

THE LABOR FORCE AND UNEMPLOYMENT IN MID-1960
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It was about 20 years ago that we began to think of the labor force as a dynamic segment of the population and that we first developed a satisfactory method of measuring the labor force and enumerating the unemployed. It is difficult to believe that we could have been without such statistics during so great a part of our national life. Over a period of two decades, however, we have grown accustomed to counting the unemployed monthly, ascertaining all manner of intimate information about them, and announcing our findings in all their gruesome detail to the entire world.

We were not the first country to obtain and report dependable information on the level of joblessness, and it is gratifying to note that many countries now follow this policy. We have found it to be sufficiently satisfying that we can recommend it to those remaining countries which still attempt to hide their unemployment behind denials of the obvious.

I. Recent Trends

Nineteen-sixty has been a rather puzzling year for analysts of the labor force. As it began, we wondered whether it would see a continuation of the 1959 recovery in employment which was interrupted by the steel strike. More than half-way through, we're still not entirely sure. Industrial production and the GNP have reached new high levels. But productivity customarily leaps up in recovery periods, so that high-level production is not sure to be translated into high-level employment. And if employment continues to rise, will it rise enough to absorb the expected additions to the labor force?

In recent years the labor force has been growing at a relatively slow rate, adding only about 500,000 workers per year in contrast to an expected annual increase of almost double that number. In the first quarter of 1960, the labor force was only 300,000 higher than it was a year earlier (after allowing for the inclusion of Alaska and Hawaii). Economic activity in the first quarter had been slowed by unusually bad weather, widespread illness, and a late Easter. In the second quarter, however, the labor force rebounded sharply to show an average increase of 1 million over the second quarter of 1959. Present indications are that the total labor force will average about 73 million for the year 1960 as a whole, or some 800,000 more than in 1959.

A striking feature of the evolution of the labor force has been the increase in the proportion of women. In the coming decade, for the first time in our peacetime history, women will average over one-third of the total labor force.

Prior to this year, middle-aged women dominated the expansion in the female labor force. An important factor in this expansion was the

growing tendency for married women to return to work after their children had reached school age. The labor force participation rates of women between the ages of 45 and 65 rose dramatically in the 1950's. Thus far in 1960, however, there has been no further rise in the participation rates for these women. In contrast to other recent years, most of those added to the labor force in 1960 were young men and women under 25 years of age. In part, this was attributable to increased numbers of young people reaching working age and completing or leaving school, but it also reflected a rise in the participation rates for young women over the year. We are not yet sure whether new trends in labor force participation among women are emerging or whether the developments in the first half of 1960 may prove to be merely transitory.

Total employment has been at record levels in most months of 1960, thus far averaging about 1 million more than in 1959. In most peacetime years, an increase of 1 million in employment would be more than enough to absorb the increase in the labor force. But this has been an unusual year. In the second quarter the growth in employment did not fully keep pace with the expansion in the Nation's labor force, so that in June unemployment was higher than in the corresponding month of 1959.

All of the gains in employment have been in nonfarm industries; the long-term decline in agriculture has been continuing in 1960. The number employed in agriculture this year will account for only about 8 percent of the total employed; 5 years ago they accounted for 11 percent, 20 years ago for about 20 percent.

Employment in trade, finance, services, and State and local government continued to expand in 1960. Jobs in most of these sectors were increasing steadily throughout the 1950's, even during periods of recession for the economy as a whole. Employment in service-producing industries surpassed employment in goods-producing industries in 1949 for the first time, and since that time has continued to expand much more rapidly. In fact, manufacturing employment in 1959 was still 1 million lower than in the peak year of 1953.

Unemployment declined encouragingly in the early months of 1959, reflecting our emergence from the recession and the build-up of inventories in preparation for the steel strike. The seasonally adjusted rate of unemployment was 6 percent as the year 1959 opened, declined to 5 percent by April, and then remained at about that level until July. The last half of that year, however, was rather disappointing. Secondary layoffs resulting from the steel strike helped push the unemployment rate to 6 percent in late fall before the strike was enjoined in early December. In the first half of 1960, the unemployment rate has again come down to average about 5 percent. It has reached 5.5 percent on two occasions due to temporary

situations (bad weather in March and an unusually large influx of teenage jobseekers in June).

