*A review by the* **Federal Reserve Bank of Chicago**

# Business Conditions

**1960 July**

**Contents**



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# THE Trend OF BUSINESS

Opinions concerning the probable trend of business activity diverged sharply at mid-year. On one hand, there are those who believe that the stability which prevailed during the second quarter will give way to a renewed uptrend within a few months. At the other extreme are those who believe that a recession is under way which may resemble the declines which began in 1948, 1953 and 1957. The current disagreement, therefore, reflects different evaluations of the nature of the underlying trend at the present time.

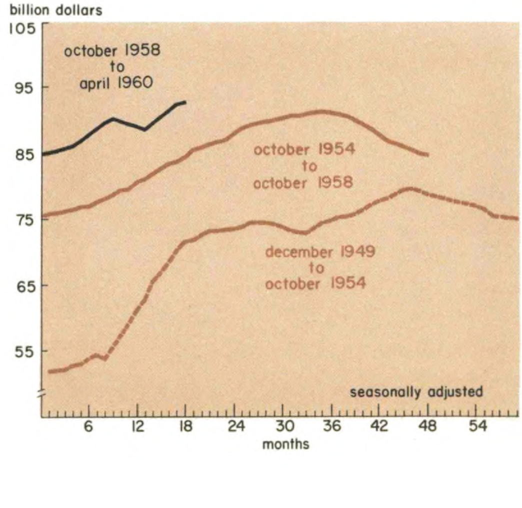
Estimates of consumer outlays and business capital expenditures, which became available in May and June, suggested somewhat less strength in those sectors than had been indicated earlier. The probable trend in business inventories is another source of uncertainty. In the first quarter, inventories were being increased at a near record annual rate of almost 11 billion dollars. Production cutbacks in steel and some other sectors slowed this growth substantially in April. During June, it is probable that there was little net addition to total business inventories. The purchasing agents for many business firms report that they are attempting to keep inventories at minimum levels.

At the end of April, the book value of the inventories of U. S. business firms was a record 92.6 billion dollars, according to the Department of Commerce. This was 4.2 billion or 5 per cent more than at the end of November 1959. The rise in inventories followed reductions in the August-November period of last year when the steel strike curtailed production. Eighty-three per cent of the rise in inventories from the November low to April was in durable goods which account for only about 55 per cent of the total business inventory.

About three-fourths of the November-April rise in durables was at the manufacturing level. It was widely distributed among industries and about equally divided between purchased materials, goods-in-process and finished goods.

While business inventories were rising, business sales about kept pace. As a result, through April at least, no significant change appeared in the relationship of inventories to sales. Moreover, relative to sales, inven-

**Build-up** of business inventories may end earlier than in previous upswings



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tories were only a little larger than a year earlier and considerably smaller than either two or three years earlier. To find a period when inventories bore about the same relationship to sales as at present, it is necessary to go back to 1955.

Inventories, relative to sales, were below the ratios reached prior to the downturn in business in 1957. For all types of business, inventories in April were 1.48 times the monthly sales, seasonally adjusted, compared with 1.60 times in August of 1957.

| | August 1957 | April 1960 |
|---|---|---|
| Manufacturing | | |
| Durables | 2.22 | 2.11 |
| Nondurables | 1.57 | 1.42 |
| Wholesale | | |
| Durables | 1.74 | 1.45 |
| Nondurables | .86 | .79 |
| Retail | | |
| Durables | 2.04 | 1.84 |
| Nondurables | 1.16 | 1.08 |

If business sales decline, inventory-sales ratios will rise because of the momentum of the flow of goods to manufacturers from raw material producers and to wholesalers and retailers from manufacturers. The immediate consequence of a drop in general activity usually is an "involuntary" *increase* in business inventories. For this reason, stock-sales ratios typically move up sharply in the early stages of a business recession. Following the downturn in sales in August 1957, inventories rose to 1.72 times the monthly sales rate in March 1958.

