

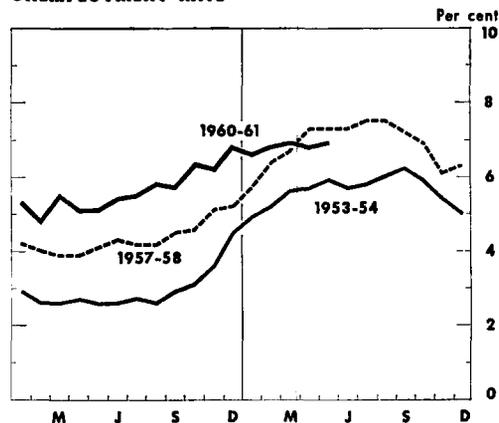
The Labor Market in Mid-1961

DEMANDS FOR LABOR have strengthened this spring along with the rapid recovery in economic activity. Nonfarm employment has increased considerably from its March low. In manufacturing, the average workweek has been lengthening since the turn of the year. Aggregate wage and salary payments turned upward in March and rose to a new high in May. The unemployment rate has changed little this year, but improvement in this rate typically lags recovery in output and employment.

The cyclical decline in nonfarm employment in 1960-61, like that in total output, was smaller than in any preceding postwar recession. Layoffs and reductions in the workweek were concentrated among production and maintenance workers in industrial activities. In addition to the reductions arising from cyclical forces, there has been a persistent weakness in employment in these occupations in recent years. In contrast, demands for workers in professional, managerial, service, and clerical occupations have been generally strong even during recession periods. Employment in these occupational groups advanced to record levels this spring.

Unemployment, seasonally adjusted, increased from about 5 per cent of the civilian labor force in May 1960 to just under 7 per cent in December and has since remained near that level. During 1957 and 1958 the rate rose from about 4 per cent to a postwar high of 7.5 per cent. It reached this high in July 1958, while economic activity reached its low in April.

UNEMPLOYMENT RATE



NOTE.—Bureau of Labor Statistics data, seasonally adjusted. Unemployment rate is the percentage of the civilian labor force unemployed. Latest figure shown, May 1961.

Numerous factors, in addition to the vigor and duration of cyclical recovery and expansion in economic activity, will affect the course of unemployment. These include the extent of productivity gains, the size and composition of increases in the labor force, changes in hours of work, and the ability of the economy to absorb into productive activity displaced workers who have been unemployed for a relatively long time.

The layoffs in industrial activities have brought into the labor market considerable numbers of unskilled and semiskilled workers in many urban areas. Many of these workers do not have the skills, education, and training required in new and expanding activities. Moreover, many of those attached to industries of declining employment opportunities or located in areas of

limited alternative prospects are middle-aged workers with families. Their geographic mobility is often impeded by strong attachments in their communities.

The labor force has shown a sizable further expansion over the past year, and this has contributed to the higher levels of unemployment. Growth in the labor force has stemmed largely from the steadily increasing number of women in the labor force. In recent years the work force also has begun to reflect the high birth rates of the 1940's. The number and relative importance of young workers and of women in the labor force are expected to continue to increase in the years immediately ahead.

RECENT EXPANSION IN EMPLOYMENT

Employment gains this spring have reflected increased consumer purchases of autos, expanded construction activity, larger government outlays, and the ending of inventory liquidation. By May the number employed in nonfarm establishments had risen to 52.7 million, seasonally adjusted, 500,000 more than at the low in March, but still 700,000 less than at its cyclical high in July 1960.

