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Problems of unemployment and its measurement will attract increasing attention in the decade of the sixties. The experience of the 1930's destroyed, for all practical purposes, the complacent belief that automatic market adjustments were adequate for maintaining economic equilibrium. The necessity for assuring a satisfactory volume of job opportunities for all who can and want to work has become a major tenet of public policy. This fundamental change in economic and political thinking set in motion a train of events that affect, in some degree, the lives and the livelihood of everyone in this and succeeding generations.

Most economists are agreed that the economy is not likely to experience again the massive unemployment of the Great Depression. Avoidance of depressions and unemployment of disaster proportions is now generally accepted as an obvious and minimum objective of economic policy. We have gone well beyond that minimum in the Employment Act of 1946. Our national policy provides that government shall promote and stimulate maximum employment. 1/

It may be useful for a better understanding of the characteristics of unemployment to analyze briefly some of the factors underlying the general development of our economy and to appraise realistically their impact on the labor force. Recent optimistic forecasts are based essentially on two assumptions. These are, first, that the unprecedented increase in population since the end of World War II is resulting in vastly larger needs for everything that goes into making up the American standard of living; and, second, that the new products of our rapidly advancing technology will stimulate widespread desire accompanied by effective consumer demand for their purchase. This combination, it is held, will produce such a large and increasing volume of demand that sustained levels of peak prosperity are reasonably assured for the indefinite future. It does not necessarily follow, however, that technological advances will be quickly reflected in a roundabout increase in job opportunities. On the contrary, such advances reduce direct labor requirements in the industries experiencing such advances, and some period of time is likely to elapse before the productivity gains are reflected in greater employment opportunities. In any event, the new jobs may well be in occupations for which the displaced workers are not qualified or in areas far removed from the localities where they reside.

We have just completed a decade in which both factors, sharply rising population and rapid technological advance, were operating. In addition, economic stimulation was provided by the large reserve of purchasing power and the need to make up the depression- and war-induced shortages of housing, industrial capacity, and commercial and public facilities of every kind. Job opportunities reached record levels. Nevertheless, unemployment problems were still in evidence at the end of the decade.

While periods of business recession since the end of World War II have been relatively short, a gradual trend toward rising unemployment seems to be shown by the record of the last few cycles. In addition, unemployment rates among new entrants in the work force, displaced older workers, the unskilled, and nonwhite workers have been persistently and markedly higher than for the labor force as a whole. Certain industries and areas have also developed apparently chronic problems of unemployment. 2/

The nature of the problem has changed over the years, but unemployment as a serious cause for concern is still with us. If "Mass unemployment of the thirties largely gave way to class unemployment of the fifties," 3/ in Prof. Dunlop's colorful phrase, what may we reasonably anticipate for the sixties? The occupational hazards that lie in wait for unwary forecasters are well known. Nevertheless, we may review the general outline of the picture of coming events with a minimum of risk. Labor force projections for the decade ahead can be made with reasonable accuracy. Every member of the labor force of the 1960's, actual or potential, has already been born. Possible changes in marriage and birth rates may influence participation rates for certain groups in the population without significantly affecting the validity of the projections.

Some dimensions of the future labor force problems and the objectives of private and public policies and programs were set forth in the U.S. Labor Department's publication the Manpower Challenge of the 1960's. The projected increase in the labor force during the 1960's, about 13.5 million, will be by far the largest for any 10year period in our history and 50 percent greater than the expansion during the fifties. Along with this huge increase will come major shifts in the composition of the work force. Young workers under 25 years of age will increase by about 46 percent to a total of over 20 million, while the number of older workers--those 45 years and over-will rise by 20 percent to reach a level of about 33 million. These figures do not reveal the total magnitude of the impending shifts in the labor

^{1/} For a discussion of the role of government in promoting employment opportunities, see Louis Levine, "Problems in Labor Market Organization and Administration," in <u>Manpower in the United</u> <u>States: Problems and Policies</u>, William Haber, et al., editors, New York, Harper, 1954.

