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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Confidential

Office Correspondence

Date February 28, 1944

To Chairman Eccles

Subject: Postwar Employment: Summary of

From Kenneth B. Williams *KBW*

Estimates Obtained From Leading Employers.

Attached is a memorandum summarizing by industries for the transition and early postwar period employment estimates obtained from personal interviews with over 500 leading industrialists and company officials. I think you will find the results useful for thinking about postwar prospects and I do not know where else one can obtain such a comprehensive picture of business plans for the postwar period.

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Estimates Obtained From Leading Employers.

BLS completed recently a tentative and confidential summary of the results of its survey of industry plans for postwar employment. Estimates were obtained from high officials (and a few union leaders) of over 500 companies in practically all lines of business and industry throughout the country. Officials of concerns employing about one-fifth of all wage earners in manufacturing and nearly one-tenth of all wage earners in nonmanufacturing (outside of agriculture and government) were interviewed personally by representatives of the Department of Labor.

Estimates of employment by companies were obtained for two periods: (a) $V + 1/2$, the period three to six months after full victory; and (b) $V + 2$, the second year after the defeat of Axis powers. On the assumption that firms interviewed are representative of all firms, BLS prepared estimates of total employment in each industry for these two postwar periods.

The results of the survey are highly interesting, not because they provide reliable forecasts of postwar employment, but because they summarize statistically the views of leading businessmen on postwar prospects in their lines. These views are helpful in adding a touch of realism to forecasts derived from statistical calculations without knowledge of actual industrial operations. Moreover, if these company estimates reflect or determine business policies and investment decisions, they may come true. In this connection, it should be noted that each company official based his predictions on his own assumptions about timing of defeat of Germany and Japan, levels of national income, etc.; no hypothetical figures of national income or "full employment" were supplied by BLS interviewers.

$V + 1/2$

BLS presents no estimates for labor force, armed forces, or employment in government, agriculture, and domestic service and own-account activities for the period three to six months after victory. However, if one uses reasonable estimates to fill in these gaps, the over-all employment outlook is far from encouraging. Assuming the withdrawal of 2 million, or nearly $1/3$, of the extra war-induced entrants to the labor force and a reduction in the armed forces to 6 million, $1/2$ would leave approximately 11.5 million unemployed. In

1/ This assumes armed forces are reduced from 11 million to 9 million following the defeat of Germany and by .3 million more in the $V + 1/2$ period itself.

obtaining this figure, I allowed for an increase of 1.0 million in domestic service and self-employment, and for a drop of 900,000 in government employment.

The BLS interviews indicate a probable decline from recent employment levels of 5.3 million, or about $1/3$, in total manufacturing; substantial reductions in mining, transportation and public utilities; and a moderate curtailment of finance, service and miscellaneous employment. Increases in this period are shown for only two activities--trade and construction, but together these are expected to increase their employment by less than 350,000.

The major problem in this period will be in manufacturing, particularly in industries producing durable goods. Every major industry group in the durable goods field anticipates a reduction in employment from September 1943 levels, including furniture and finished lumber products. In aircraft, shipbuilding, and other transportation equipment (except automobiles) a decline in employment of 2.2 million or 86 per cent is expected. Declines of around two-fifths are predicted for iron and steel, electrical machinery, other machinery, automobiles, and nonferrous metals.

Among nondurable goods industries, a drop of nearly 50 per cent is anticipated for chemicals and allied products. Reductions are also expected in textile mill products, food processing, paper and allied products, products of petroleum and coal, rubber products, and miscellaneous industries. Increases are predicted only for apparel and other finished textile products, leather and its products, tobacco, and printing and publishing. Altogether, however, increases in these groups will absorb less than 100,000 employees.

V + 2

No estimates are shown by BLS for labor force, armed forces, nor unemployment for this period. However, if one assumes a further withdrawal from the labor force of 1.5 million war-induced entrants and a further demobilization of the armed forces to a possible permanent level of 2.5 million, the BLS estimates of employment would leave nearly 10 million unemployed in the second year after victory.