Inventories of many firms and some major industries appear to be high in contrast to to the over-all situation. Household appliances, farm machinery, construction machinery and, of course, automobiles are or have been in this situation. In most of these industries, production cutbacks to correct the inventory imbalance had been instituted prior to mid-June.

In the case of automobiles, an inventory of over 1 million cars is at least 10 per cent higher than in any previous year. But the car inventory passed the million mark last March and has not dropped below that figure since. Nevertheless, production schedules in June were raised appreciably.

There are two explanations for the increase in production of autos in the face of record high stocks. First, important differences exist in the adequacy of dealer supplies of various models, depending upon consumer acceptance and date of introduction. On the average, there was a 45-day supply on June 1, but, by models, the supply ranges all the way from 8 to 80 days. Second, the automobile industry appears to have shifted its view on the size of a "normal" inventory. A few years ago, anything over 30 days was considered "heavy." Now, a 45-day supply appears to be acceptable.

In the case of steel, user inventories were not rebuilt to the level industry experts had thought probable at the start of 1960. But it is certain that production of steel as of mid-June, at 60 per cent of capacity, was well below current consumption, estimated to be in the neighborhood of 75 per cent of capacity. As a result, a cessation of the cutbacks in user inventories of steel would necessitate a higher rate of steel output. Such a development was confidently expected to materialize no later than August. One steel firm has indicated that operations would be higher in July than in June, a contraseasonal development in an industry which usually features a slowdown due to vacations in that month.

The aluminum industry also has reported



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shipments lower than anticipated, in part, because consumers have been reducing inventories. Industry sources indicated that this movement was reaching an end in late May.

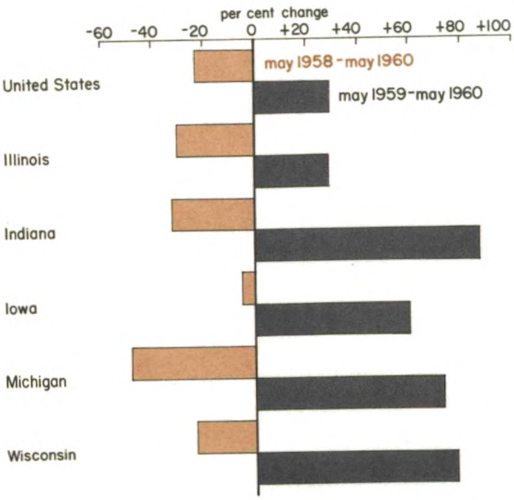
Over-all, the rate of business inventory accumulation slowed greatly during the first half of 1960. Business firms were stressing efficiency of inventory management to cut costs and help maintain or improve profit margins. An easy supply situation for virtually all goods made this possible.

While total inventories generally do not appear to be excessively high, it is conceivable that some decline could occur. This is unlikely, however, unless a drop in total business sales occurs. Inadequate inventories can mean lost sales and reduced profits.

### Jobs in seasonal rise

Total employment rose by over 1 million in May, to a record 67.2 million. This rise

## New claims for unemployment compensation exceed 1959, lag 1958




is considered to be of normal seasonal proportions.

The increase in jobs over a year earlier was 1.2 million. But the number of farm workers declined 600,000. Therefore, nonagricultural employment was 1.8 million over the previous year. Nonagricultural employment had risen by the same amount between May 1958, near the recession low, and May 1959. Despite this rise in employment, unemployment—at 4.9 per cent of the labor force—was the same in May 1960 as a year earlier. The reason is found in the fact that the labor force has increased as rapidly as employment during the past year. In the twelve months, May 1958 to May 1959, there was only a small rise in the labor force. As a result, the gain in employment during that period brought a sharp decline in unemployment.

The trend of employment in the Midwest has not been as strong in recent months as in the nation generally. Layoffs in April and May were concentrated in the durable goods industries, which are dominant in these states. In the early part of the year, new claims for unemployment compensation had been well below the same period a year earlier. Starting with March, this trend was reversed. The increase in unemployment claims for May is shown in the accompanying chart. In all District states except Illinois, the rise in claims was in excess of the national average. But in all the states, claims were still considerably less than in the same weeks of 1958.