^{2/} Cf. United States Congress, Joint Economic Committee, <u>1959 Joint Economic Report</u>, Wash ington, Government Printing Office, 1959, Chapter 6, pp. 161 ff.

^{3/} John T. Dunlop, "Public Policy and Unemployment" in <u>Studies in Unemployment</u>, Special Committee on Unemployment Problems, United States Senate, Washington, Government Printing Office, 1960, p. 1.

force, however. The 1970 labor force will reflect the entrance of 26 million young people over the decade.

Moreover, these enormous changes will be accompanied by an accelerated rate of technological innovation, changes in consumer preferences, and geographical shifts in industrial location, whose magnitude and impact no one can now accurately foresee.

We immediately recognize that the major increases in the labor force of the 60's are concentrated in two groups--new entrants and older workers--who are already disadvantaged in the job market. Our experience of the 50's is not especially reassuring as we face the future. Over the decade just past, the net number of young workers added to the labor force was a mere 700,000, reflecting the low birth rates of the depression years, and the postwar trend toward earlier marriage and childbearing which reduced the labor force participation of young women. With economic activity at generally record levels, and with relatively few young people coming into the job market, employers turned increasingly toward the older groups, and especially to the large numbers of women in the middle and older age groups who were quite willing to exchange household tasks for paid employment. Yet despite this generally favorable situation, the special employment problems of both younger and older workers were clearly revealed in the statistics of unemployment as the decade came to a close.

What are the implications of the manpower challenge of the sixties for the future of unemployment statistics? It may be appropriate to recognize that along with the record level of wealth achieved in this country, we have also succeeded in producing a wealth of statistics. We have become a very statistically oriented people with a high degree of economic literacy. It was not always so. Most of the development of current economic statistics and analysis has come within the recent past. Thirty years ago the few available economic statistics were generally relegated to the technical journals and the financial pages. Economic literacy was limited to a few professional economists and experts in the business world. Today our broad range of economic indicators, from national income to housing starts, are regularly featured in the newspapers, not infrequently with front page billing. This is indicative of the widespread public interest and use of economic data.

Of all the available economic indicators, however, unemployment continues to be the most widely recognized and most generally understood. It is the figure that enables us to evaluate all the others, in terms of direct human impact and human values. Imprtant as it is to know that personal income and the index of industrial production are reaching into new high ground, we will not be satisfied that they are increasing fast enough if at the same time unemployment is too high or is actually increasing.

It is sometimes difficult to realize that the economic collapse after 1929 found us with no measure of unemployment and without even a generally acceptable definition of the term. Nearly ten years passed before the concept of the labor force was evolved and reasonably fast and accurate methods of measuring it were developed. We have come a long way since then in both the collection and analysis of unemployment data.

As the first measures grew out of a condition of mass unemployment, primary emphasis was on the total number of unemployed. With increased knowledge of the behavior of the labor force and unemployment there has been a growing awareness of the differential economic impact of changes in the economy. Overall unemployment figures have become less meaningful, and the need for data on the specific nature of the unemployment problem is expanding. Professor Dunlop stated the situation well when he wrote:

"The leveling influence of a single count neglects very significant differences among individuals and classes of workers. Thus the same head count of.... unemployed may constitute quite different human needs and represent widely different impacts on the economy depending on the class composition of unemployment. The appropriate public policies are likely to be significantly different for various compositions of unemployment with the' same total head count.

