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ECONOMIC SITUATION OF BLACKS IN THE UNITED STATES

Statement By

Andrew F. Brimmer

Member

Board of Governors of the  
Federal Reserve System

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## ECONOMIC SITUATION OF BLACKS IN THE UNITED STATES

### Introduction

Mr. Chairman and Members of the Committee, I am pleased to appear before this Committee to discuss recent economic developments in the black community. The invitation requested that I "... discuss ... the situation of minority groups, particularly blacks, in their attempt to surmount discriminatory barriers to equal employment opportunities ...." It is in that context that I appear to present my personal views.

On February 9, the Chairman of the Federal Reserve Board appeared before your Committee on behalf of the Board as part of the annual hearings on the President's Economic Report. Consequently, I will not travel over that ground again. Moreover, the general assessment of the outlook for the national economy in 1972 has been presented by the Council of Economic Advisers (CEA), and I am in broad agreement with the Council's conclusions.

Therefore, I will not attempt to present a separate estimate or projection of gross national product (GNP) and its components. Instead, within the framework developed by the CEA, I will (1) review recent economic trends in the black community and (2) attempt a rough assessment of the prospects for blacks in the short-run.

### Long-Run Trends in Employment

Most of this statement is focused on economic trends in the black community during the last few years. To put this recent experience in perspective, it might be helpful to summarize briefly

the overall economic progress among blacks in the last decade. This progress can be traced in the trends of the labor force, employment and occupational advancement. In 1970, there were 9.2 million Negroes and other races<sup>1/</sup> in the labor force--meaning that they were holding jobs or seeking work. This was a rise of about one-fifth since 1960, a rate of increase somewhat faster than for whites and for the total labor force. However, employment of blacks rose more rapidly than it did for all employees (by 22 per cent to 8.4 million for the former compared with 19-1/2 per cent to 78.6 million for the latter). Expressed differently, while blacks represented about 11 per cent of the total civilian labor force in both 1960 and 1970, their share of the gains in employment during the decade was somewhat larger: they accounted for nearly 12 per cent of the employment growth, although they held just over 10 per cent of the jobs at the beginning of the period. (See Table 1, attached.)

Advancement in the range of jobs held by Negroes in the last decade was also noticeable. This was particularly true of the improvements in the highest paying occupations. Between 1960 and 1970, the number of blacks in professional and technical positions increased by 131 per cent (to 766 thousand) while the increase in the total was only 49 per cent (to 11.1 million). Blacks had progressed to the point where they accounted for 6.9 per cent of the total employment

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<sup>1/</sup> Negroes constitute about 92 per cent of all persons in this group. Other races included are American Indians and Orientals. Thus, this statistical series can be taken as an approximate measure of economic trends among blacks.

in these top categories in the occupational structure in 1970, compared with 4.4 per cent in 1960. They got just over 9 per cent of the net increase in such jobs over the decade. During this same period, the number of Negro managers, officials and proprietors (the second highest paying category) rose two-thirds (to 297 thousand) compared to an expansion of 17 per cent (to 8.3 million) for all employees in this category.

In the 1960's, black workers left low-paying jobs in agriculture and household service at a rate two to three times faster than did white workers. The number of black farmers and farm workers dropped by 63 per cent (to 328 thousand) in contrast to a decline of about 40 per cent (to 3.1 million) for all persons in the same category. Therefore, , in 1970, blacks accounted for about 11 per cent of employment in agriculture, less than their share in 1960 when the proportion was 16 per cent. The exit of blacks from private household employment was even more striking. During the last decade, the number of Negroes so employed fell by about 34 per cent (to 652 thousand); the corresponding drop for all workers was only 21 per cent (to 1.6 million). Although roughly half of all household workers were black in 1960, the ratio had declined to just over two-fifths by 1970. The number of black nonfarm laborers declined (by 9 per cent to 866 thousand) over the last decade, but the total number of laborers rose somewhat.

Nevertheless, as already indicated, the accelerated movement of blacks out of the positions at the bottom of the occupational pyramid did not flow evenly through the entire occupational structure. For example, Negroes in 1970 still held about 1.5 million of the service jobs outside private households--most of which require only modest skills. This represented almost one-fifth of the total--about the same as the proportion in 1960. Moreover, the number of blacks holding semi-skilled operative jobs (mainly in factories) rose by 42 per cent (to about 2.0 million) during the decade, compared with an expansion of only 16-1/2 per cent (13.9 million) for all workers. The result was that blacks' share of the total climbed from 12 per cent to over 14 per cent. Taken together, these two categories of lower-skilled jobs (chiefly in factories or in nonhousehold services) accounted for a somewhat larger share (42 per cent) of total black employment in 1970 than they did in 1960--when their share was about 38 per cent. In contrast, among all employees the proportion was virtually unchanged--27 per cent at the beginning of the decade and 28 per cent at its close.

While Negroes made substantial progress during the 1960's in obtaining clerical and sales jobs--and also registered noticeable gains as craftsmen--their occupational center of gravity remained anchored in those positions requiring little skill and offering few opportunities for further advancement. At the same time, it is also clear from the above analysis that blacks who are well-prepared to

compete for the higher-paying positions in the upper reaches of the occupation structure have made measurable gains. Nevertheless, compared with their overall participation in the economy (11 per cent of total employment), the occupational deficit in white collar employment--averaging 40 per cent--remains large.

Data on occupational distribution of total employment by color in 1971 are also shown in Table 1. In general, these figures show the mixed job experience of blacks in the last year. While total employment rose moderately, the number of black job-holders declined slightly. However, the losses were concentrated among blue collar workers, as the number of Negroes employed in white collar jobs continued to expand. Within the blue collar group, the attrition was most noticeable in the case of operatives. This situation was mainly a reflection of the continued sluggishness of activity in the manufacturing sector in which a sizable proportion of blacks is employed. Recent trends in this sector are examined more closely below.

#### Recent Growth of the Black Labor Force

But before taking up that task, we might look briefly at the impact of the recent recession on the black labor force. In 1971, there were 9.3 million Negroes and other races in the civilian labor force. In the same year, the total civilian labor force amounted to 84.1 million, so blacks represented 11.1 per cent of the total--the average for the last decade. For 1971 as a whole, the black

labor force rose by 124 thousand, compared with a rise of 1.4 million in the total civilian labor force. Thus, the increase in the black component amounted to 8.9 per cent; in the previous year, blacks had accounted for 12.2 per cent of labor force growth.

