
Appendix E

STATISTICS OF UNEMPLOYMENT

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The importance attached to figures on unemployment as a guide to economic policies makes it highly desirable that the methods by which these estimates are derived be thoroughly understood.

STATISTICS FOR 1953

Unemployment for mid-December 1953, as reported by the United States Census, was just under 1.9 million, or 3 percent of the civilian labor force. It was at this level in January 1953, declined steadily to 1.3 million in mid-spring, went up no more than seasonally in mid-summer, as youths out of school entered the labor force in search of jobs, and was generally downward during late summer and early fall. In October it reached a figure that was below any recorded for the entire period since World War II: 1.2 million, or less than 2 percent of the civilian labor force. It then rose significantly and in excess of the usual seasonal movement in November, and again in December. In the latter month it was above the level of December 1952 by about 400,000.

These increases in unemployment were on the whole moderate, and the year-end level was still below what many would regard as normal in a time of peace. Nevertheless, the 1953 behavior was unusual in this respect: The increase in unemployment was less than the decline in employment. In other words, the labor force declined.

This decline in the labor force requires explanation, since a rise of about 500,000 might have been expected on account of population increase. Why did some persons leave, and others fail to enter, the labor force? Were they squeezed out by difficulties of getting jobs? Or, was the unemployment at the year's end much greater than the figures indicate?

The following considerations provide grounds for believing (1) that the unemployment figures of the Census reflect with reasonable accuracy the number of workers without jobs and seeking work; (2) that the withdrawals from, or decisions not to enter, the labor force in 1953 were voluntary.

GROUPS LEAVING OR NOT ENTERING THE LABOR FORCE

The "departing" workers were mainly persons who do not ordinarily have primary responsibility for the support of families, but who came into the labor force during wartime military and economic mobilization. As the armed forces expanded rapidly after the third quarter of 1950, following the Korean outbreak, the civilian labor force was replenished by young

people and women. Many more females entered by the end of 1951 than could be attributed either to population growth or to the long-run tendency for more women to take up gainful work. Neither the armed forces nor the labor force manifested much net change in relation to population between the last quarter of 1951 and the first quarter of 1953. Nevertheless, in the first quarter of 1953 both the labor force and employment were not only the highest they had been during any of the winter months since World War II, but, with allowance for seasonal variation, they were also the highest they were to be during 1953.

In the month of April 1953, following the sudden and well-publicized yielding of China on the prisoner-repatriation issue on March 28, the civilian labor force, instead of rising as usual by 500,000 in that spring month, fell by 300,000—a net decline in the seasonally-adjusted labor force of 800,000.¹ Additional decreases occurred in May. An earlier instance under somewhat analogous circumstances occurred in early 1945, at about the time the German armies were breaking up. Both events took place well in advance of the disbanding of our armed forces. Some of the withdrawals and the failures to enter seasonally were by persons expecting an early return of husbands, brothers, sons, or fiancés. Wives with husbands absent and in the armed forces reduced their participation in the labor force sharply, from 47.3 percent to 39.9 percent between April 1952 and April 1953, whereas wives with husbands present increased theirs somewhat.² In fact, of all the females—single, married, widowed, or divorced—the wives with husbands absent in the armed forces curtailed their labor force participation the most.

Very little net change in the labor force beyond normal seasonal movement occurred between May and December 1953; but the fact that the usual inflow of 300,000 workers from increase in working-age population was not realized during these seven months reflected a gradual dwindling in the rate of labor force participation.

Paradoxically, in the months when the employment of females declined the most, their unemployment also fell, indicating that they were dropping out of the labor force *faster* than out of employment. This strongly suggests that many deliberately gave up their jobs or failed to seek new jobs after being laid off. For four months after the labor force exodus in April, seasonally-adjusted unemployment was generally downward. There is always the possibility that individual workers, or workers in some one-

¹ The Census survey week in April immediately followed Easter, and it is conceivable that a post-Easter contraction of retail trade may have modified the usual seasonal movement. However, the Department of Labor employment data do not reveal a contraction in trade for April. In any case, the effect of Easter should have disappeared by May, but the labor force continued to rise less than seasonally.