These estimates allow for an increase in total nonagricultural employment of almost $1/2$ million between the V + $1/2$ period and the V + 2 period. Most important among the increases is a gain of 1 million in construction bringing total employment in construction to the wartime high reached in the fall of 1942. Manufacturing is expected to increase about 500,000 and substantial gains are also anticipated for mining, transportation and public utilities, trade and finance, service and miscellaneous. Domestic services and own-account activities are also

expected to increase greatly. Government employment is likely to continue to decline sharply, possibly by 600,000 in this period.

In comparison with recent levels of employment, V + 2 predictions are distinctly discouraging. Manufacturing employment would be nearly 30 per cent below September 1943; transportation and public utilities 8 per cent below; government 26 per cent below; and finance and miscellaneous services 2 per cent below. On the other hand, mining would be slightly higher than in September 1943, trade would be about 11 per cent higher and construction employment would be nearly 100 per cent higher. According to the ELS estimates, own-account activities and domestic service would increase 3.1 million to a level double that in September 1943. The forecast for this latter group was not obtained from interviews, but was estimated independently by ELS. The estimate appears to be highly optimistic.

Among major manufacturing industries, automobile employment is expected to increase 136,000 above the V + 1/2 period and reach a total of 449,000--117,000 more than in 1940. Several other industries are expected to be above 1940, most important being food, electrical machinery, other machinery, and chemicals. The shipbuilding, aircraft and other transportation equipment group (excluding automobiles) is also expected to be above its 1940 level but still only about one-sixth of its recent volume.

Conclusion

Results of the survey clearly indicate that business leaders are not anticipating nor making plans for full employment either in the transition period or in the period after reconversion is completed.

Although ELS interviewers were primarily concerned with obtaining estimates of employment, they gained some impressions of business thinking about other postwar problems. For example, the interviewers report that in most lines of activity businessmen expect to be physically reconverted very quickly--a matter of a few months at most and often of a few days or weeks. They also report that most company officials seem uninclined to undertake a fight with labor to reduce current wage rates. On the contrary, many seem to feel that they would be fortunate if they are able to avoid having to raise basic wage rates to offset in part the loss of overtime pay.

If you would care to talk with the interviewers about their impressions of business thinking for the postwar period, I shall be glad to arrange for one or two of the top men to come over and see you.

Attached are the tables ELS has prepared for technical criticism summarizing the results of the survey. In the first table, I have written in in ink my own estimates for those places ELS left vacant. Also attached is a table derived from the ELS data showing expected changes in employment in major manufacturing lines between September 1943 and the V + 2 period.

Expected Changes in Employment in Major Manufacturing Groups
from September 1943 to the Second Year
After Victory (V + 2)

<u>Individual Groups</u>	<u>Increase or Decrease (-)</u> <u>September 1943 to V + 2</u>	
	In Number Employed (Thousands)	In Percent
All manufacturing	- 4,805	- 29.7
Durable goods	- 4,208	- 44.5
Iron and steel	- 679	- 34.9
Electrical machinery	- 338	- 38.7
Machinery, except electrical	- 592	- 39.9
Transportation equipment, except autos	- 2,092	- 83.6
Automobiles	- 202	- 23.7
Nonferrous metals	- 149	- 31.1
Lumber and timber products	- 129	- 25.6
Furniture and finished lumber products	+ 10	+ 2.5
Stone, clay, and glass products	- 37	- 9.2
Nondurable goods	- 597	- 8.9
Textile mill products	- 12	- 1.0
Apparel and other finished textile products	+ 13	+ 1.4
Leather and products	+ 44	+ 12.9
Food	- 90	- 6.2
Tobacco manufactures	+ 11	+ 11.5
Paper and allied products	- 25	- 6.8
Printing, publishing, and allied industries	+ 36	+ 6.7
Chemicals and allied products	- 398	- 44.0
Products of petroleum and coal	- 12	- 7.2
Rubber products	- 41	- 18.0
Miscellaneous industries	- 123	- 24.7

