Industry: A Rising Labor Demand

by William D. Toal

Economic growth can mean different things to different people. Although the fabric of a region's economy consists of many interwoven threads, one basic aspect of economic growth is its ability to create jobs for an enlarging labor supply. In 1972, the Southeastern economy demonstrated this by translating its output gains into a rising demand for labor, which eventually led to an increase in jobs.

Retail sales, construction, banking, and agriculture were all positive factors in the 1972 Southeastern economy. Manufacturing also contributed strongly, according to the Bank's index which showed hefty production increases. Both durable and nondurable goods output expanded more rapidly than in 1971 and at about the same pace as national manufacturing output.

Because of the stepped-up pace in manufacturing, retail sales, and construction, labor demand has risen sharply. The number of help-wanted advertisements in large city papers provides a rough index of changes in jobs available. A weighted average of help-wanted advertising for seven Southeastern metropolitan areas confirms a rise in labor demand that began in mid-1971 and continued without interruption through August 1972.[1] This weighted index had also indicated the earlier drop-off in jobs from late 1969 to 1970. In the past year and a half, the rise in labor demand, indicated by the help-wanted index, has grown faster than nationally.

Did this rising demand automatically result in tighter labor markets in the Southeast? For two reasons, the answer is no—at least, not immediately. First, initial increases in labor demand can be satisfied by existing jobholders extending hours

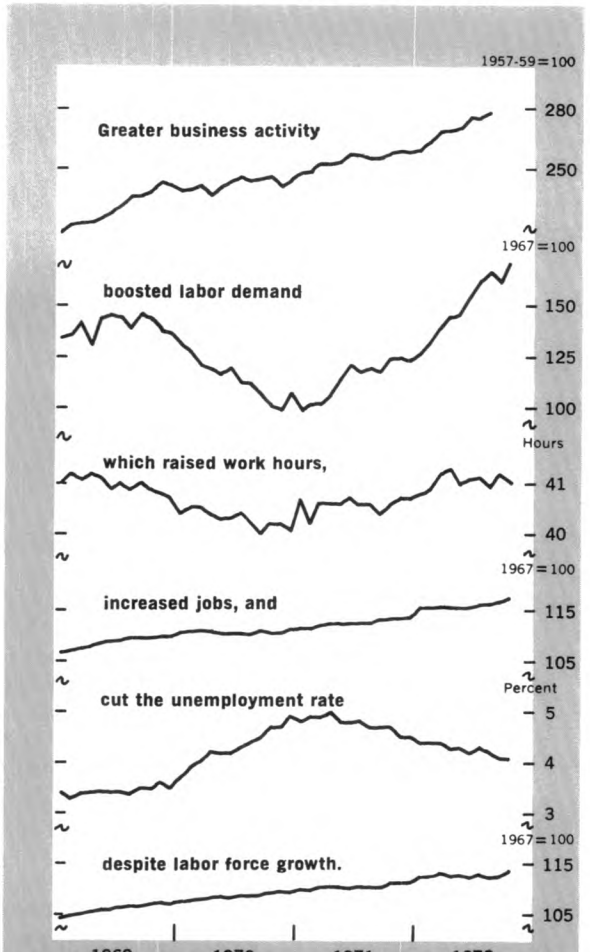
[1]The District help-wanted index is developed from help-wanted indexes tabulated by the Conference Board for seven Southeastern metropolitan areas: Atlanta, Jacksonville, Miami, Birmingham, New Orleans, Knoxville, and Nashville. The weights used are 1970 nonfarm employment in each metropolitan area as compared to total nonfarm employment in all seven areas. Employment in these seven metropolitan areas amounts to about 30 percent of District nonfarm employment.

worked per week. A decrease in work hours usually occurs in an economic downturn, thus leaving room for expansion when economic activity picks up. In 1971, labor demand began to rise (as measured by the help-wanted index). Employers initially reacted by lengthening their employees' hours in order to meet production schedules and sales; this limited initial employment gains.

As Southeastern labor demand rose further in 1972, employment gains began to increase. Although the workweek continued to lengthen slightly, more of the labor demand was satisfied by hiring additional workers. Services, trade, and state and local governments, only slightly affected by the 1970 recession, added jobs steadily throughout 1970, 1971, and 1972. Durable manufacturing jobs, on the other hand, declined in late 1969, increased in early 1971, and accelerated in 1972. Nondurable manufacturing followed a similar but less pronounced pattern. The rise in construction employment was less than one might have anticipated, considering the industry's robustness, though construction jobs rose in 1971 and early 1972. This strike-prone industry did, however, suffer a midyear industrial dispute which blunted further gains. Overall, Southeastern job growth, responding to the rising labor demand, picked up sharply in 1972, matching the pace of the Sixties. Although not true for each industry, job growth was enough to barely exceed the national pace which had also bounced back in 1972.

Even though employment gains began to push the Southeast's unemployment rate downward as early as mid-1971, the decline in the unemployment rate and consequent tightness in labor markets were less than generally expected for yet another reason: Labor force growth was very strong in 1972. During the previous two years, labor force growth had been less than the average rise during the Sixties. Workers who became discouraged at finding jobs left the labor force in 1970 and 1971; however, in 1972 many returned as jobs became available. The net result was greater-than-anticipated labor force growth in 1972, less tight labor markets, and higher unemployment rates than would have otherwise existed.

Despite a lengthening in the workweek and rapid growth in the labor force, increased labor demand did begin to push the region's unemployment rate downward from around 5 percent in mid-1971 to the 4-percent range by late 1972. Furthermore, the rise in labor demand was widespread. All seven metropolitan areas for which data are available posted gains in help-wanted ads from the previous year. The strongest of these gains was in Atlanta, the smallest in New Orleans. Unemployment statistics mirrored these geographic differences in labor demand. For example, Atlanta, with strong labor demand, had a relatively low unemployment rate, while in metropolitan New Orleans, with weaker labor demand, the unemployment rate remained relatively high.



Note: Series shown in order are: mfg. prod., help-wanted advertising, factory workweek, nonfarm employment, unemployment rate, and civilian labor force. All figures are seasonally adjusted.

The 1973 Job Picture

What does this revitalized Southeastern economy indicate for the region's labor markets in 1973? The momentum from the 1972 economy plus the rise in labor demand as reflected in the help-wanted index, suggest that continued job growth is highly likely. Additionally, the past two years of increase in average weekly hours suggests that significant lengthening of the workweek is not likely. Consequently, to further satisfy labor demands, more workers will be needed, spelling good news for job gains in the months to come.■