To a considerable extent, the slower expansion in the number of blacks in the work force reflected the impact of the recession. The latter's adverse effect on the black community is evident in the increasing tendency for discouraged blacks not even to look for jobs. One can make a rough judgment of a group's willingness to engage in economic activity by tracing its labor force participation rate.<sup>2/</sup> For blacks as a group, the participation rate has been declining for a number of years, while it has been rising for whites. For example, the rate for blacks fell from 64.5 per cent in 1960 to 60.9 per cent in 1971; in the same period, the rate for whites rose from 58.8 per cent to 60.1 per cent. These divergent trends were accelerated during the 1970-71 recession. Particularly in the last half of 1971, the participation rate for blacks showed consistent declines at a time that the white participation rate was rising--most probably in response to the sizable growth in white employment. Discouragement over employment prospects evidently has led more blacks to stay out of the labor force during the recovery period than can be explained by longer term trends in the age-sex composition of the black labor force. Consequently, the behavior of labor force participation rates suggests that the economic situation among blacks deteriorated more in 1971 compared to whites than might be evident on the surface.

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<sup>2/</sup> The participation rate is defined as the percentage of the civilian noninstitutionalized population age 16 and over that is in the civilian labor force.



Sluggish Expansion in Jobs

For the first time in a decade, the number of blacks with jobs in 1971 was below that for the previous year. This was not the case with whites. The year-to-year decrease in black employment (while quite modest) was a direct result of the recession and slow recovery in national economic activity in 1970-71. In fact, the employment experience of blacks during the last two years has shown some similarity to that recorded during the 1960-61 business cycle. In general, blacks did relatively better than whites in the 1969-70 recession phase of the business cycle and relatively worse in the 1970-71 recovery stage.

In 1971, an average of 8,403 thousand blacks were holding jobs, representing 10.6 per cent of total civilian employment (which amounted to 79,119 thousand). However, the number of employed blacks in 1971 was about 43 thousand below that for the year earlier-- while total civilian employment was 490 thousand higher. In contrast, in 1970, black employment rose by 62 thousand, accounting for 8.5 per cent of the gain of 727 thousand in total civilian jobs.

Several developments in the national economy help to explain the recent adverse black experience on the jobs front. At the beginning of the economic slowdown in 1969, employment cutbacks were most severe in professional jobs related to the defense and aerospace industries. Blacks comprise only a minute proportion of the labor force in this sector and thus were not affected significantly. Sectors such as services and government (which employ a higher fraction

of blacks) continued to expand through 1969. Thus, in the initial stages of the recent business cycle, blacks were less affected than were whites--both by general cyclical forces and by the special situation in the defense and aerospace industries.

In 1970, employment cutbacks in the economy as a whole were more widespread as overall economic activity declined and as business attempted to control costs. Proportionately, employment grew slightly less for blacks than for whites in 1970. A smaller rise in employment for adult black women than for adult white women--and an actual decline for black teenagers--more than offset a somewhat faster rise in employment for adult black men than for adult white males. However, as mentioned above, the participation rate for blacks continued its long-run decline in 1970 while the white participation rate showed a slight increase. As a consequence, the unemployment rate for blacks did not rise proportionately as much as the rate for whites.

Overall employment increased very little in the first half of 1971--although economic activity showed a mild recovery. Continuing to be concerned about inflation and low profit levels, businessmen attempted to limit hiring in order to hold down labor costs. In the second half of 1971, total employment rose substantially. However, all of the gains were made by whites. By year-end, white employment was 1,636 thousand above the level in December, 1970; black employment registered a small decline of 67,000 over the year.

Again, the composition of the recovery in national economic activity had a direct bearing on the less favorable job experience of black workers. The manufacturing sector of the economy (which employs a significant proportion of blacks in blue collar jobs) remained weak throughout 1971. In addition, government employment (a sector where blacks are well represented) grew more slowly than it had in recent years prior to 1971. An examination of the recent trends in those industries in which blacks are heavily represented provides some little-noted insights into the situation of blacks in the national economy.

#### Private Industry Performance and Black Employment

As indicated above, blacks are heavily dependent on the manufacturing sector for employment. This is especially true of black men. It is hard to obtain detailed statistics to trace the pattern of black employment. The main source of employment data by industry is the series of reports collected from private establishments by the Bureau of Labor Statistics (BLS). This series does not include a racial breakdown of the number of workers reported. In addition, BLS publishes employment data collected by the Bureau of the Census in its household survey. This series as published does include estimates of employment by demographic characteristics--such as age, sex, and race. However, while an industry distribution of employment can be calculated by BLS on the basis of the data collected, such calculations are not published. Finally, the Equal Employment Opportunity Commission (EEOC) collects employment data once each year

from the larger companies under the Civil Rights Act of 1964. At my request, BLS has given me permission to use the ratios calculated from the household data showing blacks as a percentage of total employment in each industry. Using the same data, I have calculated the percentage distribution, by broad industry groupings, of total and black employment. Data from these three sources are presented in Tables 2, 3, and 4.

The heavy dependence of blacks on factory jobs is clearly suggested in the EEOC data shown in Table 2. In 1970 (the most recent year for which statistics are available), about 3.0 million blacks were on the payrolls of private employers (mainly large companies) reporting under the EEOC requirements.<sup>3/</sup> This number represented 10.3 per cent of the 28.9 million workers reported by these companies. About 1.4 million (48.7 per cent) of the 3.0 million black jobholders reported were employed in manufacturing. This proportion was not appreciably different from that for all EEOC-reported jobholders (50.3 per cent). However, since the EEOC reports are more complete for manufacturing than for other sectors, these ratios tend to overstate the actual degree of reliance on manufacturing as a source of jobs.

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<sup>3/</sup> These data are reported annually to the U.S. Equal Employment Opportunity Commission under Title VII of the Civil Rights Act of 1964. The statistics do not cover all employment; they have only limited coverage of small firms, and no reports for governments and educational institutions are included. However, the EEOC reports do cover a substantial proportion of total employment in some industries. About three-quarters of total employment in manufacturing, transportation, communication, and electric and gas utilities are reported, and well over one-half of the total in mining, and in finance, insurance and real estate is covered. On the other hand, the reports cover only about one-third of total employment in wholesale and retail trade, and in services. Just under one-fifth of contract construction employment is covered. Coverage and other characteristics of the EEOC data are discussed further in the notes to Table 2.