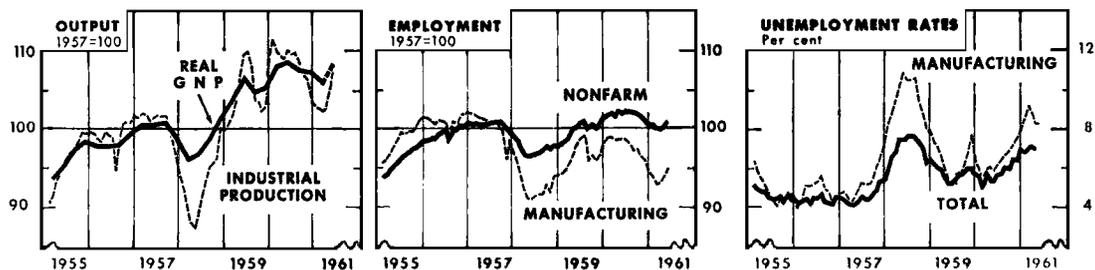
Hours of work in factories, which gen-

erally lead changes in output and employment, have been increasing since the beginning of the year. The average workweek in May was slightly under 40 hours, after allowance for seasonal influences. Employment turned up in manufacturing in March, and most industries have been hiring more people in recent months. The largest increases have been in steel, autos, and other durable goods activities in which the preceding declines had been centered. Employment in nondurable goods lines, which declined little during the recession, has shown moderate but widespread gains since winter.

From February to May total manufacturing employment increased by nearly 350,000. This was one-third of its preceding cyclical decline and compares with a recovery of about three-fourths in manufacturing output. As is typical of the early stages of recovery, part of the initial increase in output has reflected a lengthening of the workweek and rapid gains in productivity. In a few industries—chemicals, printing, and ordnance—employment in May surpassed the level of a year earlier.

Construction employment, which had been adversely affected by a severe winter, responded rapidly to improved activity early this spring. In the mining and railroad in-

OUTPUT AND EMPLOYMENT



NOTE.—Seasonally adjusted data. Physical volume of gross national product, from Department of Commerce; second quarter 1961 estimated by Federal Reserve. Monthly data on

employment and unemployment from Bureau of Labor Statistics. Manufacturing unemployment seasonally adjusted by Federal Reserve. Latest monthly figures shown, May 1961.

dustries the pick-up in employment has been slow, and employment possibilities continue to be limited.

In the nonindustrial sector, requirements for labor continue strong, paced by expansion in services, finance, and State and local governments. Employment in most of these activities was at or near record levels in May.

In the nine months July 1960–March 1961, total nonfarm employment declined 1.2 million, or 2.3 per cent, whereas in the similar period in 1957-58 it had declined 4.6 per cent. Manufacturing employment, which accounted for most of the decline in both recessions, also declined about one-half as much as in the earlier period, as may be seen on the chart.

Men are the predominant part of the work force in industries hardest hit by recession, and there were fewer men at work in May than a year earlier. Among women, in contrast, nonfarm employment was higher than a year earlier. Employment continued to rise during the recession in almost every occupational group in which women hold a high proportion of jobs.

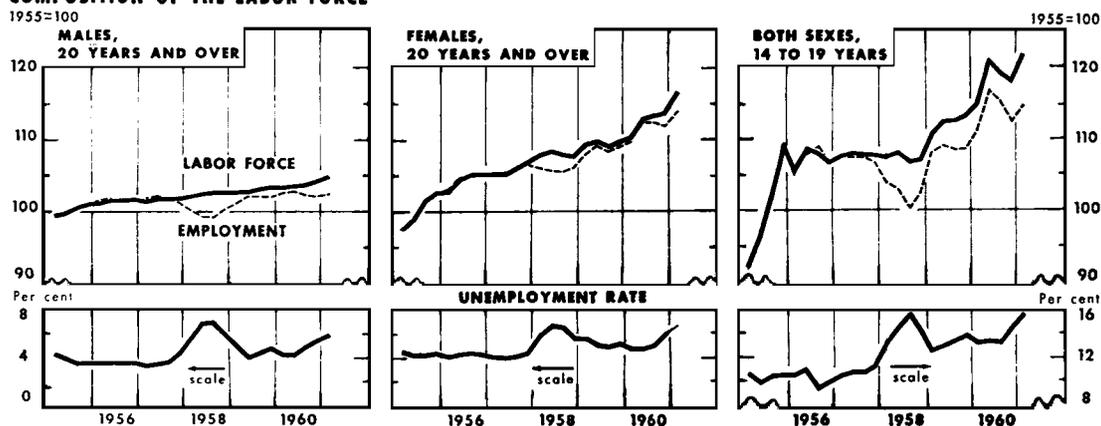
UNEMPLOYMENT

The unemployment rate, at 6.9 per cent in May, seasonally adjusted, changed little during the first five months of this year, after reaching a cyclical high at the end of 1960. In May, 4.8 million persons were unemployed, 150,000 fewer than in May 1958 but 1.3 million more than in May 1960.

