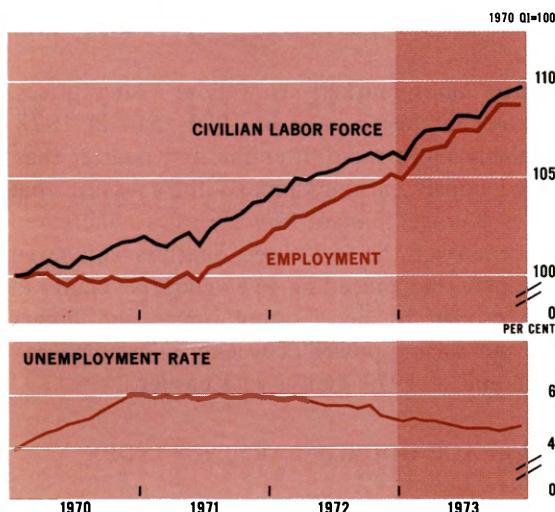


Employment and Wages

Labor markets continued to tighten through most of 1973. Strong demands for workers were associated with a rapid expansion in employment and a moderate decline in unemployment. Near the year-end, however, a slowdown in production and the onset of the energy crisis resulted in layoff announcements in automobiles, airlines, and hotels and in a number of related industries. Growth in over-all employment slowed, and there was a rise in the unemployment rate.

The civilian labor force expanded sharply in 1973 in response to the generally strong demands for labor. The increase of 2.7 million during the year compares with 2 million in 1972 and an anticipated normal growth of 1.6 million, based on long-term demographic and participation-rate trends. Most significant in the sharper rise in 1973 was a speed-up in the number of women 25 to 54 years of age in the labor force. The need to increase family income to help maintain real incomes in the face of sharply rising prices was a factor in this trend, as was the strong demand for labor. Labor force increases for most other groups were at about the same pace as in 1972—with continued large increases among teenagers and young adult women.

During the first part of the year gains in total employment about matched the large increases in the labor force, and the unemployment rate remained at about 5 per cent. In the spring and early summer, labor force growth slowed a little and the unemployment rate declined somewhat. In October the rate was 4.6 per cent, the lowest in 3½ years. Declines were evident among most labor force groups. The unemployment rate for white workers edged down to 4.2 per cent in the fourth quarter. Employment gains were also substantial among black workers during 1973, and the jobless rate for such workers declined to 8.6 per cent as compared with 9.9 per cent a year earlier. Even so, over-all jobless rates remained well above those that had been recorded during the period of extremely tight labor markets from 1966 to 1969. Near the end of 1973 the unemployment rate began to edge up as demand for labor slackened and layoffs increased; and in January 1974 there was a further substantial rise.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT


NOTE.—Seasonally adjusted data from Dept. of Labor.

The rapid increase in nonfarm payroll employment in 1973 continued an expansion that had begun in the fall of 1971; the total rose by 2.7 million over the four quarters of 1973—about the same increase as during the preceding year. The employment advance was led by a vigorous increase—of three-quarters of a million—in manufacturing jobs, which brought factory employment back close to the peak level reached in mid-1969. The rise in manufacturing employment was particularly rapid in the first half of 1973. Gains were concentrated in those industries most affected by strength in materials output and business investment. But as production slowed in the latter half of the year, the pace of the increases in manufacturing employment also moderated and the factory workweek edged off from the relatively high level reached earlier in the year.

Employment growth was also strong in nonindustrial activities in 1973. In services, finance, and trade the total number employed rose by 1.3 million, slightly more than during 1972. Federal civilian employment edged off, continuing the downtrend that had begun in

1970. State and local governments increased their payrolls substantially over the four quarters of 1973 but at a slower pace than in the preceding year.

In response to tightened labor markets as well as rising prices, wages increased at a somewhat faster pace in 1973 than in 1972. The increase was appreciably more rapid after the first quarter than earlier. Thus, the adjusted hourly earnings index—the measure that most closely approximates average changes in wage rates—increased by an average 7.5 per cent over the last three quarters compared with about 5.5 per cent over the preceding five quarters. Gains in money wage rates were eroded by accelerating prices and higher social security taxes; the purchasing power of weekly take-home pay was 3 per cent less at the end of 1973 than a year earlier.

Table 3: CHANGES IN AVERAGE HOURLY EARNINGS INDEX

Seasonally adjusted annual rates, in per cent

Industry	Aug. 1970– Aug. 1971	Aug. 1971– Jan. 1972	Jan. 1972– Mar. 1973	Mar. 1973– Dec. 1973	1972 QIV– 1973 QIV
Total private nonfarm	6.9	6.5	5.6	7.4	6.7
Mining	6.7	9.5	5.2	9.4	7.8
Construction	7.8	6.5	5.5	7.9	6.7
Manufacturing	6.5	6.3	5.4	7.1	6.6
Transportation and public utilities	8.7	11.6	9.2	7.6	7.7
Wholesale and retail trade	5.9	5.4	5.0	7.0	6.8
Finance, insurance, and real estate	6.9	4.8	4.0	8.2	5.8
Services	7.4	6.9	4.7	6.9	6.1

NOTE.—Average hourly earnings of private nonfarm production and supervisory workers, adjusted to exclude effects of shifts of workers among industries and fluctuations in overtime premiums in manufacturing. Basic data from Dept. of Labor.

Contract bargaining activity was heavy in 1973 with about 4½ million workers affected in many of the key, pattern-setting industries. In the environment of accelerating price increases, new or improved cost-of-living clauses became a major bargaining issue. Negotiations also focused on substantial gains in fringe benefits—particularly on early retirement, higher pension payments, and increased medical coverage.