A somewhat more balanced picture of the industry distribution of black employment is provided by the BLS household data. As shown in Table 3, when the more comprehensive statistics are analyzed, about 23.0 per cent of black jobholders in 1971 were employed in manufacturing. The corresponding proportion for total employment was 24.7 per cent. The extent to which blacks--compared to all workers--have found jobs in other industries is also shown in Table 3. For example, the proportion of the black work force employed in transportation and public utilities is roughly the same as that for all workers--6.6 per cent and 6.7 per cent, respectively. However, a sizable divergence is evident in the trade field, in which 14.2 per cent of blacks--in contrast to 20.1 per cent of the total--had found jobs. A smaller (but still noticeable) divergence can be seen in the case of finance, insurance and real estate--which accounted for 5.2 per cent of total employment compared with 3.6 per cent of black employment. On the other hand, blacks were overly represented in services (29.1 per cent of employed blacks vs. 20.1 per cent of the total).

Within manufacturing, blacks were found employed particularly in heavy industry. They were found especially in industries producing transportation equipment (mainly automobiles); in primary metals (particularly steel); in electrical equipment; in food and related products, and in textile mill products. While blacks held about 9.9 per cent of the total jobs in manufacturing as a whole,

in several industries, their share of the jobs was considerably higher. For example, as shown in Table 4, in 1971, their shares were: tobacco, 32.5 per cent; lumber and wood products, 20 per cent; primary metals, 14.4 per cent; apparel, 13.2 per cent; food processing, 12.4 per cent; stone, clay and glass, 11.9 per cent; transportation equipment, 11.6 per cent and furniture, 11.5 per cent.

In weighing these figures on black employment in manufacturing, however, one should not conclude that blacks have found an equal chance for advancement in the nation's factories. This is far from the case. To a considerable extent, the industries with large numbers of black employees are those in which numerous jobs are unpleasant and routine or which require much physical strength or long endurance. Moreover, blacks are typically found in the lower paid blue collar occupations requiring only limited skills.

Given this exceptional dependence of blacks on factory jobs, the sluggishness in manufacturing during the last two years was bound to have a serious impact on the black community. In 1970, while total employment rose by 727 thousand (or by 0.9 per cent), factory jobs declined by 768 thousand (or by 3.8 per cent). Last year, total employment registered another modest gain of 491 thousand (0.6 per cent), but the number of factory workers dropped further--by 761 thousand (or by 3.9 per cent). Over this two-year period, total factory employment declined by 1.5 million, a decrease of 7.7 per cent.

The industries in which blacks have significant representation experienced even larger setbacks: transportation equipment recorded a two-year decline of 15 per cent; nonelectrical machinery 12 per cent; electrical machinery 11-1/2 per cent, and primary metals 10 per cent.

In contrast, several sectors which provide a smaller proportion of all black jobs continued to expand total jobs during the recent recession. For example, total employment in wholesale and retail trade rose by nearly 4 per cent during the two years 1970 and 1971. The gain in finance, insurance and real estate amounted to 7 per cent. Employment in services expanded by 6 per cent in the same period. However, in each of these industry groups (except services), blacks generally have a smaller share of the total jobs than they have in the economy as a whole.

On balance, the continued growth of total employment in the trade and service sectors cushioned the impact of the 1970-71 recession in the economy as a whole. But blacks did not share proportionately in these gains because they are generally underrepresented in the highly-paid expanding sectors and over-represented in low-paid service activities or in those manufacturing industries which were stagnant or declining.

#### Blacks in Government Jobs

In the case of public sector employment, blacks have had a mixed experience over the last two years. As mentioned above, blacks constitute an above-average proportion of the persons employed

in government service. For example, in May, 1971, there were 389 thousand blacks employed in civilian jobs in the Federal Government. This represented 15 per cent of the 2.6 million civilians on the Federal payroll at that time. In contrast, blacks accounted for 10.6 per cent of all civilian employees in the country in the same month. Moreover, while Federal employment provided 3.3 per cent of the total civilian jobs, about 4.6 per cent of the blacks holding civilian jobs were on the Federal payroll. In the case of State and local governments (many of which have substantial numbers of blacks in their jurisdiction) the percentage of blacks among all public employees may be even higher than it is in the Federal Government.

Given this situation, the downtrend in employment in the Federal Government in the last two years seems to have had a mixed effect on blacks. In the two calendar years 1970 and 1971, total civilian employment in the Federal Government dropped by 93 thousand, a decline of 3.3 per cent. Here, of course, the cutback in employment reflected a conscious effort to pare the level and scope of Government activities--and was not a by-product of the recession. Exactly how these reductions have affected blacks cannot be determined because of a lack of data for 1971 as a whole. Between May, 1970 and May, 1971, total Federal employment declined 15,000, and Negro employment declined 798. This net decline among blacks reflected a drop in black employment in blue collar jobs and in lower grade levels of the Postal Field Service. Blacks made further gains in both the higher grades of the postal service and in civil service white collar jobs.



Yet, we know that blacks are still heavily concentrated in the lower grades of the Federal service where turnover is typically high. Thus, in the light of the decision to reduce Federal Government employment by 5 per cent during the current fiscal year, one might ask whether blacks are likely to be exposed to a much higher rate of attrition than that faced by the average white employee. An informal request to the Civil Service Commission for data to assess this possibility did not yield the necessary statistical information--although the Commission has no indication that the cutback in Government employment is affecting blacks adversely.

Simultaneously, the Federal Reserve Banks were asked to review the situation within the Federal Reserve System. The results of this survey show that, between December, 1970, and December, 1971, total Bank employment increased by 1.7 per cent, while black employment rose by 3.7 per cent. However, the results also indicated that the turnover rate among black employees was nearly 1-1/2 times as high as that for all employees (30 per cent vs. 21 per cent). The turnover rate was particularly high among blacks in the lower grades. For example, among black men in grades 1-5, the turnover rate was 43 per cent, compared with 15 per cent for all men in that category. For black men in grades 6 and over, the turnover rate was 16 per cent, compared with 13 per cent for all men in the same brackets. In the case of black women, a similar pattern prevailed for those in the lower grades (39 per cent for

black women vs. 34 per cent for all females). But in the higher grades, black women had a somewhat lower turnover rate than was true of all women employees (11 per cent vs. 13 per cent).