### Capital expenditure plans stabilize

In June, the Government issued a new survey of business plant and equipment expenditure plans, superseding the report released in March. In total, the survey shows planned outlays for the year at 36.9 billion



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dollars—off 170 million from the earlier estimate. The gain over 1959 is now expected to be 13 per cent rather than 14 per cent as projected three months earlier.

The difference between the two estimates is insignificant. However, in previous years of rising outlays, there has been a tendency for spending estimates to be raised somewhat as the year moved on. Last year provided an example. The largest reductions, 10 per cent or more, were reported for motor vehicles, electrical machinery and petroleum products. Significant increases were reported for food processing, textiles and mining.

There have been complaints that new orders for capital goods are not materializing as fast as would be expected in view of the reported plans for capital expenditures. Domestic sales of machine tools have not shown much strength, and orders booked by some producers of construction machinery have declined. Also, demand for trucks has fallen off somewhat from the very high level in the early months of this year. The latter situation is understandable in that first-half truck production—725,000 units—was far ahead of any year since 1951. However, there has been excellent demand for "line" pipe, chemical and petroleum processing equipment and a variety of other capital goods.

One reason for the supposed contrast between spending plans and orders for machinery and equipment may be that, in view of the highly competitive conditions prevailing, buyers are holding back new commitments as long as possible in an attempt to benefit from any price reductions.

# The economy's changing money needs

The American public's holdings of liquid assets—money and financial assets readily convertible into money—have risen fairly steadily in the postwar period. Total nonbank holdings of bank deposits, currency, savings bonds, savings and loan shares and short-term Treasury obligations will pass the 400 billion dollar mark this year. Although the growth in the total has been steady, the "mix" has changed significantly in recent years.

Most noticeable, the vast growth in economic activity since World War II has been accompanied by only modest growth in what is usually referred to as "the money supply"—the public's holdings of currency and demand deposits. Total output is now two and one-half times the level of early 1946, and the total volume of checkbook spending is relatively even higher. Yet the money supply has increased only about one-third in the past fourteen years. At the end of April 1960, the money supply, at 139.4 billion dollars, was a billion dollars less than a year earlier, although GNP was about 6 per cent higher.

How and why has this happened? Obviously, the money supply has been used with increasing intensity to accommodate the much greater increase in the volume of transactions. Recently, the rate of turnover of the demand deposits component of the



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money supply has been nearly twice the rate at which deposits were used at the beginning of the postwar period. A major reason for the slow growth in the money supply, and for the rapid growth in money's turnover, has been the attractiveness of substitutes for demand deposits and currency—other liquid assets having the attributes of money.

Individuals, businesses, and other holders of liquid assets have chosen, in recent years, to add more to their holdings of "near monies" than to their holdings of money. Holders of demand deposits have been attracted to time deposits, savings and loan shares, short-term U. S. Government securities and other liquid assets, by high interest rates. At the same time, many businesses and some individuals have minimized checking account balances carried to cover operating requirements.