"The conclusion is that the structure of unemployment now deserves as much--if not more-attention than the level of unemployment. Public policies on unemployment always need to be conceived in terms of twin related policies: those designed to influence the level and others directed toward the structure of unemployment." $\underline{4}$,

This shift in emphasis has important implications for the measurement of unemployment. There are now two major sources of unemployment data, the Monthly Report on the Labor Force (MRLF) and the statistics of insured unemployment. Each of these is related to somewhat different concepts. Unemployment has different meanings to different expert individuals. The distinctions between employment and unemployment, and between unemployment and non-labor force, cannot be so sharply drawn that they are beyond dispute. Differing concepts may have equal validity, depending upon the source of the data and the uses for which they are intended. 5/ The two types of unemployment data current-

5/ "The term 'unemployed' encompasses a variety of meanings. It may describe a condition -that of being not at work; an 'activity'--that of seeking work; an 'attitude'--that of desiring a job under certain conditions; and a 'need'--that of needing a job. The term also has other connotations and various shadings and combinations. For example, should a definition of unemployed include individuals who do not have jobs and who are not looking for work but who would accept jobs under certain conditions? Is a person unemployed who is in need of a job but because of home responsibilities is unable to look for or to accept a job? Should only those persons be counted as unemployed who are without jobs but who are breadwinners of their families? Obviously, the definition used determines the resultant count." Levine, Op. cit., p. 325.

^{4/} Dunlop, Op. cit., p. 2.

ly available are therefore properly regarded as complementary.

The monthly survey of the labor force is a sample survey of households. It covers the entire population and utilizes the most inclusive definition of unemployment. 6/ It therefore provides current estimates of total unemployment and, as interest and emphasis have shifted to the analysis of unemployment in depth, increasing amounts of data on the personal and economic characteristics of the unemployed.

Probably the best known measure of economic developments that is derived from employment security operations is the count of insured unemployed workers. In fact, this figure has been included in the monthly publication, Economic Indicators, issued by the Joint Committee on the Economic Report, since 1954. Insured unemployment represents the number of benefit claimants who have completed a week of total or partial unemployment; and the count is a regular administrative by-product of the employment security system. The statistics measure the number of workers covered by the State unemployment insurance programs, unemployment compensation for Federal employees, and the programs for ex-servicemen who are certifying to partial or total unemployment. Also included in the overall count are those workers covered by the Railroad Retirement Act.

Insured workers account for over four-fifths of nonfarm wage and salary workers and, of course, for the bulk of the unemployed. Insured jobless workers are those who have become unemployed following separation from a job, and are sometimes designated as the "disemployed unemployed." It is this group that is generally considered to have the greatest direct impact on the economy through the loss of purchasing power.

Insured unemployment figures as an economic indicator have certain distinct values. First, there is their timeliness--the figures are reported on a weekly and monthly basis. Second, they are the only current sources of unemployment information by geographic location. Third, the data are based on a face-to-face meeting of the unemployed with the employment security interviewer. Fourth, the figures represent actual counts of unemployment insurance claims taken by public employment offices. Fifth, the statistics are obtained as a by-product of operations of the unemployment insurance program, making the collection process one of the least costly ways of obtaining such information. Thus the claimant information not only comes from the person best able to provide it but also the categorization of that information has the added flavor of professional interpretation.

To understand the character of the data it is necessary to describe briefly the unemployment insurance processes that yield these data. An individual desiring to receive benefit payments must file an initial claim certifying that he has become unemployed, and in subsequent weeks file continued claims certifying to the completion of one or more weeks of unemployment. Initial claims measure new or emerging unemployment, while continued claims which are the basis of insured unemployment measure continuing joblessness. <u>7</u>/

The number of workers in covered employment in an average month has increased from 21 million in 1938 to 43.1 million in 1959. Of this total, railroad workers numbered about 1.1 million in 1938 and 900,000 in 1959. State coverage which averaged 19.9 million in 1938 had increased to 35.4 million by 1954, and has since risen to 39.8 million in 1959. The remaining 2.4 million workers in 1959 were civilian employees of the Federal Government. In addition, members of the Armed Forces were covered, averaging 2.6 million in 1959.

The main groups not covered by the unemployment insurance program are agricultural labor, domestic workers in private homes, employees of most State and local governments, employees of nonprofit organizations, proprietors and self-employed In addition to the general groups excluded from coverage, workers in small firms are not covered in many States. Twenty States, however, have extended coverage to include workers in smaller firms.