These data for the Federal Reserve Banks are probably indicative of the behavior of black employment in the Federal Government as well. So, when the census of Federal employment is conducted later this year, the results should be studied to see whether the high turnover among blacks has been translated into high attrition rates--and thus into a decline in the percentage of blacks employed in the Federal Government.

In the case of State and local governments, the number of workers on their payrolls expanded by 744 thousand (7.9 per cent) during the two years 1970 and 1971. Most of this growth was at the local level--especially in large urban areas with sizable black populations. Against this background, one would have expected blacks to obtain a significant share of the rise in public service employment at the State and local level.

In conclusion, when these different employment trends are pulled together, a fairly clear--but far from comfortable--picture emerges: the depressed conditions in manufacturing industries (only partially offset by growth in other sectors) have had a seriously adverse effect on black employment in the last two years. The net result has been a halt in the vigorous growth of black employment registered during the last half of the 1960's.

Trend of Unemployment

In 1971, an average of 919 thousand blacks were unemployed; this represented 9.9 per cent of the black civilian labor force. In the case of whites, unemployment averaged 4.1 million, equivalent to an unemployment rate of 5.4 per cent. For all groups combined, unemployment in 1971 averaged 5.0 million, or 5.9 per cent of the total civilian labor force. Over the last two years--and reflecting the impact of the recession--the total number of unemployed workers rose by 2.2 million, an increase of nearly four-fifths. Among blacks, unemployment climbed by 348 thousand, a rise of more than three-fifths. Almost 60 per cent of the two-year rise in total unemployment occurred in 1970--which encompassed most of the downward phase of the recession. But in the case of blacks, the increase in joblessness was about evenly divided between 1970 and 1971. On the other hand, black unemployment as a proportion of all unemployed workers declined from 20.2 per cent in 1969 to 18.4 per cent in both 1970 and 1971. Of course, this decline reflected the fact that the number of unemployed whites rose much faster in 1970 than was the case in the black community. And it is noteworthy that by the end of 1971, the proportion had risen back to 19.0 per cent. Nevertheless, while blacks represented 11 per cent of the labor force, they still accounted for nearly one-fifth of total unemployment in 1971.

Of the total rise in black unemployment over the 1970-71 period, half was accounted for by adult men, a third by adult women, and a sixth by teenagers. Unemployment of adult men and teenagers rose more rapidly in 1970, and unemployment of adult women rose more rapidly in 1971. The cutback in manufacturing jobs accounts for much of the rise in black adult male unemployment in the recession year 1970. In 1971, adult females increased their participation in the labor force slightly (most likely in an effort to improve family income at a time when many men were out of work), but the slack job market resulted in increased female unemployment. Black teenagers, on the other hand, significantly reduced their participation in the labor force after experiencing rising joblessness in 1970 and, thus, their unemployment did not rise as rapidly in 1971.

A brief comparison of the unemployment experience during the recent cyclical period and the recession and recovery years of 1960-61 points up several significant facts. As noted earlier, blacks fared relatively better than whites in the recession phase of the cycle in both periods. The level of black unemployment rose 26 per cent from the peak quarter to the trough quarter in the 1960-61 period compared to a rise of 32 per cent for whites. In the recent period, the level of black unemployment rose 50 per cent from

peak to trough compared with a rise of almost 70 per cent for whites.<sup>4/</sup>

In both periods, the ratio of black to white unemployment rates declined during the recession phase of the cycle. From the mid-1950's through the 1960's (except for 1965), the black unemployment rate was more than double the white rate. The black-white ratio was still 206 in 1969, but it declined to 182 in 1970.

In the first year of recovery from the trough in 1970, whites fared relatively better than blacks as evidenced by a rise in the ratio of black to white unemployment rates from 164 in November, 1970, to 200 in January of this year. However, of equal note is the fact that in the recent recovery year, unemployment levels for both blacks and whites continued to rise (by 11.1 per cent for blacks and by 1.7 per cent for whites) whereas in the first year of recovery in the earlier period, unemployment levels declined (by 8.7 per cent for blacks and by 19.6 per cent for whites). The continued low rate of activity in the manufacturing sector of the economy and the only modest growth in other sectors has resulted in a much less dynamic recovery process for employment in the current period.

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<sup>4/</sup> It might be noted that the larger rise in unemployment for blacks and for whites in the recent cycle has been due in large part to the faster growth of the civilian labor force. This has been a result of the entrance of the members of the post-war baby boom into working age groups, the changing working habits of women (particularly white women), and the return of numerous Vietnam veterans to civilian life.

One further difference between the two cyclical periods which has implications for employment prospects is that teenagers are a much more important factor in the economy today than ten years ago. Between 1961 and 1971, as a result of a sharp increase in the number of youths in the total population, black teenagers (age 16-19) grew from just over 7 per cent to just over 8 per cent of the black civilian labor force. However, because of their lack of training and work experience, teenagers have remained at about 6 per cent of black employment. As a result, teenagers accounted for 27 per cent of black unemployment in 1971 compared with 16 per cent in 1961.

Clearly, the high and persistent level of black unemployment is a serious matter, and I will return to the subject in the closing section of these comments.

#### Income Trends in the Black Community

Another way of looking at the economic situation of blacks is to examine their income. Data for 1970 (the most current year available) show that total money income for black families and unrelated individuals was \$42 billion. This was 6.5 per cent of total money income which amounted to \$649 billion in that year. This share should be weighed against the fact that blacks compose about 11.3 per cent of the total population. The median family income of blacks in 1970 was \$6,516, a rise of 5.3 per cent over 1969--but still only 64 per cent of the white median income of \$10,236.

In general, black families made great strides over the last decade in increasing their income. Black median family income in 1970 was more than double the level in 1961 which appears to compare favorably with a rise of 71 per cent for white families over the same period. However, in absolute terms, black families received an average of \$3,720 less than white families in 1970--whereas they receive \$2,790 less in 1961. This difference in 1970 was equal to 57 per cent of black families' median income. Thus, although blacks have been gaining relative to whites over the decade (and this progress does not appear to have been seriously interrupted by the recent recession in 1970), they still lag far behind the average American white family.

