain in the labor force are full-time workers—almost 80 percent of all employed in nonfarm jobs. Nevertheless, the labor force rate of this age group has been dropping ever since the end of World War II—from 51 percent in 1945 to 35 percent in 1958. The major liberalizations of the Social Security Act in 1950 and 1954 seem to have been a factor in this reduction. Migration away from farms may also have had some effect on the labor force rates of this age group, but there is some reason to think that the elderly farm resident who moves into town to live does so only after he has given up his farming activities.

In short, for certain types of persons the availability of other income seem to encourage withdrawal from the labor force. Men on the edge of retirement whose health and vigor are diminishing are in this group. Nonwhite women who are widowed, divorced, or separated also appear to be leaving the labor force as pensions or other types of Social Security payments for needy and dependent persons become available. Between 1940 and 1950, the labor force rates for this type of women living in nonfarm homes fell sharply, with the greatest decline for the younger age groups where there were probably children to care for. Evidence since then suggests that there have been further decreases, except in the recent recession period.

Between now and 1975 the projected growth of the labor force is about 23 million, if conditions of high employment prevail and if there is no major war or other large-scale catastrophe. This projection, made by Sophia Cooper and Stuart Garfinkle of the Bureau of Labor Statistics, takes account of several of the demographic factors that I have mentioned, in addition to age and sex—marital status and presence of preschool age children for women, school enrollment for young people. It also projected changes in labor force participation rates assuming certain changes in the propensity of various groups to be in the labor force. For example, some rise in labor force participation of married women and a further decline for men 65 and over are expected. In order to test the relative importance of purely demographic changes in a period when an enormous expansion can be expected because of the growth in the population of working age, I have estimated what the 1975 labor force would be if there were no changes in propensity to work. If marital status and presence of young children, as well as school enrollment, are allowed to vary in the expected fashion but specific rates are held constant at 1955 levels, and 1975 labor force would be 90,375,000 instead of 94,775,000 as projected. In other words about 4.5 million of the projected 23 million growth reflects changing propensity to work. This 4.5 million is made up of a 5 million increase for women and a half million drop for men.

Although the projections imply a fairly steady, smooth growth in the labor force determined largely by demographic factors, actual year-to-year changes are very irregular. Periods of rapid growth occur when the Armed Forces are being mobilized, or in the initial stages of a boom. They are followed by periods of slow growth which include recessions, but are not limited to them. For example, the year-to-year increases in the labor force that averaged over a million each quarter between 1950 and 1951 dropped off markedly between 1951 and 1952, more than a year before the 1953-54 recession started. Recovery from that recession was well under way before the annual growth in the labor force reached the million mark again. The over-the-year expansion of the labor force in the period between the third quarter of 1954 and the third quarter of 1956 was unprecedented in peacetime years, so far as we know. Between 1956 and 1957 the over-the-year growth measured quarter by quarter had dropped to 400,000 or less, even though the recession did not start until the middle of the year 1957. In the first two quarters of 1958, when unemployment rates were at their maximum, labor force growth picked up again, but subsided with recovery until the middle of this year.

At one time, it was thought that only family adversity could bring additional workers into the labor force but by now there is fairly general agreement that attractive job opportunities are more important. From this conclusion, it has been argued that failure of the labor force to grow in the short-run in accordance with a high employment trend line can be taken as evidence of economic maladjustment and that the difference between actual and projected growth is in fact a

measure of hidden unemployment. The thesis is that those additions to the labor force that did not materialize comprised persons who were discouraged from seeking jobs because of the lack of opportunities, and the withdrawals which did take place were largely involuntary.

There is nothing wrong with comparing actual with projected labor force levels but I would question the interpretation of deficits as a form of unemployment. First, the estimates of the labor force in any month—and therefore, the over-the-year change for a month, or even for a quarterly average—may be affected by accidental factors such as particularly good or bad weather, by the occurrence of holidays, and by extremes of sampling fluctuations. Second, having lived through the 1930's, I would hesitate to estimate any critical indicator by subtracting a measured quantity from an estimated trend. Unemployment so estimated, including negative unemployment, was bad enough. What should we make of negative labor force deficits? Or labor force surpluses, so easily translated to mean "abnormal" workers as was done in the immediate post-World War II period? Whose trend line should we use?

But finally, and most important, in spite of all the survey results and the spate of words on factors in labor force growth, we cannot yet explain why various types of persons enter or fail to enter the labor force, or why they do or do not remain in. Some elderly men retire, some do not; some childless married women in a given income—education class work, some do not. The research in this whole field has been quite elementary, so far as I know, and the measurement of the motives, whatever they may be, is little better now than 20 years ago. Perhaps in the next golden age of research in labor force measurement, this area of ignorance should be the target for a concerted attack.