² The Census provides labor force information by marital status only for April of each year.

industry localities, left the labor force because of the difficulty of getting jobs. But this can scarcely be regarded as a significant reason, in view of the fact that most of the shrinkage in the labor force was concentrated in April and May when (1) quits in manufacturing industries were well above and layoffs well below their levels of the corresponding months of the year before; (2) job openings reported by employers to local employment offices (at the end of each month) kept rising and were in excess of their 1952 levels; (3) labor demand, as reflected by classifications of labor-shortage or balanced-labor-supply areas, was as tight as in late 1952 and much tighter than in early 1952;³ and (4) unemployment was settling to its lowest levels since World War II—not only for the groups that were abandoning the labor force, but also for the men 20-64, who were staying in. The probability that it was not a decline in the demand for labor, but rather the approaching end of the war, which led persons to leave, or to stay out of, gainful work is further strengthened by the fact that the percentage of population in the labor force did not decline during the economic recession of 1949 (for the labor force as a whole, for males or females 25-64, for youths 14-24, or for men and women 65 and older).

Of those not in the labor force, 350,000 more youths were attending school⁴ and 800,000 more females were keeping house in December 1953 than would have been expected from population growth since December 1952. The rise in the number retired, or otherwise not active, was small. The increase of persons in school and housekeeping at the expense of gainful employment was perhaps overdue, in view of the upward movement since World War II in the birth rate, and the leveling off since 1950 in the proportion of youths attending high school and college. While the expansion in the labor force during the Korean action was helpful in meeting the military and production demands for war without curtailment in civilian living standards, with the prospect of an end to the action many persons understandably chose to resume school attendance or to give more care to their children, even if that meant less employment and family income.

³ The areas were classified by surveys conducted in January, March, May, July, September, and November by the United States Bureau of Employment Security and its affiliated State employment security agencies. The percentage of labor market areas classified as labor-shortage or balanced-labor-supply areas rose from around 30 percent in March and May 1952 to around 45 percent in these same months of 1953; conversely, the percentage of areas classified as areas of moderate- or substantial-labor-surplus fell. Aside from the changes in classification in the direction of greater labor scarcity, there was very little change in the area composition of these various classifications. An allowance for some lag in reclassifying labor market areas does not affect these comparisons.

⁴ Total school attendance of persons 14-34, including student workers, rose from 9.8 million in October 1952 to 10.2 million in October 1953, although total population in these ages remained about the same. Thus, the rise in school attendance was genuine, and was not a mere reclassification of students who had dropped part-time jobs.

CENSUS METHODS FOR MEASURING UNEMPLOYMENT

Recent public discussion has revealed some unawareness of the improvement in methods of estimating unemployment since the thirties.

Formerly, employment was subtracted from the labor force to obtain unemployment as a residual.⁵ For example, if an employment estimate of 60 million, subject to a relatively small error of 1 percent or 600,000, was deducted from a labor force estimate of 62 million, subject to an error of 700,000, the unemployment residual of 2 million could have been in error by 1.3 million, or 65 percent. Because of the obvious weakness of this method, it was rejected in favor of direct enumeration, when the device of household surveys was adopted in 1940.

Currently, the basic information for the Census estimates of employment, unemployment, and labor force rests on a set of reports obtained by enumerators from a sample of 25,000 households distributed throughout the United States. Every individual 14 years of age or over in each such household is classified as "employed," "unemployed," or "not in the labor force," on the basis of answers given to a standard set of questions by some responsible member of the household. Thus, it is now asked directly whether the individuals have jobs, and are therefore employed. If they do not have jobs, it is next asked if they are seeking work, and are therefore unemployed. The labor force is then obtained by *adding* these two estimates. A person is classified as "not in the labor force" if he is reported to be neither working nor seeking work.