A second way of comparing income differences is to look at how income is distributed among the respective black and white populations. The most common way of doing this is to use a statistical measure (referred to by economists as the "Gini" coefficient) showing how equally income is distributed within a population. If a given percentage of the population receives an equal percentage of the total income and this holds true for all groups in the population, then the degree of income inequality would be zero. Calculations of this measure by the Bureau of the Census for black and white families indicate that black income has historically been less equally distributed than white family income even though the differences between the two have narrowed slightly over the last decade.

However, in recent periods of declining or slow economic growth, the differences in the income distribution for black and white families have increased. This was true during the brief period of declining economic activity in 1967 and also in 1970.

In general, this pattern of income distribution implies that lower income black families receive an even smaller proportion of total money income than do lower income white families in periods of reduced economic growth. Some of the greater sensitivity of the income of black families to cyclical slowdowns may be explained partially by the fact that a rapidly increasing proportion of black families is headed by females (3-1/4 times as many as white families in 1970 compared with 2-1/2 times as many in 1960). The fact that the average number of earners in black families has actually been declining in the last few years (in contrast to a rise in the average number of earners of white families) may also contribute to the observed results. Thus, although income of blacks appears to have held up quite well in the recent period, it still lags far behind white income. In addition, averages for blacks as a whole may disguise a deteriorating situation for lower income black families.

#### Federal Income Taxes Paid by Blacks

Another perspective on the economic situation of blacks is provided by an analysis of the Federal income taxes paid by them. I have estimated that Negroes and other races paid about \$4.68 billion



in Federal income taxes in 1969, while their income amounted to \$41.22 billion. White families and individuals received \$562.33 billion in income and paid Federal income taxes of approximately \$81.92 billion. Thus, while blacks and other races constituted about 13 per cent of the population, they received about 6.8 per cent of the adjusted gross income, filed 11.5 per cent of the tax returns, and paid roughly 5.4 per cent of the Federal income taxes in 1969.

This estimate of Federal income taxes paid by blacks was derived on the basis of special tabulations of household sample data collected by the Bureau of the Census for its 1969 report on consumer income.<sup>5/</sup> Since Dr. Herman Miller and Mr. Roger Herriot (both of the Census Bureau) had already devised a means of linking Census data to Internal Revenue Service (IRS) statistics relating to Federal income taxes,<sup>6/</sup> I applied their method to estimate taxes paid by race. For this purpose, the special tabulations by the Census Bureau were required.

While the method devised by Miller and Herriot (and used by me) has limitations,<sup>7/</sup> it seems accurate enough to yield reasonable

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<sup>5/</sup> U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 75, "Income in 1969 of Families and Persons in the United States," 1970.

<sup>6/</sup> See their paper, "Who Paid Taxes in 1968," (Mimeo), March, 1971.

<sup>7/</sup> For example, capital gains are not recorded in the Census data, but they do play an important part in the calculation of Federal income taxes. However, this may be indirectly compensated for by an adjustment in the Census data to account for trusts and under-reported income in the sample. Furthermore, we found that our estimates of dollar amounts of taxes and adjusted gross income are higher than the actual figures--since there is some income that is simply not reported to the IRS. Our adjusted gross income was 3 per cent above the actual IRS figures. The amount of taxes paid varied by method of estimation. The Miller-Herriot Method gave a figure 9 per cent above the reported level. A second method of estimation that uses effective tax rates (instead of average tax by return) gives taxes within 4 per cent of the amount actually reported. The estimated percentages of taxes paid by race do not vary with the procedure used.

results. For example, IRS reports show that there were 75.8 million returns filed in 1969.<sup>8/</sup> Of this total, 63.7 million returns were taxable, and they represented \$603.5 billion in adjusted gross income. From this income, earners paid \$86.6 billion in taxes. Thus, the task was to estimate the proportion and amount of these taxes that were paid by black and white earners, separately. The application of the Miller-Herriot method produced the following distribution of returns in 1969.

<u>Adjusted Gross Income</u>	<u>Percentage Distribution of Returns 9/</u>	
	<u>Negroes and Other Races</u>	<u>Whites</u>
Less than \$3,000	41	27
\$3,000 - 6,000	24	17
\$6,000 - 10,000	20	23
\$10,000 - 15,000	9	20
over 15,000	5	14

When these percentages are applied to the actual returns reported by the IRS, the estimates of taxes paid by blacks and whites separately are obtained. The fact that Negroes and other races received about 6.8 per cent of the adjusted gross income and paid about 5.4 per cent of the Federal income taxes in 1969 should not be surprising. The reason is that blacks have a lower percentage of persons in the upper income ranges. The special Census calculations show that, for the income measure used for tax purposes, 41 per

<sup>8/</sup> U.S. Internal Revenue Service, Statistics of Income 1969, Individual Tax Returns.

<sup>9/</sup> Totals do not add to 100 because of rounding.

cent of returns filed by Negroes and other races were in the lowest income category, compared to 27 per cent for whites. In the upper income brackets, 14 per cent of the black returns fell in the \$10,000 or more class, while there were 34 per cent of the white returns in this range. Thus, when the progressive tax rates are applied to each group, the whites paid proportionately more.<sup>10/</sup>

Finally, these estimates represent only one tax. Although the Federal personal income tax is the largest single revenue source, it is also among the most progressive of taxes. State and local sales taxes and property taxes tend to hit the lower income groups proportionately more than the higher income groups. For the year 1969, 36 per cent of all government revenue was from State and local taxation. Moreover, Social Security taxes probably hit black families much harder than white families. This is suggested by several considerations: black incomes are lower, and the participation rates are higher for black families. This means that minority groups have more multiple earners than white families. Combined with the fact that Social Security taxes have an income cut-off point, the families of low-earning multiple earners will have to pay more than single earners.

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<sup>10/</sup> Again, it must be remembered that these are estimates and subject to error. In the case of the percentage of returns in the income ranges, we may error on the low side rather than on the high income side because all persons reporting money income of \$1 or more are included in the Census sample. Some of these are taken out when finding adjusted gross income but probably not all.

Consequently, when other taxes are combined with Federal income taxes, the gap between income received and Federal income taxes paid by blacks (6.8 per cent vs. 5.4 per cent) is probably narrowed considerably.