Aside from these broad limitations stemming from the coverage provisions of State laws, some groups of covered workers who are unemployed may not be eligible for benefits and therefore not included in the insured unemployed figures. These consist of unemployed covered workers who are not available for work because of temporary illness; those unemployed persons whose previous jobs were in covered industries but who did not earn sufficient wage credits or were not employed the required length of time to be eligible for benefits; persons disqualified for non-monetary causes, such as voluntary separation from work without good cause, discharge for misconduct, unavailability for work, refusal of suitable work, and direct involvement in a labor dispute.

^{6/} The sample survey of households, collected and tabulated by the U. S. Bureau of the Census for the Bureau of Labor Statistics, provides a comprehensive measure of the labor force, i.e., the total number of persons 14 years of age and over and who are employed or unemployed. The information is obtained from a scientifically selected sample of about 35,000 interviewed households in 333 areas throughout the country and is based on the activity or status reported by surveyed persons for the calendar week ending nearest the 15th day of the month. The unemployed total includes all jobless persons who were looking for work, regardless of whether they were eligible for unemployment insurance. Also counted as unemployed are persons waiting to be called back to jobs from which they had been laid off; those scheduled to start on new jobs within 30 days (except students); and those who would have been looking for work except that they were temporarily ill or believed that no work was available in their line of work or in the community.

^{7/} For a full description see "Insured Unemployment, Employment, and Wage Statistics" in the Labor Market and Employment Security, U. S. Department of Labor, Bureau of Employment Security, March 1960.

Finally there is also a group of workers who are excluded from the insured unemployment figures because they have exhausted their benefit rights. In a period when unemployment is substantial and of long duration the volume of exhaustions may have an important bearing on the magnitude of the insured unemployment levels.

Despite these limitations, data on the insured unemployed are of major economic significance since they cover virtually all of the most sensitive and volatile sectors of the economy. The intrinsic value of the insured unemployment figures is enhanced by the inclusion of information not only on a national but also on a State and local level.

National figures on unemployment, though important in providing a general indication of the status of the economy, conceal wide variations in unemployment conditions in different areas of the country. Though the availability of data on the insured unemployed plays an important part in meeting the needs of information on a geographic basis, their expansion to include economic and social charactersitics of the unemployed was necessary to the development of programs for a meaningful attack on the problems. For example, because there are wide variations in the industrial composition of individual areas, even a minor change in the economic position of an industry nationally may have a significant impact on the economy of one or more areas where the industry is important locally, <u>8/</u>

Congressional concern for the unemployed (most recently, the creation of the Senate Committee on Unemployment Problems) indicated a continuing and current need for information about who are the unemployed--their age, sex, occupational skills, industry attachment, and length of unemployment. Similar interest is evident in many State governments. Questions are being raised with increasing frequency on what kinds of workers are exhausting their benefit rights, who are the hard-core unemployed, and what are the more severely affected groups.

In addition, widespread demands for such information on the characteristics of the unemployed, nationally, and on a State and area basis, came from a variety of sources, including the Council of Economic Advisers, the Advisory Board for Economic Growth and Stability, and other Federal agencies, government officials in States and communities, employer associations, labor organizations, employment development committees, and other public groups.

The Bureau of Employment Security and its affiliated State agencies have undertaken to provide for the collection of these data. Into the 1,800 full-time local public employment offices come the jobless workers who, when certifying to their availability for work, make known their personal and economic characteristics. As a result, without incurring the costs of a household survey, it is possible to supplement the data on the unemployed with information on their industry, occupation and other economic and personal characteristics. The fact that the data are essentially a byproduct of operations, which can be had for only the cost of processing, was not overlooked by costconscious administrators.

The next logical development was to fashion a reporting system to extract this wealth of information. At the outset, a basic decision had to be made between adoption of a case record, or continuous measurement approach, in which the unemployed worker would be followed through his spell of unemployment, or a "snapshot" approach in which information on the unemployed was obtained for a point in time on a regular basis. The "snapshot" approach was selected for the current characteristics program because it provided administrative simplicity, and low cost and speed in obtaining and processing the data so that they may be released on a current basis. There is also due recognition, however, of the need to exploit the kind of information that can be developed only from a case history approach. Some thinking on this score is highlighted in a subsequent portion of this paper.