Source: Bureau of Labor Statistics

Table 1

DISTRIBUTION OF THE LABOR FORCE OF THE UNITED STATES, 1910 - 1943
AND SUMMARIES OF POST-WAR CIVILIAN EMPLOYMENT ESTIMATES OBTAINED FROM EMPLOYERS AND LABOR LEADERS^{1/}

(in thousands)

	Average 1910	Average 1920	Average 1930	Average 1940	Average 1941	Average 1942	September 1943	Post-war estimates		
								2/	5/	
								V + 1/2	V + 2	
Total labor force	38,669	42,541	49,406	55,408	55,900	58,300	63,000	63,000	61,500	
Armed forces	77	226	263	573	1,500	3,800	9,700	6,000	2,500	
Civilian labor force	38,592	42,315	49,143	54,835	54,400	54,500	53,300	57,000	59,000	
Employed	38,039	41,757	45,334	46,735	48,800	51,900	52,500	45,495	49,284	
Agricultural employment	12,146	11,362	11,173	9,600	9,400	9,900	11,300	9,900	10,000 ^{3/}	
Manufacturing	8,581	10,522	9,509	10,781	12,816	14,563	16,179	10,885	11,374	
Mining	1,415	1,493	1,062	916	928	921	825	691	843	
Construction	1,721	1,251	1,644	1,507	1,976	1,885	1,066	1,100	2,100	
Transportation and public utilities	2,709	3,681	3,654	3,030	3,265	3,444	3,708	3,266	3,419	
Trade	3,783	4,653	6,065	6,591	6,869	6,687	6,285	6,592	6,958	
Finance, services, and misc.	1,851	2,699	3,936	4,095	4,212	4,290	4,334	4,161	4,248	
Government	1,617	2,402	3,343	4,072	4,343	5,177	5,830	4,900	4,300	
Self-employed, domestics, etc. (balancing item)	4,216	3,694	4,948	6,143	4,991	5,033	2,973	4,000	6,050 ^{3/}	
Unemployed	553	558	3,809	8,100	5,600	2,600	800	14,505	9,716	

1/ The employment data prior to 1940 are not exactly comparable in all respects with the data since 1940. The lack of comparability is due to revisions in the basic data.

2/ V + 1/2 refers to the period, three to six months after the defeat of all Axis Powers. V + 2 refers to the second year after the defeat of all Axis Powers.

3/ The post-war estimate for agricultural employment is a preliminary figure obtained from the U.S. Bureau of Agricultural Economics. The U.S. Bureau of Agricultural Economics will have a more trustworthy estimate of post-war agricultural employment within a few months.

The agricultural employment statistics prior to 1939 are U.S. Bureau of Agricultural Economics data; the 1939 and 1940 figures are U.S. Bureau of the Census data carried back by the U.S. Bureau of Agricultural Economics; the figures from 1941 to 1943 are U.S. Bureau of the Census data.

4/ Estimate constructed from average of 1939, 1940, and 1941 relationships of "self-employed, domestics, etc." to other nonagricultural employment except government.

5/ Figures in ink are estimates of K.B. Williams, not of the Bureau of Labor Statistics

Jan 26, 1944

Table 2
EMPLOYMENT IN MANUFACTURING INDUSTRIES,
1939, 1940, SEPTEMBER 1943 AND POST-WAR ESTIMATES

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(i n t h o u s a n d s)