The Economic Outlook for Blacks

Given these recent developments affecting the economic situation of blacks, the question naturally arises about their prospects in the future. The general economic outlook as contained in the Economic Report of the Council of Economic Advisers and supported by the consensus of private forecasters is for an acceleration of real economic growth in 1972 to somewhere in the neighborhood of 6 per cent, compared to the 2.7 per cent rate of growth achieved in 1971. In particular, the expected strengthening of activity in the manufacturing sector (in which such a large proportion of black men have found jobs) is of special interest. Thus, the question to which I wish to address myself at this point is this: How will this outlook for the national economy as a whole affect the black community?

It seems fairly certain that a rise in manufacturing activity will increase black employment and income. However, how large the improvement might be cannot be estimated. On the basis of press reports--as well as informal soundings among businessmen--one gets the impression that many manufacturing firms are still moving slowly in expanding their payrolls. Among other factors, a strong desire to control costs by meeting increased output demands through higher productivity rather than higher employment--at least for the present--appears to be moderating the pace at which factory jobs are growing.

I have been particularly interested in trying to gauge the prospects for blacks. In general, from numerous conversations I have had with businessmen, I get the impression that the environment in industry today is much more hospitable toward the hiring and upgrading of blacks than it was even a few years ago. At the same time, I also get the feeling that, although many of the leaders in industry are very conscious of the need to promote equal employment opportunity by increasing their percentage of black employment, in many cases, the rehiring of workers (because of trade union agreements) would have to be done on a seniority basis which would generally not favor blacks or other minority groups that are still relative newcomers in some sectors.

In some industries in which blacks are heavily concentrated, there was a drop in the percentage of minority employment in 1971. This seems to have occurred despite the fact that many of the leading companies in some of these industries are known to have strong programs to increase the percentage of minority workers. This was particularly true in the basic durable goods manufacturing industries where, as mentioned earlier, blacks are heavily represented. A review of the statistics in Table 4 provided by the Bureau of Labor Statistics shows that the percentage of employment accounted for by blacks in the basic durable goods industries declined in both 1970 and 1971. Similar figures (although not included in the table) show that the ratio had risen steadily since 1962 (the first year data were available). In contrast, the percentage of employment accounted for

by blacks in the nondurable goods industries continued to increase on average in 1970 but declined in 1971. The better showing in the nondurable industries in 1970 was partially a result of the fact that the nondurable industries continued to show a slight increase in total employment in 1970, in contrast to the decline in employment levels in the durable goods industries. In addition, some nondurable goods industries (notably foods, textiles, and apparel) have been experiencing fairly rapid increases in their proportion of minority employment. However, this pattern conceals the fact that some of those industries (such as textiles and apparel which maintained their black percentages in the recent period) have been declining industries in relation to the economy as a whole. Thus, although the proportion of minority workers employed by them has held up quite well, the actual number of blacks employed in these industries may not expand rapidly.

But on the whole, to the extent that manufacturing industries do participate in the economic growth expected this year, the outcome will have a positive impact on black employment. Continued gains in employment in the service and trade industries as well as by State and local governments will also add to an improvement in black employment. But, again, this expansion might not be large enough to enable the black community to resume the strides in employment and income gains they were beginning to achieve in the second half of the 1960's.

In addition, although employment of blacks can be expected to resume an upward trend in 1972, it can also be expected that the black labor force will grow more rapidly this year than last. Besides the longer-term growth in the labor force based on the rapid growth of the young age groups, the declining participation rate for blacks (particularly evident in the second half of 1971) can be expected to show a return to more normal long-term trends if employment prospects improve. Thus, even with a more rapid growth in employment, over the short-term, rises in the civilian labor force could well result in continued high levels of unemployment and high unemployment rates for blacks.

As mentioned above, the unemployment rate for blacks has traditionally been about twice as high as that for whites. Only in a few years (such as 1965, 1970 and 1971--neither of which was a year of especially vigorous economic growth) has the black-white unemployment ratio been less than 2 to 1. It will be recalled that the general outlook for the economy in 1972 presented by the Council of Economic Advisers does not expect the total unemployment rate to be below 5 per cent by year-end. The unemployment rate for blacks was 10.6 per cent in January--compared with 5.3 per cent for whites--a ratio of 2 to 1. So given the outlook for the economy as a whole in 1972, there appears to be no basis for expecting blacks to improve their relative unemployment position in the course of this year.

In my judgment, the single most important contribution that can be made this year to enable blacks to make further economic progress is at least to assure the sizable expansion, projected by the CEA, in the national economy in 1972 while at the same time pressing on with the campaign to check inflation.



TABLE I

Employed Persons by Major Occupation Group and Color  
(Numbers in thousands)

Occupation	Total Employment: 1960					Total Employment: 1970					Total Employment: 1971				
	Total		Negro and Other Races		Per cent of total Number	Total		Negro and Other Races		Per cent of total Number	Total		Negro and Other Races		Per cent of total Number
	Number	Percentage Distribution	Number	Percentage Distribution		Number	Percentage Distribution	Number	Percentage Distribution		Number	Percentage Distribution	Number	Percentage Distribution	
Total Employed	65,778	100.0	6,927	100.0	10.5	78,627	100.0	8,445	100.0	10.7	79,120	100.0	8,403	100.0	10.6
White Collar Workers	28,522	43.3	1,113	16.1	3.9	37,997	48.3	2,356	27.9	6.2	38,252	48.3	2,444	29.1	6.4
Professional & Technical	7,469	11.4	331	4.7	4.4	11,140	14.2	766	9.1	6.9	11,070	14.0	756	9.0	6.8
Managers, Officials, & Prop.	7,067	10.7	178	2.6	2.5	8,289	10.5	297	3.5	3.6	8,675	11.0	342	4.1	3.9
Clerical Workers	9,762	14.8	503	7.3	5.2	13,714	17.4	1,113	13.2	8.1	13,440	17.0	1,154	13.7	8.6
Sales Workers	4,224	6.4	101	1.5	2.4	4,854	6.2	180	2.1	3.7	5,066	6.4	191	2.3	3.8
Blue Collar Workers	24,057	36.6	2,780	40.1	11.6	27,791	35.3	3,561	42.2	12.8	27,184	34.4	3,353	39.9	12.3
Craftsmen & Foremen	8,554	13.0	415	6.0	4.8	10,158	12.9	692	8.2	6.8	10,178	12.9	663	7.9	6.5
Operatives	11,950	18.2	1,414	20.4	11.8	13,909	17.7	2,004	23.7	14.4	12,983	16.4	1,821	21.7	14.0
Nonfarm Laborers	3,553	5.4	951	13.7	26.8	3,724	4.7	866	10.3	23.2	4,022	5.1	868	10.3	21.6
Service Workers	8,023	12.2	2,196	31.7	27.4	9,712	12.4	2,199	26.0	22.6	10,676	13.5	2,321	27.6	21.7
Private Household	1,973	3.0	982	14.2	49.8	1,558	2.0	652	7.7	41.8	1,486	1.9	615	7.3	41.4
Other Service Workers	6,050	9.2	1,214	17.5	20.1	8,154	10.4	1,546	18.3	19.0	9,189	11.6	1,706	20.3	18.6
Farm Workers	5,176	7.9	841	12.1	16.2	3,126	4.0	328	3.9	10.5	3,008	3.8	285	3.4	9.5
Farmers & Farm Managers	2,776	4.2	219	3.2	7.9	1,753	2.2	87	1.0	5.0	1,666	2.1	63	0.7	3.8
Farm Laborers & Foremen	2,400	3.7	622	8.9	25.9	1,373	1.8	241	2.9	17.6	1,342	1.7	222	2.6	16.5