From this basic information for the individuals in each of these 25,000 households, the Census computes the percentage of persons in each sex-color-age group who are employed, unemployed, or not in the labor force. National estimates are then derived by applying these percentages to independent estimates of the total civilian population by sex-color-age groups.

Since the unemployment estimate is based on Census surveys of a relatively small number of households, there is a possibility of sampling error. With the size of the sample used and with unemployment at something like its present magnitude, plus or minus sampling errors up to 200,000 are to be expected on purely statistical grounds; and it is therefore highly improbable that the sampling error for December was larger than this figure. Actual errors of only a few thousand were revealed by a comparison, at the regular 1950 Census, of a $3\frac{1}{3}$ percent sample, a 20 percent sample, and a full count. The validity of this range of sampling error depends on the assumption that the work on the survey actually is carried out in accordance with the survey specifications. In this respect, the care taken by the Census is impressive, and there is no evidence that its unemployment data are subject to sampling error beyond the levels indicated.

⁵ Unemployment has never been computed in this way by the Bureau of the Census.

A considerable disparity, however, was found for April 1950, between the two figures on unemployment then provided by the Census, the one based on its regular monthly visits to 25,000 households, the other on its enumeration of all the Nation's households. The two figures, derived from virtually identical questions, ought to have been apart by no more than sampling error; yet the gap between them was much larger. The Census regards this discrepancy as owing, not to sampling difficulties, but rather to interview error and in this connection stresses the difference in competence between the small and well-trained corps of permanent sample-survey interviewers and the 130,000 temporary interviewers used in taking the regular census. It thus considers its monthly sample survey as more accurate, and in support of this position points to a similar disparity for a matched sample of 51,000 persons interviewed by both the Census and the sample enumerators.

PROBLEMS OF DEFINITION OF UNEMPLOYMENT

The question has been raised whether the Census defines unemployment in such a way as to exclude persons who want jobs but are too discouraged to seek them.

The monthly surveys have long anticipated this problem by including in their schedules the instruction to enumerators to "Enter 'yes' [that the worker was actually seeking work and was therefore unemployed] for a person who would have been looking for work except for [the fact that] * * * he believed that no work was available in the community or in his line of work." Any persons who failed to look for jobs because they thought there was no use would, if the intention of the questions were fully realized, have been classed as unemployed.

There is tangible reason for believing that nearly all persons who strongly desire jobs are classified as unemployed. After World War II, the Census made a special effort, as part of its regular sample survey in the week ending May 10, 1947, to determine whether there were many genuinely unemployed who for good reason did not hunt jobs and therefore were not classified as unemployed. At that time the unemployment rate was higher than during any month of 1953. Nevertheless, of the 1,854,000 (on a sample basis) who were not in the labor force in the survey week but who had worked or looked for work within the preceding two months, 1,634,000 said they were not looking because they were busy with home or school responsibilities, did not want to work at that time, were physically unable, or were only occasional workers. About 220,000 gave reasons that indicated "possibility of attachment to the labor force," and of these, one-fifth were ill.⁶

⁶ Two other surveys within a year of that date were unfortunately made during the summer, and thus their results were obscured by the response of large numbers of vacationing school children. Even so, they revealed small numbers of "inactive unemployed."

Thus, the number who could have been "inactively unemployed" was relatively very small.

The Census defines unemployment in terms of persons seeking work who were without jobs during the *entire survey week*. Accordingly, it defines as employed many persons with jobs who were idle during part or all of the survey week for such economic reasons as short-term lay-off, slack work, shortage of materials, repairs to plant and equipment, or delays in being called to a new job. A small number with jobs, but not working at all during the survey week because of "temporary lay-off" or "not yet called to a new job," are reported separately; in December they amounted to 240,000, or 90,000 more than in December of the previous year.

The discussion so far has taken no account of part-time unemployment. For a full understanding of the employment situation, it would be necessary to know the amount of both overtime employment and part-time unemployment. No regular monthly canvasses of part-time unemployment are made by the Census. Estimates are made, however, at irregular intervals and from these data it appears that some increase in part-time unemployment has occurred recently; but it is impossible to tell how much of the increase is accounted for by seasonal or other special factors.