I n d u s t r y d i v i s i o n s	Total employment 1/			Post-war estimates	
	1939	1940	September 1943	V $\frac{1}{2}$ 2/	V $\frac{2}{2}$
<u>All manufacturing</u>	<u>10,043</u>	<u>10,781</u>	<u>16,179</u>	<u>10,805</u>	<u>11,374</u>
Durable goods	4,343	4,977	9,446	4,853	5,238
Iron and steel	1,167	1,332	1,945	1,167	1,266
Electrical machinery	354	409	874	520	536
Machinery, except electrical	688	802	1,484	860	892
Transportation equipment, except autos	192	321	2,502	304	410
Automobiles	465	532	851	513	649
Nonferrous metals	283	324	479	304	330
Lumber and timber products	463	489	503	423	374
Furniture and finished lumber products	383	402	406	404	416
Stone, clay, and glass products	348	366	402	358	365
Nondurable goods	5,700	5,804	6,733	5,952	6,136
Textile mill products	1,231	1,217	1,244	1,228	1,232
Apparel and other finished textile products	891	902	907	922	920
Leather and products	382	371	341	382	385
Food	1,187	1,206	1,448	1,327	1,358
Tobacco manufactures	105	104	96	107	107
Paper and allied products	319	334	365	339	340
Printing, publishing, and allied industries	558	561	535	540	571
Chemicals and allied products	420	462	905	473	507
Products of petroleum and coal	147	154	167	146	155
Rubber products	150	156	228	183	187
Miscellaneous industries	310	337	497	305	374

1/ Total employment figures for 1939, 1940 and September 1943 are subject to minor revisions.

2/ V $\frac{1}{2}$ refers to the period three to six months after the defeat of all Axis Powers; V $\frac{2}{2}$ refers to the second year after the defeat of all Axis Powers.

PERCENTAGE CHANGES OF POST-WAR ESTIMATES FROM 1939 EMPLOYMENT
BY MINOR INDUSTRIAL CLASSIFICATIONS

Employment group	Percentage changes from 1939 employment
	V + 2 estimate <u>1/</u>
Total civilian employment	+ 10
Manufacturing	+ 13
Durable goods	+ 21
Iron and steel	+ 9
Electrical machinery	+ 51
Machinery, except electrical	+ 30
Transportation equipment except autos	+114
Automobiles	+ 40
Nonferrous metals	+ 17
Lumber and timber products	- 19
Furniture and finished lumber products	+ 9
Stone, clay, and glass products	+ 5
Nondurable goods	+ 8
Textile mill products	0
Apparel and other finished products	+ 3
Leather and leather products	+ 1
Food	+ 14
Tobacco manufactures	+ 2
Paper and allied products	+ 7
Printing, publishing, and allied industries	+ 2
Chemicals and allied products	+ 21
Products of petroleum and coal	+ 5
Rubber products	+ 25
Miscellaneous industries	+ 21
Agriculture	-
Nonmanufacturing	+ 8
Construction	+ 48
Mining and quarrying	0
Transportation and public utilities	+ 17
Trade	+ 7
Retail	+ 9
Wholesale	+ 2
Finance, services, miscellaneous	+ 5
Government	+ 3 + 8
Self employment, domestics, etc.	- 2

1/ The symbol V + 2 stands for the second year after the defeat of all Axis Powers.

Table 4A

PERCENTAGE DISTRIBUTION OF EMPLOYMENT
BY INDUSTRY

I n d u s t r y	Employment in thousands		Distribution of employment percentage	
	1939	V / 2	1939	V / 2
Total	35,873	39,484	100.0	100.0
Manufacturing	10,043	11,374	28.0	28.8
Mining and quarrying	845	843	2.4	2.1
Construction	1,421	2,100	4.0	5.3
Transportation and public utilities	2,924	3,419	8.2	8.7
Trade	6,484	6,950	18.0	17.6
Finance, services, and miscellaneous	4,045	4,248	11.3	10.8
Government	3,968	4,500	11.0	11.4
Self-employed, domestics, etc.	6,143	6,050	17.1	15.3