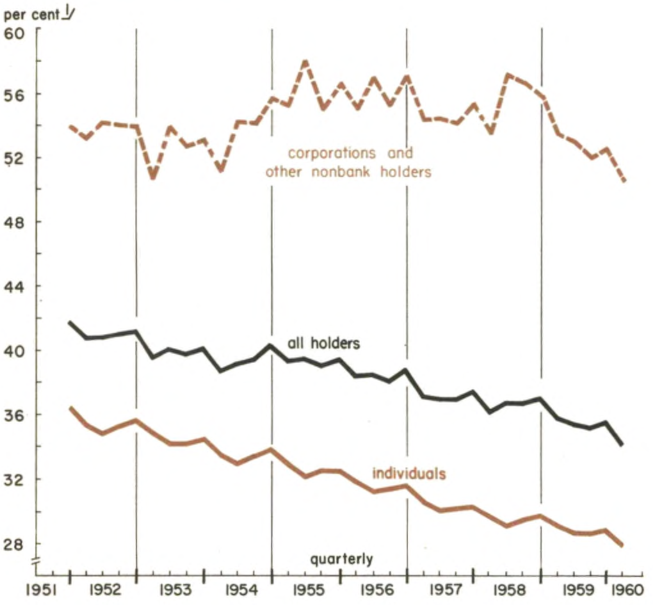
### Types of near monies

In a sense, any financial asset is an alternative to demand deposits for individuals and businesses with funds not immediately needed for consumption or operations. The closest substitutes for money, however, are those financial assets which are highly liquid—that is, which can be converted into money readily at little or no cost. High on the scale of "moneyness" are nonmarketable financial assets which ordinarily can be redeemed at a fixed value without delay, and marketable securities of high quality which have a broad market in which price fluctuations are relatively small. Classifying some liquid assets as near monies and other as less close substitutes for money is essentially an arbitrary decision.

As a form of liquid reserves, commercial bank time deposits are probably the closest substitutes for demand deposits or currency. Time deposits, like demand deposits, are legal obligations of a bank to creditors. Moreover, on regular savings accounts, the major type of time deposit, banks in practice honor withdrawal requests without exercising their right to require a waiting period between the request and payment. Time certificates and other types of time accounts can be redeemed at maturity or after a notice period of usually thirty days.

Funds placed with savings and

**Holdings** of money—demand deposits and currency—have declined relative to total liquid financial assets




[1]Currency and demand deposits as a per cent of total liquid assets (sum of currency, demand deposits, time deposits, savings shares, U.S. savings bonds and short-term direct U.S. obligations).



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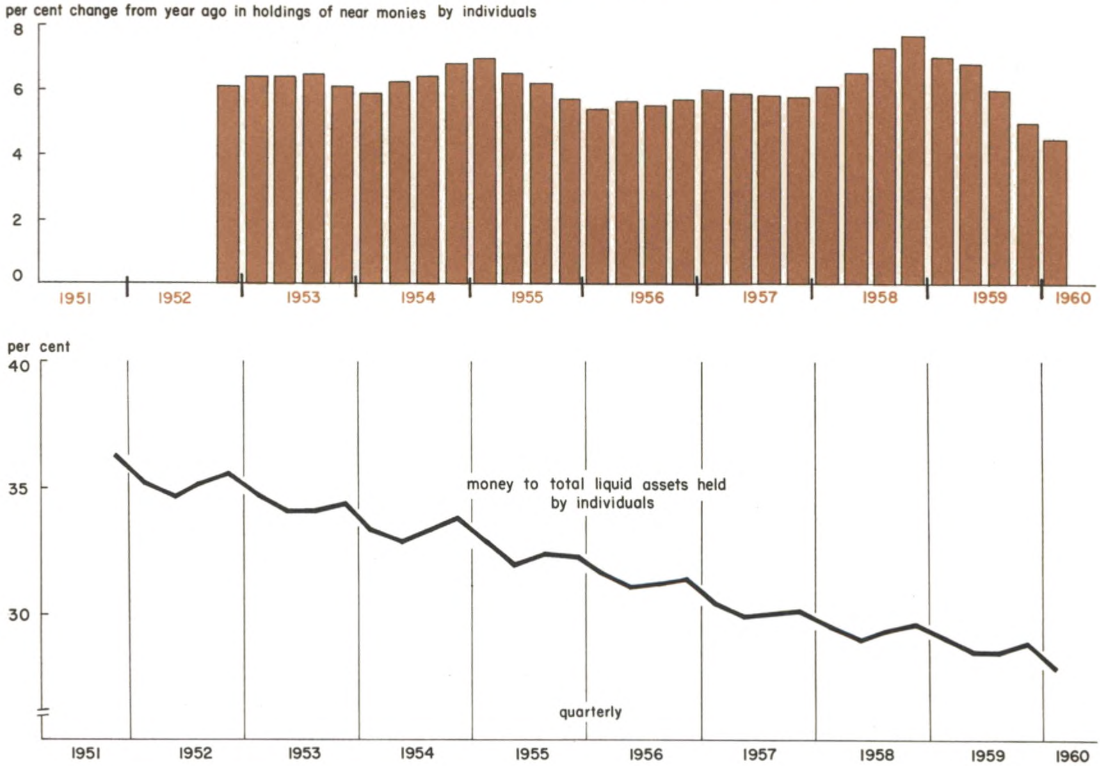
**The growth** in individuals' holdings of near money has declined since the end of 1958 although holdings of near money have increased relative to money