Initiated in January 1960, the current survey is based on a sample of the insured unemployed claiming benefits or waiting-period credit during a 1-week period each month. The sample represents the insured unemployed for the same week as that covered by the <u>Monthly Report on the Labor Force</u> and, therefore, is comparable in time reference with the national estimates of total unemployment. The sample is confined to continued claimants under the State UI programs and covers age, sex, occupation, industry, and duration of current unemployment. In addition, the same characteristics are reported separately for claimants exhausting their benefit rights; at present the latter data are valid only for developing national totals.

The survey sample was designed to permit easy comparison of data among the States. Sample sizes range from 1 to 50 percent, varying in accordance with the volume of State claims.

The data which flow from this program are to be found in "The Insured Unemployed," a monthly publication of the U.S. Department of Labor's Bureau of Employment Security. Contents of this publication include on a State basis 1) Age and sex of the insured unemployed; 2) distribution of the insured unemployed by industry division; 3) distribution of national totals only, by two-digit manufacturing industry; 4) distribution of the insured unemployed by major occupational group (quarterly, national totals by selected three-digit occupations); 5) distribution of the insured unemployed by length of current unemployment; 6) age, sex, and length of current unemployment of claimants exhausting benefits (national totals); and 7) industry division and major occupational group of claimants exhausting benefits (national totals).

Insured unemployment statistics differ in several respects from those for total unemployment

<u>8</u>/ Vladimir Chavrid and Gabriel Cherin, "Use of Standard Metropolitan Statistical Areas Concept in Government," in American Statistical Association, Business and Economic Statistics Section, <u>Proceedings</u>, Washington, American Statistical Association, 1959, pp. 300 ff.

prepared by the Bureau of Labor Statistics in the <u>Monthly Report on the Labor Force</u>. The MRLF count of total unemployment includes all jobless persons who did not work at all during the survey week and were looking for work, regardless of their eligibility for unemployment insurance. As mentioned earlier, several groups of unemployed workers are excluded from the insured unemployed under State programs. On the other hand, the count of insured unemployed includes some persons who worked during the week but whose earnings fell below a specified amount (usually the weekly benefit amount).

In addition there are differences in the occupational and industrial classification. The occupational classifications used in the data on insured unemployment are assigned by trained employment service interviewers and are based on the total work experience and qualifications of job applicants. These classifications are defined in the 1949 edition of the <u>Dictionary of Occupational</u> <u>Titles</u> (DOT) and its supplement published by the Bureau of Employment Security. The MRLF occupational information is derived from household interviews and is arranged according to the classification groupings used by the Census of Population.

Definitions of some of the occupational groups in the two series are fairly comparable, e.g., professional and managerial, clerical and sales, and service. Craftsmen are roughly comparable to workers in the skilled category in the DOT, operatives to semiskilled, and nonfarm laborers to unskilled. However, a significant number of jobs included in the craftsmen category are classified in the semiskilled group in the DOT system; certain jobs in the operative category will be found in the skilled or unskilled group, while some types of nonfarm laborers are identified among the semiskilled.

The industrial information used by the State agencies for insured unemployment data differs in source from that used for total unemployment in the MRLF. While both series use the Standard Industrial Classification (Bureau of the Budget, 1957), the classification of establishments covered by the unemployment insurance system is based on detailed nature-of-business information obtained from employers. In contrast, the industry attachment information reported in the MRLF is that supplied by the respondent in a household interview.

Data on insured unemployment from the sample surveys, together with data on covered employment, are used to obtain unemployment rates by industry. The rates represent insured unemployment as a percent of the average covered employment during a 12month period. This concept is also different from that used for the total unemployment rates in the MRLF. MRLF rates by industry represent the number of unemployed whose last full-time job was in the specified industry as a percentage of the total currently employed in that industry plus the number of unemployed from the industry.