Table 4B

PERCENTAGE DISTRIBUTION OF MANUFACTURING EMPLOYMENT
BY INDUSTRY DIVISIONS

M a n u f a c t u r i n g i n d u s t r y	Employment in thousands		Distribution of employment percentage	
	1939	V / 2	1939	V / 2
All manufacturing	10,043	11,374	100.0	100.0
Durable goods	4,343	5,238	43.2	46.1
Iron and steel	1,167	1,266	11.6	11.2
Electrical machinery	354	536	3.5	4.7
Machinery, except electrical	688	892	6.9	7.8
Transportation equipment, except autos	192	410	1.9	3.6
Automobiles	465	649	4.6	5.7
Nonferrous metals	283	330	2.8	2.9
Lumber and timber products	463	374	4.6	3.3
Furniture and finished lumber products	383	416	3.8	3.7
Stone, clay, and glass products	348	365	3.5	3.2
Nondurable goods	5,700	6,136	56.8	53.9
Textile mill products	1,231	1,232	12.2	10.8
Apparel and other finished tex- tile products	891	920	8.9	8.1
Leather and leather products	382	385	3.8	3.4
Food	1,187	1,358	11.8	11.9
Tobacco manufacturers	105	107	1.0	.9
Paper and allied products	319	340	3.2	3.0
Printing, publishing, and allied industries	558	571	5.6	5.0
Chemicals and allied products	420	507	4.2	4.5
Products of petroleum and coal	147	155	1.5	1.4
Rubber products	150	187	1.5	1.6
Miscellaneous industries	310	374	3.1	3.3

NOTE: Total employment figures for 1939 are subject to minor revision.

Table 6
EMPLOYMENT IN COMPANIES COVERED BY INTERVIEWS
TAKEN UP TO JANUARY 1, 1944 ONLY

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technical criticism
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Industry groups	Total employment September 1943 1/	Number of interviews	Number of interviews showing company employment	Number of employees in companies covered by interviews	Percent of total employment September 1943
Manufacturing	16,179,000	422	326	3,236,404	20.0
Durable goods	9,446,000	201	142	2,014,295	21.3
Iron and steel	1,945,000	54	40	611,274	31.4
Electrical machinery	874,000	20	18	334,708	38.3
Machinery, except electrical	1,484,000	42	33	195,834	13.2
Transportation equipment	2,502,000	16	9	220,799	8.8
Automobiles	851,000	15	5	387,400	45.5
Nonferrous metals	479,000	21	17	210,365	43.9
Lumber and timber products	503,000	7	4	7,884	1.6
Furniture	406,000	16	10	13,272	3.3
Stone, clay, and glass	402,000	10	6	32,759	8.1
Nondurable goods	6,733,000	221	184	1,222,109	18.2
Textile mill products	1,243,000	42	31	177,657	14.3
Apparel and finished products	907,000	25	18	40,218	4.4
Leather and leather goods	341,000	12	11	73,589	21.6
Food	1,448,000	26	23	259,505	17.9
Tobacco	96,000	7	7	35,415	36.9
Paper and allied products	365,000	11	11	31,517	8.6
Printing and publishing	535,000	14	13	19,788	3.7
Chemicals	905,000	35	28	241,587	26.7
Rubber products	228,000	14	12	147,730	64.8
Products of petroleum and coal	167,000	10	5	71,098	42.6
Miscellaneous	497,000	25	25	124,005	25.0
Nonmanufacturing	-	-	-	-	-
Construction	-	-	-	-	-
Mining and quarrying	822,000	29	14	66,336	8.1
Transportation and public utilities	3,704,000	8	7	517,238	14.0
Trade	6,353,000	63	48	553,440	8.7
Retail	4,784,000	47	39	534,991	11.2
Wholesale	1,569,000	16	9	18,449	1.2
Finance, services, and miscellaneous	4,331,000	25	14	27,571	0.6
Government	-	-	-	-	-
Self-employed	-	-	-	-	-

1/ Total Manufacturing employment figures are subject to minor revision.