Unemployment experience differs among occupational groups, even in periods of high activity. These differences tend to be accentuated during cyclical declines. In May blue collar workers accounted for two-fifths of total employment but for three-fifths of unemployment. Professional, managerial, sales, and clerical workers accounted for nearly one-half of the employed work force but for only one-fifth of the unemployed.

Although total unemployment, seasonally adjusted, has been stable this year, the number unemployed for long periods has continued to increase, as it usually does in the early stages of recovery. Seasonally adjusted data for May indicate that 1.6 million persons, or one-third of the total, had been looking for work for 15 weeks or longer.

COMPOSITION OF THE LABOR FORCE



NOTE.—Bureau of Labor Statistics data, seasonally adjusted. Latest figures shown, first quarter 1961.

This was 1 million more than a year earlier and was also more than in the same month of 1958. In May of this year about one-half of the unemployed had been out of work 10 weeks or less.

A high proportion of the long-term unemployed are middle-aged or older workers previously engaged in manual occupations. The incidence of long duration unemployment is high among nonwhite workers. The average duration of unemployment among youths and women has been relatively short, even though their over-all unemployment rate has recently been high.

In May, unemployment rates for women were about as high as in May 1958, while rates for men were lower. In the recent downturn, unemployment rates for men increased about as much as those for women, as may be seen from the chart. In 1957-58 the rates rose more sharply for men. The difference in experience is attributable mainly to the more moderate decline in industrial activities in the recent recession.

Despite the increase in employment since March, the supply of labor is still high relative to demand in most urban areas. In May more than three-fifths of the 150 major labor market areas in the country were classified as having a substantial labor surplus, that is, with unemployment equal to 6 per cent or more of the labor force.

Unemployment rates are highest in mining areas and in centers producing hard goods, especially steel and autos. The rate is 9 per cent or higher in 30 areas, including such major ones as South Bend, Detroit, Scranton, Wheeling, Pittsburgh, and Buffalo. In contrast, the rate is below 6 per cent in 54 areas, including New York, Boston, Atlanta, Denver, and Washington, D. C.

The Area Redevelopment Act enacted in May provides \$300 million of Federal loans,

for use over the next four years, to urban communities with severe and protracted unemployment problems and to rural areas with high proportions of low-income families. It also provides direct grants of \$150 million for public works and other purposes, including the retraining of unemployed workers.

LABOR INCOME

Total wage and salary disbursements have been rising since February. In May, at an annual rate of \$277 billion, they were slightly above the earlier high reached last summer. Since then, moderate but widespread increases in wage and salary rates have added more to aggregate labor income than was lost by reductions in employment and hours. The cyclical decline in disbursements, from peak to trough, amounted to \$4 billion, or 1.5 per cent. This was the smallest decline of any postwar recession, and it was confined mainly to the commodity producing industries.

Unemployment compensation and other transfer payments are sharply higher than last summer. In May such payments were at an annual rate \$3.8 billion larger than in July 1960. The increase in such payments reflects in part a temporary program that began in April. This program, which will expire in mid-1962, extends payments up to a maximum of 13 additional weeks for unemployed workers who exhausted benefits after June 30, 1960. Early in June about 750,000 unemployed workers were receiving benefits under the temporary program and 2.4 million under regular programs.

Hourly and weekly earnings. Wage rates advanced more slowly and selectively over the past year than they had earlier. This slackening reflected the combined influence

of the recession and of a tendency in recent years toward smaller wage increases in both manufacturing and nonmanufacturing activities, as may be seen on the chart. The slower rate of increase in wages has been most marked in mining and railroads. In construction hourly earnings have continued to rise almost as rapidly as before.