So far in the present recovery period, unemployment rates have failed to return to the 3 percent we attained after the 1949 recession, or even to the 4 percent we reached after the 1954 recession. The former rate, however, does not afford a reasonable comparison. It was attained during the Korean War period and greatly influenced by the mobilization of manpower and other resources for military purposes. The years 1955-57, when the rate was a little above 4 percent, provide a more realistic benchmark against which to evaluate the present rate.

II. Unemployment--Comparisons With Other Industrial Countries

One cause of discomfort over the level of our unemployment is the suggestion made from time to time that other countries are doing better. This cannot mean simply that other countries have fewer unemployed; if the comparison is to be meaningful, it must take the size of the labor force into account. Only the rate of unemployment provides a suitable basis for such comparisons.

Before proceeding to an examination of unemployment rates in the various countries, however, it is necessary to take a look at the definitions used in determining who is unemployed.

There is an international standard definition of "the unemployed," which was approved in 1954 by the Eighth International Conference of Labor Statisticians. It is a good definition, and I am glad to note that the definition observed by the United States in the Monthly Report on the Labor Force conforms rather closely to this standard. So do the definitions used by Canada, Japan and Puerto Rico, which regularly produce unemployment statistics similar to our own, and those of several other countries with systems of unemployment statistics that differ from ours.

Many countries, however, do not have access to a precise and specialized means of measurement, but depend instead on administrative statistics compiled primarily for other purposes; e.g., the number registered at employment exchanges, the number receiving benefits under an unemployment insurance system or the number of unemployed reported by trade unions.

Such statistics are sometimes incomplete. They may exclude important groups who are not covered by the unemployment insurance system, others who have exhausted their benefits, jobless workers who neglect to register at the exchange, new workers entering the labor force, or former workers re-entering it. On the other hand, administrative statistics may enumerate certain workers who under the United States definition would not be counted as unemployed; for example, persons registered at the employment exchange while still employed, persons receiving unemployment insurance benefits in a week in which they also do some work, and persons who work part of the survey week but are not employed on the single day on

which the count of the unemployed is based in some countries.

It is commonly believed that the unemployment statistics of foreign countries are less comprehensive than those of the United States and that in any dependable comparison our statistics would have to be scaled down considerably or the figures of the other countries adjusted upward. So far as the statistics of the underdeveloped countries are concerned, this is probably true. But as applied to industrial countries of the free world, it is not a safe generalization.

In recent years a number of the industrial nations have made occasional or regular labor force sample surveys very similar to our own MRLF. These have afforded comparisons with the unemployment statistics obtained from administrative operations. France and Sweden have made labor force sample surveys and have come up with unemployment figures appreciably greater than those resulting from their regular administrative systems. In Germany and Italy, however, labor force sample surveys have yielded unemployment figures lower than the number based on the regular system. Canada has two well established series of unemployment statistics, 1/ one based on a sample survey very similar to our own, the other based on statistics from the compulsory unemployment insurance system. In 1959 the former produced an unemployment rate of 6.0 percent and the latter a rate of 10.9 percent.

The United Kingdom depends upon a system very different from ours; it is based on registrations with the Employment Exchanges and the Youth Employment Offices. A preliminary analysis of the differences between the two systems suggests that the U. S. statistics are more comprehensive in some respects while the United Kingdom statistics are more comprehensive in others. There is evidence that the respective "errors" may about offset each other. 2/

1/ As is noted below, Canada does not issue official statistics on the "unemployed." The figures quoted are published by the I.L.O., based on appropriate official series.

2/ One recent analysis of United Kingdom unemployment statistics in terms of American standards identified some 80,000 persons in various categories regarded as unemployed according to the United States definition, but not so classified under the United Kingdom system. At the same time, the U. K. classified as unemployed an estimated 70,000 who were out of work on the single day of the U. K. count but who would have been counted as employed under United States practice because they had had some work during the survey week. Further research regarding the comparative systems of unemployment statistics in the United Kingdom and the United States is to be undertaken during the coming year.