loan associations and credit unions represent equities, not creditor claims on the associations. However, such associations ordinarily endeavor to redeem their shares on demand. Consequently, share accounts, along with U. S. savings bonds, are often used as a repository for liquidity. But, like time deposits, share accounts and savings bonds are not money in the narrow sense of the term since they must be changed into currency or demand deposits before being spent.

Also in the category of so-called near monies are Government securities with near-term maturities, usually arbitrarily taken to include those maturing within a year. Such securities are more actively traded than any other assets, and their short maturities limit the price fluctuations.

Together these money and near money assets in the hands of the public aggregated 395 billion dollars at the end of April 1960. About two-thirds of the total was in the near monies. Over the past decade, the total has increased by nearly 50 per cent. During this period, the money supply narrowly defined has risen by less than 30 per cent.

### Individuals turn to near monies

Close to 80 per cent of the total stock of near monies now is held by individuals, as



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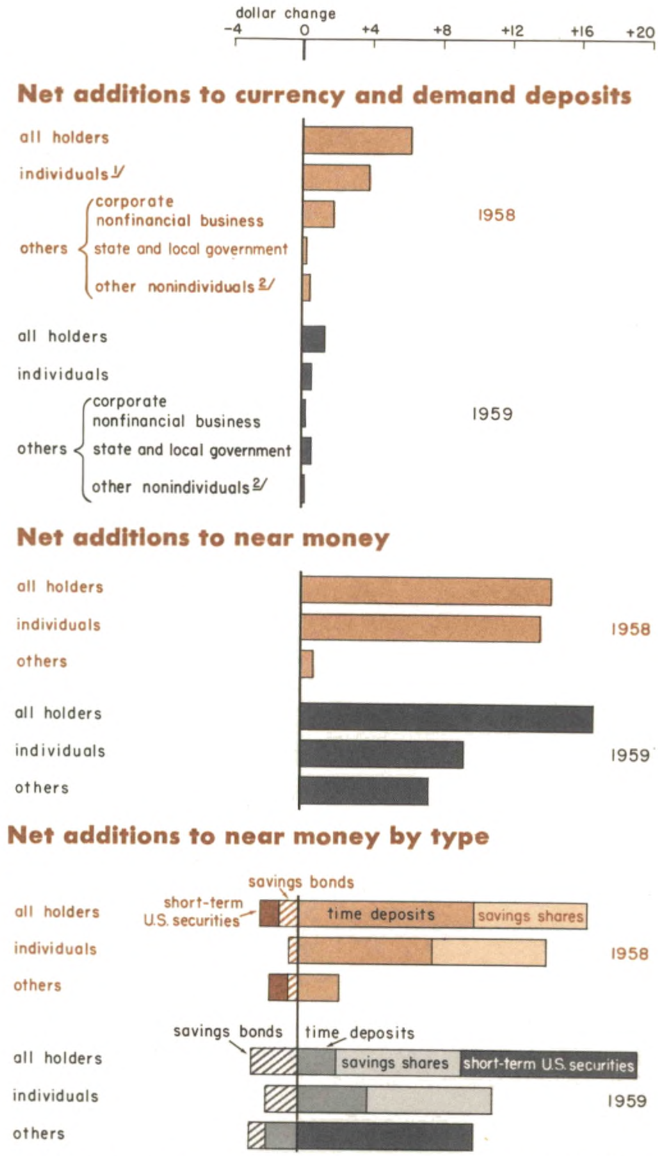
distinct from businesses, state and local governments and other holders of liquid assets. The shift to near monies by individuals has extended over the past sixty years, though with some interruptions. In the booming 1920's, gains in deposits at mutual savings banks and time deposits at commercial banks were on the whole greater than those in money. However, during the depression, lower interest rates and lessened confidence in financial institutions led to a general decline in savings balances. Reflecting the rise in personal income and the scarcity of goods during World War II, holdings of the near monies rose at an accelerated pace. The newly introduced U. S. savings bonds accounted for a very large portion of the increase.