Source: Data for 1960 and 1970, U.S. Department of Labor, Manpower Report of the President, April, 1971, Tables A-9 and A-10, p.p. 215-7.

Data for 1971, Bureau of Labor Statistics, U.S. Department of Labor.

TABLE 2  
1970 Levels and Percentage Distribution of  
Manufacturing Employment by Race<sup>1/</sup>

	Total <sup>2/</sup>	Negro <sup>2/</sup>	Negro as a per cent of total	Percentage Distribution of Manufacturing Employment	
				Total	Negro
TOTAL EMPLOYMENT	28,882	2,965	10.3		
Total manufacturing	14,533	1,445	9.9	100.0	100.0
Durable goods	9,043	872	9.6	62.2	60.3
Ordnance and accessories	183	16	8.7	1.2	1.1
Lumber and wood products	321	44	13.7	2.2	3.0
Furniture and fixtures	270	36	13.3	1.9	2.5
Stone, clay and glass products	460	46	10.0	3.2	3.2
Primary metal industries	1,139	151	13.2	7.8	10.4
Fabricated metal products	913	92	10.1	6.3	6.4
Nonelectrical machinery	1,560	101	6.5	10.7	7.0
Electrical machinery	1,822	148	8.1	12.5	10.2
Transportation equipment	1,767	194	11.0	12.2	13.4
Instruments and related prod.	373	21	5.6	2.6	1.4
Miscellaneous manufacturing	235	23	9.9	1.6	1.6
Nondurable goods	5,490	573	10.4	37.8	39.7
Food and kindred products	1,086	142	13.1	7.5	9.8
Tobacco manufactures	69	16	23.2	0.5	1.1
Textile mill products	817	112	13.7	5.6	7.8
Apparel & other textile prod.	678	73	10.8	4.7	5.0
Paper and allied products	566	54	9.5	3.9	3.7
Printing and publishing	579	37	6.4	4.0	2.6
Chemicals and allied products	933	80	8.6	6.4	5.5
Petroleum and coal products	180	12	6.7	1.2	0.8
Rubber & plastic products	374	35	9.4	2.6	2.4
Leather and leather products	208	12	5.8	1.4	0.8

<sup>1/</sup> Source: United States Equal Employment Opportunity Commission, Report EEO-1. These data are collected annually under Title VII of the Civil Rights Act of 1964. In most cases, reports are received from companies with 100 or more permanent employees. Consequently, the coverage varies substantially from industry to industry, depending on the prevalence of small firms.

<sup>2/</sup> Thousands of persons.

TABLE 3

PERCENTAGE DISTRIBUTION OF EMPLOYED PERSONS BY INDUSTRY<sup>1/</sup>

	1968		1969		1970		1971	
	TOTAL	Negro and other	TOTAL	Negro and other	TOTAL	Negro and other	TOTAL	Negro and other
TOTAL - NUMBER	75,920 <sup>2/</sup>	8,169	77,902	8,384	78,627	8,445	79,120	8,403
Total - per cent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	5.0	5.4	4.6	4.6	4.4	4.4	4.3	3.9
Mining	0.7	0.2	0.7	0.2	0.6	0.2	0.7	0.2
Construction	6.1	5.5	6.2	5.5	6.1	5.2	6.3	5.5
Manufacturing	27.5	24.7	27.3	25.6	26.4	25.0	24.7	23.0
Durable goods	16.3	14.4	16.3	15.2	15.6	14.2	14.5	12.9
Lumber and wood products	0.9	1.8	0.8	1.6	0.8	1.6	0.8	1.5
Furniture and fixtures	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Stone, clay and glass products	0.8	0.9	0.9	0.9	0.8	0.8	0.8	0.9
Primary metal industries	1.7	2.2	1.6	2.4	1.6	2.2	1.5	2.1
Fabricated metal products	2.2	1.8	2.2	1.8	2.1	1.6	1.7	1.2
Machinery, except electrical	2.9	1.2	2.9	1.5	2.9	1.4	2.5	1.1
Electrical machinery	2.6	1.8	2.6	2.0	2.6	1.9	2.4	1.5
Transportation equipment	3.2	3.3	3.2	3.5	2.9	3.3	2.6	2.9
Instruments and related products	0.7	0.3	0.6	0.3	0.6	0.3	0.5	0.3
Miscellaneous manufacturing	0.6	0.6	0.6	0.6	0.6	0.5	0.9	0.7
Nondurable goods	11.2	10.3	11.0	10.5	10.8	10.7	10.3	10.1
Food and kindred products	2.4	2.7	2.3	2.7	2.2	2.7	2.1	2.5
Tobacco manufactures	0.1	0.3	0.1	0.3	0.1	0.3	0.1	0.3
Textile mill products	1.4	1.2	1.3	1.5	1.2	1.6	1.2	1.4
Apparel and other textile products	1.7	2.1	1.7	2.0	1.7	2.0	1.7	2.1
Paper and allied products	1.0	0.7	0.9	0.7	0.9	0.7	0.8	0.7
Printing and publishing	1.5	0.9	1.5	0.8	1.5	0.8	1.5	0.8
Chemicals and allied products	1.6	1.2	1.5	1.3	1.5	1.3	1.4	1.2
Petroleum and coal products	0.3	0.2	0.3	0.2	0.4	0.2	0.3	0.3
Rubber and plastic products	0.7	0.6	0.8	0.6	0.7	0.7	0.7	0.6
Leather and leather products	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.3
Transportation and Public Utilities	6.7	5.6	6.7	5.9	6.8	6.4	6.7	6.6
Trade	18.6	13.5	18.6	13.1	19.1	13.3	20.1	14.2
Wholesale	3.4	2.4	3.4	2.4	3.4	2.3	3.8	2.4
Retail	15.3	11.0	15.2	10.8	15.7	11.0	16.3	11.8
Finance, Insurance and Real Estate	4.8	2.6	4.8	2.8	5.0	3.2	5.2	3.6
Services	19.0	29.6	19.4	28.7	19.6	28.2	20.1	29.1
Government	11.4	12.8	11.5	13.4	11.8	14.1	11.8	13.9
Federal	3.0	4.3	3.0	4.4	2.9	4.6	2.8	4.6
State and Local	8.4	8.5	8.5	9.0	8.9	9.4	9.0	9.3