It would be misleading to suggest that any studies made to date will permit a precise comparison between the unemployment rates of the United States and other industrial countries, but the general position of the United States is abundantly clear from a review of the published data in the light of what is known about the various statistical systems. In 1959, when the unemployment rate for the United States was 5.5 percent, the comparative levels of unemployment ^{3/} were unquestionably lower in the Federal Republic of Germany (2.6), France (1.3), Sweden (2.0), Switzerland and the United Kingdom (2.2). But the rate of unemployment that year was somewhat higher in Belgium (5.9), Canada (6.0), and Italy (8.7); also, among nonindustrial countries, in Ireland (8.1).

We can well devote further study to differences in scope which obstruct comparisons with other countries, and cooperate with the International Labor Office in urging adherence by all countries to the approved international definition of unemployment. But at the same time it is worthwhile to consider social and economic factors which help explain why unemployment is relatively more common in this country than in some other countries. Without pretending to cover this subject fully, it may be suggested that the following characteristics of our economy and of the American people tend to result in higher unemployment rates than are found in European countries. To begin with, there are several characteristics which are not evil in themselves but may be very beneficial, but which tend to increase unemployment rates.

1. The greater mobility of American labor, which results in increased loss of time between jobs.
2. The relatively small proportion of our labor force in agriculture, where unemployment rates tend to be low.
3. Our higher incomes, which sometimes enable the unemployed to hold out longer while searching for the most favorable job available.

Another important factor, for which few will say a friendly word is:

4. The greater susceptibility of our economy to cyclical fluctuations.

Still another characteristic, which has both favorable and unfavorable aspects, is:

5. The greater freedom of American employers to determine for themselves how many workers they need in periods of expansion, and to reduce employment in times of slack business--a freedom which in European countries is severely limited by law or convention.

^{3/} Figures in parentheses give unemployment rates, where available, as published in the "Statistical Supplement" to the International Labour Review. In most cases these rates are not comparable with the United States rate without adjustment.

The above comments relate to differences between the United States and other democratic countries. Under circumstances in which the State decides what is to be produced, where the employer is told whom he shall employ and the worker where he shall work--that is, under an effective dictatorship--unemployment can indeed be reduced to a minimum. Even under such circumstances, however, some frictional unemployment is inevitable as workers are shifted from one job to another or from one occupation to another. Surplus workers tend to accumulate in declining industries and localities. At best this unemployment can only be disguised. It is thus that some of the totalitarian states, while denying the existence of unemployment, have found it necessary to introduce unemployment benefits. Yugoslavia, a country which is more candid in such matters than most other countries with a high degree of state control, has regularly reported unemployment, which in 1959 attained a rate in excess of 6 percent.

III. Types of Unemployment

But now let us come back to our own unemployed here in the United States. In the interest of brevity, I shall refrain from discussing the characteristics of the unemployed, ^{4/} but I should like to comment on the types of unemployment.

It is customary to refer to the various types of unemployment--i.e., cyclical, seasonal, between jobs, etc.--but we are only beginning to assess the relative importance of the different types, and even our present crude assessment does not cover all of them. Efforts to determine the magnitude of unemployment in its various forms are worthwhile because of the guidance we gain for planning action programs and the suggestions we may receive as to future trends in unemployment.

The most striking fluctuations in the level of unemployment, of course, are due to cyclical changes in the production of goods and services. A good deal of the unemployment we endure must be blamed on the business cycle, and we can only assume that this will continue to be the case for some time in the future. Each recession, however, has a character of its own, and I am sure you do not expect me to say anything very useful about the volume of cyclical unemployment. It is perhaps sufficient to note that the rate of unemployment averaged 25 percent in 1933, 5.5 percent in 1949, and 6.8 percent in 1958 as compared with rates of 4 percent or less in a number of prosperous peacetime years. It is reassuring to reflect that most economists agree that no future depression is likely to reach the depths of the depression of the thirties.

Unemployment in all forms other than cyclical is sometimes referred to as "frictional unemployment." In a study ^{5/} completed by the Bureau of

^{4/} A brief discussion of this topic which was included in the original paper has been omitted from the present condensed version.

^{5/} U. S. Bureau of Labor Statistics, The Extent and Nature of Frictional Unemployment, Study Paper No. 6, Joint Economic Committee, Congress of the United States, Government Printing Office, 1959.

Labor Statistics some months ago for the Joint Economic Committee of Congress frictional unemployment was defined as "that level of joblessness that could not be reduced significantly in the short run by increased aggregate spending." This study, based on the period 1955-57, when cyclical unemployment was at a minimum and total unemployment averaged slightly below 3 million, throws further light on some of the forms of frictional unemployment and gives a general idea of their magnitude.