Experience with the collection and analysis of the data on the characteristics of the insured unemployed, using the current BES approach, is little more than a half year old. Consequently, it has not yet been possible to build up a time series for comparative analysis. Already, however, the data have produced a wealth of information which has gone a long way toward illuminating the pattern of unemployment in this country. In April 1960, for example, we knew not only that six industries accounted for nearly three-fifths of all manufacturing unemployment, but also that most of this unemployment was concentrated in a very few States.

In addition to the expanded statistical data that will be available for analysis, the system allows for increasing the sample to compile valid data on a local area basis. Local information on the characteristics of the insured unemployed is of invaluable assistance to communities and industry in promoting and providing jobs to utilize fully available manpower and skills, and in developing suitable training programs for jobless workers. The prospect of obtaining such information for labor surplus areas is already attracting the attention of students of labor market problems.

Knowledgeable persons in the field will recognize that there are many gaps in our understanding of labor market behavior, the answers to which are needed for policy formulation, program evaluation, and guidance of the Congress and the State legislature in developing unemployment and other social legislation. Interested groups such as labor unions, employer associations, and universities also have a vital stake in obtaining more elaboration of the characteristics of the work force.

One of the major areas for development is the gathering of information, State by State, on the characteristics of <u>all</u> covered workers. Here the planning is directed to a selection of a sample of workers covered by the unemployment insurance program, which will provide not only information on the personal and economic characteristics of these workers, but also will relate the information to their employment and unemployment history--a reservoir of data which will provide a complete picture on the characteristics of the most significant component of the labor force. This aspect of research contemplates the use of the case method or continuous sampling approach.

Most of the necessary information is now available in the records of the State employment security agencies. When properly organized and analyzed they will provide information to answer such questions as: What are the variations in unemployment among employees of small firms as compared with those in larger establishments? What is the extent and variation of workers' attachment to the labor force? What are the variations in the employment pattern of workers in different industries? What are the industry, occupation, age, sex, and other relevant characteristics of workers with limited or irregular employment as compared to those with substantial employment? What are the characteristics of workers with some wage credits but with insufficient earnings to qualify for benefits as compared with those who do qualify? What are the differences, if any, in the characteristics of unemployed workers in depressed areas as compared with those in other areas? What are the differences, if any, between the employment and wage

patterns of claimants as compared with all covered workers?

If information were made available from employer records as to weeks of employment, through a special survey of employers, it would be possible to answer such additional questions as: What is the relationship between a worker's weekly benefit amount and his average weekly earnings? What would be the effect of using given numbers of weeks of work as measures of labor force attachment?

Even with the availability of information on covered workers and subject employers discussed in this paper, we are touching only the periphery of what we need to know about the insured unemployed. There are a host of other questions to which we need answers. For example: family wage earner status (sole, primary, secondary); distribution of claimants by number of dependents; adequacy of the weekly benefit amount; and although a good deal of work has already been done, continuing research is needed on the labor market experience of claimants after the exhaustion of benefits. Periodic or onetime studies would be needed in order to obtain the necessary information. The economic analyst, like the military commander in time of war, is likely to feel that he never has quite all the material he needs to achieve the desired objective. And so it is with those of us who are engaged not only in the study of labor market developments, but also in the formulation of programs and policies designed to deal with the impact of these problems on the individual workers.

Nevertheless, those who are familiar with the insured unemployment statistics program, including information now produced and data potentially available, cannot help being impressed and encouraged by this remarkably facile tool. Having successfully over the past 25 years devised a measure of the unemployment volume and its national characteristics, we are now on the threshold of gaining fuller insight into where the unemployed are, and who they are within those narrower geographical confines. We have, in essence, added a rifle to our shotgun arsenal. While national policy will always be basic to a solution of the unemployment problem, our ability to pinpoint and define the problem locally will enable us to marshal our resources at the grass roots level where efforts frequently can be most effective.