After allowance for a slower rate of advance in consumer prices, the purchasing power of hourly wages in manufacturing increased on the average about as much per annum from the spring of 1958 to the spring of 1961 as over the preceding four years.

Since the recession low in 1958, average wage and salary rates in manufacturing have increased about in line with gains in output per manhour. Labor costs per unit of output, including continued increases in costs of fringe benefits, are not much different from those in early 1958. This has been one element in the relative stability of industrial prices in recent years. In contrast, both prices and labor costs had increased significantly during the four years of the preceding cycle.

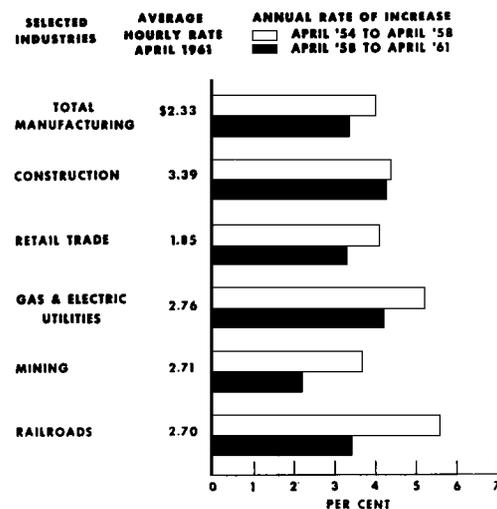
Average weekly earnings in manufacturing tended to drift down during most of 1960 as increases in wage rates were not sufficient to offset shorter workweeks, curtailment of overtime and other premium payments, and a concentration of layoffs in the higher paying durable goods industries. In recent months the workweek and employment have increased and hourly earnings have also risen, with resultant increases in weekly earnings. In May such earnings, at \$92.66, were 1 per cent higher than a year earlier, and average hourly earnings, at \$2.34, were 2 per cent higher.

Over the past year hours have been maintained in most nonmanufacturing sectors. Earnings have risen in virtually all such ac-

tivities except bituminous coal mining. Hourly earnings in May averaged from 3 to 5 per cent higher than a year earlier for trade, communications, construction, and utilities.

About 2.5 million workers are expected to receive higher wages in September under the recent amendments to the Fair Labor Standards Act. The minimum wage for

EARNINGS IN TWO BUSINESS CYCLES



NOTE.—Average hourly earnings data from Bureau of Labor Statistics. February data for railroads.

workers already covered will rise from \$1.00 to \$1.15 an hour. Coverage was extended to 3.6 million additional workers, mostly in large retail stores. For these workers the minimum wage is set initially at \$1.00 an hour. Minimum wages will rise to \$1.25 in September 1963 for previously covered workers and in September 1965 for those covered by recent legislation.

Collective bargaining. Under contracts negotiated before 1961, about 3 million workers in steel, aircraft, metal fabricating, trucking, and construction have received, or

will receive later this year, hourly wage increases of widely varying amounts. Contract negotiations are under way or are scheduled for later in 1961 in such major industries as automobiles, machinery, apparel, and communications.

Recent labor-management negotiations have emphasized problems of job security. This emphasis reflects not only the recession but also the longer run tendency toward reductions in the number of jobs for production and maintenance workers. Committees have been established in the steel and railroad industries to study the problems involved in adjusting work rules and also the general problem of workers displaced by technological advance. A number of major contracts have included provisions for severance pay, for retraining, and for moving workers to other company plants.

Another important tendency has been to eliminate or modify cost-of-living escalator clauses. The number of workers covered by escalator clauses declined from a high of 4.4 million in 1959 to about 2.8 million at the beginning of 1961. Escalator payments have been sharply limited in the steel, aluminum, and metal container manufacturing industries. In the railroad industry and in contracts with major electrical equipment companies, they have been eliminated.