Voluntary job mobility, i.e., changing jobs in order to improve employment status in some way, was found to account for about 10 percent of all unemployment in 1955. Improved communications are likely to encourage such job changes in the future, but the growing emphasis on seniority in job assignments and job security, the development of equities in pension funds, etc., will tend to discourage them. On the whole, it is difficult to foresee any clear indication of change in this area.

Roughly one-fifth of the unemployed in 1955-57--an average of about 550,000--were entrants or re-entrants into the labor force who became unemployed before finding jobs or withdrawing. Present estimates are that new entrants into the labor force will increase by about one-half in the decade of the 60's, thereby providing some upward pressure on the number of unemployed.

A minimum of one-fourth of the unemployment existing in 1957 was attributed to seasonal factors. Seasonal unemployment is particularly important in construction, agriculture, and certain manufacturing industries such as lumber and food processing. Perhaps it is reasonable to expect some future reduction in seasonal unemployment. Some of the industries in which such unemployment is severe have been declining in relative importance. Seasonal fluctuations are mild in many service and trade industries, which have been growing.

Another factor of potential significance is the changing sex and age structure of the labor force. An increase in the proportion of women workers, other things being equal, would tend to increase the level of unemployment, since the unemployment rate for women is typically higher than that for men. An increase in the proportion of young workers would have a similar effect. The Bureau of Labor Statistics study found that from 1948 to 1956 the net effect of the sex-age changes in the labor force tended toward a slightly lower over-all level of unemployment because the influence of the increasing proportion of women was more than offset by that of a declining number of young workers. Looking to the future, however, and assuming that recent unemployment rates will persist in each age-sex group as the distribution of the population changes, it has been estimated that this factor alone would increase the number of unemployed by roughly 200,000 persons during the next 15 years.

Structural changes in the relative importance of industries can also affect the unemployment rate. The shift out of agriculture into the other sectors tended to increase unemployment slightly

from 1948 to 1956. This movement is expected to continue to exert upward pressure on unemployment in the future, though with only mild effect since the number of workers remaining in agriculture is already so small. The increasing proportion of workers entering the service industries will exercise an offsetting influence and may, indeed, be more important.

No attempt has been made to measure the effects of automation or other technological change on unemployment. This is, in fact, a causal factor of another category whose effects cannot be clearly distinguished. Increasing productivity resulting from changes in technology is both a cause of unemployment and a stimulant to increasing employment, and therefore it does not seem possible to assess the net effect of improved technology (as reflected in productivity change) on unemployment.

Reviewing the history of economic cycles in the United States since the days of the first peacetime crisis in 1819, one competent analyst has concluded that "the record to date suggests no tendency to an increase in the unemployment rate." 6/ In the face of this conclusion it may be hazardous to suggest that the increase which has been avoided so long is at last about to occur. The foregoing observations, however, have certain implications for the future which, however murky the crystal ball, appear to call for a conclusion.

Two influential forces will make for a higher rate of unemployment in the years to come: (1) the prospective substantial increase in the number of entrants into the labor force and (2) the changing age-sex distribution of the labor force. These factors may be offset in part by a decline in the influence of seasonality, but the effect of this factor is speculative. Certain other developments are expected to have divergent influences, the net effect of which is uncertain. The implication is that unemployment will tend to increase and that even "containment" of our old enemy "unemployment" will call for a determined national effort.

IV. Some Problems of Measurement

A number of problems remain to be solved before we can have full confidence in our measurement of the labor force, employment and unemployment. The final report of the Senate's Special Committee on Unemployment Problems, moreover, referred specifically to "additional data and measurements necessary to guide the Congress in the development of programs." Before concluding my remarks, I should like to mention a number of problems which the BLS has recently faced in the field of manpower statistics and certain new statistics which may be introduced in the future.

The basic concepts and definitions in this field are always under review. As recently as

6/ Stanley Lebergott, "Economic Crises in the United States"; document submitted to the Joint Economic Committee of the U. S. Congress, Hearings on Employment, Growth and Price Levels, Part III, Government Printing Office, 1959.

1957 an appreciable change was made in the definition of the unemployed, and it would not be difficult to identify several features of our present definitions which are not entirely satisfactory.