ANOTHER SOURCE OF UNEMPLOYMENT INFORMATION—INSURED UNEMPLOYMENT

Data on insured unemployment are obtained as a by-product of the operations of the State unemployment compensation systems. These data are reported by the State agencies to the Bureau of Employment Security in the United States Department of Labor. When a covered worker becomes unemployed, he reports to a local office of his State employment security agency and files an "initial claim" for benefits (simply a notice of the beginning of unemployment). In each subsequent week (or biweekly in certain States), he files a "continued claim," representing unemployment in the preceding week or weeks. In addition to these totally unemployed, some persons working part-time may be eligible for partial unemployment compensation and are included in the totals.

The *insured unemployment* series is derived by adjusting the continued claims data for the lag between the week of unemployment and the time the claim is filed so that the adjusted series refers to the week in which unemployment actually occurred.

Insured unemployment cannot, of course, be compared directly with the total unemployment estimates of the Census Bureau. The State unemployment insurance programs cover approximately 37 million workers out of a civilian work force of over 60 million. The main groups not covered are agricultural workers, Government employees, the self-employed, domestic servants, workers in very small firms (in most States), employees of non-profit organizations, and railroad workers (who have a separate un-

employment insurance system under the Railroad Retirement Board). In general, persons in any of these groups who become idle are not included in the statistics of insured unemployment. Also excluded are new entrants into the labor force, workers with insufficient covered employment or earnings prior to lay-off, veterans filing claims under the Veterans Readjustment Assistance Act, and unemployed persons who have exhausted their benefit rights. Although the number in the last category is currently small, it could rise sufficiently in a time of prolonged unemployment to cause a marked divergence between the paths of insured and total Census-reported unemployment.

There are other differences from the Census estimates, arising largely from diversities of definition. Counted among the "insured unemployed" are workers who may file claims and be eligible for State unemployment compensation but who are classed as "employed" in the Census data. Included in this category are persons not working because of bad weather, workers on temporary lay-off with definite instructions to return to work in less than 30 days, those waiting to enter new jobs or businesses within 30 days, and certain part-time workers.

As the year 1953 began, *insured* unemployment averaged 1,156,000, a figure that was one of the lowest for January since World War II and more than 200,000 below that for January 1952. Insured unemployment followed the general downward seasonal pattern through the late summer. It continued to drop in September to 780,000, though this decline was less than usual. In the last two months of the year, insured unemployment rose sharply and in excess of the usual year-end upturn, and at the close of the year was 1,509,000, the highest for any December since 1945 except for December 1949. Nearly all of the major industrial States reported increases in insured unemployment. The variation among the States in the amount of increase was wide, however, and reflected differences in industrial composition.

For short periods of time the paths of the insured and the Census unemployment series may move rather far apart because of differences in their coverage and definitions. The concentration of unemployment insurance coverage in volatile sectors of the economy, such as manufacturing and construction, would inevitably cause the insured unemployment series to react more sensitively to economic conditions than the Census unemployment series, which covers, in addition, areas and industries much less subject to unemployment. And the fact that the definition of insured unemployment is such as to include persons on short-term layoffs, who would be classed by the Census as "with a job but not at work" and therefore as employed, would mean that the insured unemployment series would respond more sensitively to the initial stages of adjustment in industrial production. During such a period there is increased difficulty in determining the attachment to the labor market of persons recently laid off.

Over longer periods of time there is very high correspondence between the two measures of unemployment. Both are indispensable to the appraisal of conditions in the economy, especially in labor markets. The Census estimates make available a national over-all measure at monthly intervals of the total unemployment in the Nation, by age, sex, and other characteristics. The insured unemployment series, though less comprehensive in certain respects, provides more up-to-date information on unemployment, since it is reported weekly, and tells what is happening to unemployment in different parts of the country.