<sup>1/</sup> Source - Derived from unpublished Household data from the Current Population Survey provided by the Bureau of Labor Statistics - totals may not add due to rounding.

<sup>2/</sup> Thousands of persons.

TABLE 4

## Private Nonagricultural Employment

	Private Nonagricultural Employment <sup>1/</sup>				Per cent Change			Negro and others as a Percentage of total employment in each industry <sup>2/</sup>			
	December 1968	December 1969	December 1970	December 1971 <sup>3/</sup>	1968- 1969	1969- 1970	1970- 1971	1968	1969	1970	1971
	TOTAL	69,039	70,912	70,313	72,030	+2.7	-0.8	+2.4	10.7	10.8	10.7
Mining	616	626	623	604	+1.6	-0.5	-3.0	3.0	3.8	3.7	3.3
Contract construction	3,386	3,474	3,302	3,160	+2.6	-5.0	-4.3	9.8	9.6	9.1	9.3
Manufacturing	20,010	20,068	18,796	18,602	+0.3	-6.3	-1.0	9.7	10.1	10.2	9.9
Durable goods	11,769	11,777	10,738	10,579	+0.1	-8.8	-1.5	9.6	10.1	9.8	9.4
Ordnance and accessories	342	283	212	186	-17.3	-25.1	-12.3	n.a.	n.a.	n.a.	n.a.
Lumber and wood products	613	599	560	593	-2.3	-6.5	+5.9	21.9	21.5	22.0	20.0
Furniture and fixtures	479	478	450	478	+0.2	-5.9	+6.2	10.7	11.4	11.3	11.5
Stone, clay and glass products	654	657	627	627	+0.4	-4.6	0.0	11.3	10.9	10.6	11.9
Primary metal industries	1,321	1,383	1,260	1,172	+4.7	-8.9	-7.0	14.1	15.3	14.4	14.4
Fabricated metal products	1,419	1,440	1,333	1,346	+1.5	-7.4	+1.0	8.5	8.6	8.4	7.7
Machinery, except electrical	1,987	2,062	1,854	1,788	+3.8	-10.1	-3.6	4.4	5.4	5.1	4.7
Electrical equipment	1,982	1,952	1,816	1,804	-1.5	-7.0	-0.7	7.7	8.1	8.0	6.8
Transportation equipment	2,058	1,998	1,773	1,742	-2.9	-11.3	-1.8	11.0	11.8	12.1	11.6
Instruments and related products	471	476	438	435	+1.1	-8.0	-0.7	5.0	4.5	4.6	5.2
Miscellaneous manufacturing	443	449	415	410	+1.4	-7.6	-1.2	9.1	7.9	7.7	8.0
Nondurable goods	8,241	8,291	8,058	8,023	+0.6	-2.8	-0.4	9.9	10.2	10.7	10.5
Food and kindred products	1,790	1,792	1,763	1,740	+0.1	-1.6	-1.3	12.2	12.7	13.0	12.4
Tobacco manufactures	83	81	79	74	-2.4	-2.4	-6.6	26.3	28.8	27.5	32.5
Textile mill products	1,006	1,002	961	977	-0.4	-4.1	+1.7	9.5	11.7	13.8	12.9
Apparel and other textile products	1,410	1,400	1,360	1,354	-0.7	-2.8	-0.4	12.8	12.2	13.0	13.2
Paper and allied products	702	717	695	694	+2.1	-0.5	-0.2	7.9	8.2	8.3	8.2
Printing and publishing	1,079	1,110	1,099	1,090	+2.9	-1.0	-0.8	6.6	6.1	5.6	5.4
Chemicals and allied products	1,049	1,064	1,033	1,001	+1.4	-2.9	-3.1	8.2	8.9	9.1	8.7
Petroleum and coal products	188	190	191	188	+1.1	+0.5	-1.6	7.4	7.8	6.4	8.5
Rubber and plastic products	581	601	566	599	+3.4	-5.8	+5.8	8.7	7.9	10.7	9.4
Leather and leather products	353	334	311	307	-5.4	-6.9	-1.3	8.5	9.0	9.2	9.5
Transportation and public utilities	4,355	4,474	4,450	4,468	+2.7	-0.5	+0.4	9.1	9.4	10.2	10.5
Wholesale and retail trade	14,255	14,844	14,952	16,100	+4.1	+0.7	+7.7	7.8	7.6	7.5	7.5
Wholesale trade	3,664	3,792	3,832	3,911	+3.5	+1.0	+2.1	7.7	7.5	7.3	6.8
Retail trade	10,591	11,052	11,120	12,189	+4.4	+0.6	+9.6	7.8	7.6	7.5	7.7
Finance, insurance and real estate	3,463	3,637	3,731	3,832	+5.0	+2.6	+2.7	5.8	6.3	6.8	7.3
Services	10,925	11,456	11,776	12,023	+4.9	+2.8	+2.1	16.7	15.9	15.4	15.4

1/ Source-Bureau of Labor Statistics Establishment data for employees on private nonagricultural payrolls, seasonally adjusted, thousands of persons.

2/ Source-Derived from unpublished Bureau of Labor Statistics Household data from the Current Population Survey. Because of differences in the method of data collection and the definitions of categories, these data are not strictly comparable with the Bureau of Labor Statistics Establishment data. In particular, categories include some public employment although adjustments have been made where possible.

3/ Preliminary.