One change which has been suggested for consideration ^{7/} would reduce the count of unemployed slightly by omitting jobless persons who are not looking for work but "who would be looking for work except for the belief that no work is available." On the other hand, the AFL-CIO Research Department has recommended consideration of several changes which would somewhat increase the count of the unemployed. In addition, the Research Department has recommended monthly publication of estimates, distinct from the unemployment count, of the "full-time equivalent of involuntary part-time unemployment." Several other groups have also expressed interest in such estimates.

The Canadians have steadfastly refrained from issuing figures identified as measuring the "unemployed," although they regularly publish the number "without jobs and seeking work" and collect separate information on additional groups covered by the United States definition. In recent months there has been great pressure from the Parliament and from other quarters to develop and publish an official series on the unemployed, and an inter-departmental committee which has been studying the question is soon to issue its report. It will be of great interest to know whether the Canadians actually adopt a definition of the unemployed and, if so, to what extent it parallels our own.

Although the various suggestions for change will continue to receive study, it seems unlikely that the major concepts and definitions in use in the United States will be appreciably changed at an early date. There has, however, been growing interest in the definition and measurement of underemployment. Our chief current information on this problem consists of statistics on part-time work.

With respect to our present organization for measuring the labor force, an increase in the sample for the MRLF has long been under consideration. The present sample includes about 35,000 households, or about the same number covered by the Canadian labor force sample. While the probable error of our published results is generally quite low, some of the detailed results obtained cannot be published because the sample is too thin. For the same reason we are barred from undertaking special inquiries which would have considerable significance.

Current collection and tabulating costs are in excess of \$1 million yearly, however, and it is unlikely that sufficient funds for any sizable expansion of the monthly survey will soon be forthcoming. BLS officials are more optimistic that it

may become possible to double the sample occasionally, say, one month in the year, thus yielding considerably greater detail for that period. Such a proposal has been included as one of our objectives for an early year.

In the more immediate future we hope to obtain data supplementing presently available information on characteristics of the unemployed. In one approach we may be able to bolster up the present sample of the unemployed by accumulating over a period of three or four months all of the unemployed identified in successive MRLF inquiries. Thought is also being given to studying the health problems of the unemployed, perhaps through some further identification of the unemployed turned up in the National Health Survey. Another possibility is to follow up on the experience of a small sample of persons whose unemployment is presumed to stem from automation.

The next few years may witness the appearance of new employment series, perhaps overlapping some of the present series, but produced to meet special needs. One series in which we are especially interested is a series on the employment of construction workers. The present series is limited to employment in "contract construction," yet it is often used to represent all construction employment, or erroneously compared with the volume of construction put in place. Substantial numbers engaged in force account construction, working as self-employed, etc., are not included, though these workers are reported elsewhere, in other industries. Thus, while our current series for those employed on contract construction averages 2.5 million to 3 million per year, our estimates suggest that the number engaged in all construction is in excess of 5 million. We hope to issue a first rough report on this in the very near future and to prepare periodic estimates hereafter, at least once a year.

Additional attention has been given to the question of seasonality in our various series of the labor force, employment and unemployment; new adjustment factors were developed at the beginning of this year and are now in use. But we are already considering a different, and we believe better, approach to the question of seasonality, in which different seasonality factors will be worked out separately by sex and age groups.

Finally, I should mention important work under way on the series of employment statistics based on establishment reports. These statistics provide the only comprehensive information on employment, hours and earnings by industry, and are vital economic indicators. Conversion of the industry data to the new Standard Industrial Classification codes is now far advanced, and employment data with the new codes will be available early in the next calendar year. New benchmark adjustments, to improved benchmarks, will be introduced at the same time to make correction for systematic error which may have affected the series since the time of the last benchmark adjustment, 1957. Important improvement in the quality of the series is expected to result from stratification of the reporting establishments by size. Continuing research

^{7/} Albert Rees, "The Measurement of Unemployment," in Studies in Unemployment, U. S. Senate, Special Committee on Unemployment Problems, Government Printing Office, 1960.

on the volume of employment in certain statistical problem areas, such as employment by churches and clubs, is suggesting other revisions which should improve the accuracy of this useful series.

In conclusion, the prospects are for more accurate, detailed and sensitive information on the labor force, employment and unemployment than we have had in the past.