LABOR FORCE TRENDS AND PROSPECTS

From 1955 to 1960 the average annual increase in the labor force was 800,000, but growth is expected to be more rapid over the next five years. The labor force increased by 900,000 in 1960, and it is expected to rise by about 1.2 million this year and by 1.3 million in 1963.

The age-sex composition of the labor force is likely to undergo further significant

change over the next five years. Increases are anticipated in the proportions of women and younger persons in the total labor force. On the other hand, changes in the size of the male group 25 years of age and over will be small: some increase will occur in the 45-64 year age span as the chart shows, but the 25-44 age group will change little.

The occupational composition of the labor force has undergone a dramatic shift in recent years. The number of jobs available to unskilled and semiskilled manual workers has declined, but opportunities have expanded steadily in white collar occupations. Expansion has been spectacular in research and development and has been substantial in trade, education, health, and business and financial services. These trends are likely to continue.

Women. During the past five years the labor force has increased by 4 million. Women aged 25 and over accounted for about 2 million and younger women for about 1 million of the total growth. These two groups now represent one-third of the total labor force. Women also accounted for a large part of the increase in total employment from 1955 to 1960.

On the demand side, employment opportunities have expanded rapidly in occupations for which women are well suited and in part-time work. In addition, there has been a growing acceptance of women in a wide range of professional and technical occupations.

On the supply side, the increasing proportion of women in the labor force is largely attributable to rising average educational attainment of women, increased social acceptance of wives as secondary wage earners, and the increasing number of women whose children have reached school age. Mechanization of many household chores

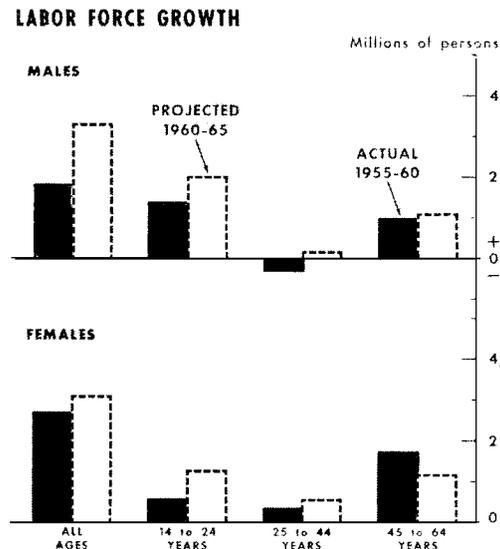
has also given many women more time to spend outside the home. Desires for higher standards of living have induced many women to seek employment, and their earnings have become increasingly important as a supplement to family income.

About 2 million women 25 years of age and over are expected to come into the labor force in the next five years, about the same number as from 1955 to 1960. This will represent a smaller proportion of the projected increase in the total labor force, however, largely because of the increasing importance of younger workers.

Younger workers. After a small decline in the first half of the 1950's, the number of workers (male and female) under 25 years of age has been expanding. In 1960 there were 1.2 million more workers in this age group than in 1955. Youths with appropriate skills and education, especially those with college training, have had little difficulty finding full-time employment. Many others, however, are inexperienced and lack seniority or adequate skills. Many younger job seekers are in school and want only part-time or seasonal employment. Typically, unemployment rates are higher for young persons than for any other age group in the labor force.

During the next five years 3.3 million younger workers will probably be added to the labor force, about one-half of the anticipated increase in the total. About the middle of this decade large numbers of young persons will reach post-high-school

age and a high proportion of them will enter the labor force. In mid-1960 there were 2.6 million persons in the 18 year old group in the population. By 1964 there will be an estimated 2.8 million, and in 1965, 3.8 million. About 70 per cent of the males



NOTE.—Bureau of Labor Statistics data and Bureau of Census Projection I, as revised December 1958. Figures exclude Alaska and Hawaii.

and 50 per cent of the females of this age can be expected to be in the work force. By age 25, almost all males are in the labor force. As they enter gainful employment in increasing proportions, and as they establish households, their demands for consumer goods expand, especially for housing, automobiles, and other durable goods.