The much faster growth of near monies than of money during the postwar period is attributable to several factors. In general, individuals have been induced, by high returns and prospects of capital gains, to shift away from money to other financial assets, including common stocks as well as the liquid assets considered here. Higher interest rates have been the principal attraction of the near monies. This is reflected partly in the falling off in demand deposits and the surge in time deposits immediately following the announcement by banks of a boost in the rate paid on time funds. The apparent increase in the sensitivity of individuals to

## Additions to holdings of money declined in 1959, while additions to near money rose




[1]Includes farms and unincorporated businesses as well as consumers.

[2]Mostly nonbank financial institutions and foreign residents and governments.



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rates of return shows up also in the rapid growth in recent years of the higher-paying media—savings and loan associations and credit unions. In addition, savings and loan associations have pursued aggressive promotion policies in the postwar period.

Savings in the near monies has been stimulated also by such special techniques as payroll savings plans and the bank plans covering automatic regular transfers of specified sums from the demand to the savings account of a customer. Then, too, holders of larger savings balances seem more prone to shift among alternative media, and the average size of balances has been rising along with family incomes in the postwar period.

On the other hand, with the increased availability and use of instalment credit, consumers have been under less pressure to accumulate demand deposits or currency, by reducing their near money holdings, or otherwise, in anticipation of durable goods purchases. The shorter intervals between pay periods and the greater speed in check clearing, too, have worked in the direction of reducing the amount of funds temporarily held in currency and checking accounts.

During 1959, individuals' holdings of currency and demand deposits increased less than 1 per cent, while their holdings of near monies rose 5 per cent. The comparable 1958 figures are higher—5 per cent and 8 per cent, respectively.

As these figures reveal, the pace of the growth in individuals' holdings of liquid assets slowed down during 1959. When unemployment was increasing and income prospects were uncertain during late 1957 and early 1958, individuals reduced their spending and stepped up their additions to liquid reserves. But when the business climate improved in late 1958 and 1959, the growth of liquid asset holdings was slowed by increased spending on goods or by transfers into Treasury notes and bonds and corporate securities.

The increase in individuals' holdings of demand deposits and currency during 1959 slackened more than the growth in their near money holdings. As a result, the downward drift in the ratio of money to total liquid asset holdings of individuals was slightly larger in 1959 than during the previous year.

**Near money use by businesses**

Businesses, unlike individuals, have stepped up their additions to near monies during recent boom periods. This results largely because short-term Government securities have been the predominant type of near money held, and yields on marketable securities have risen sharply in recent periods of prosperous business. Additions to near monies may mean reductions in demand deposits. Individuals, in contrast, hold only small amounts of Treasury bills, though their use of this near money instrument seems to have been stimulated during the past year.

Corporations, in their efforts to use demand deposits more efficiently, have also increased their use of time and share accounts. Their holdings of these assets, however, remain small relative to their holdings of short-term Government securities.

The use of time and share accounts by businesses has varied with short-term market rates. The sharp expansion in time deposits during the period of declining business in early 1958 was in part attributable to the much larger relative gains in corporate as compared to personal time deposits. The switches by investors between time and share accounts on the one hand, and Government securities on the other, reflect their response to changing interest rates on the various kinds of near monies over the course of the business cycle.



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During 1959, bank deposits and currency owned by corporations remained virtually unchanged. Holdings of Government securities, however, rose by about 4 billion dollars, with some of the new purchases in the high-yielding, short-maturity issues. Rising interest rates during most of the year made investment of temporarily idle funds in short-term Government securities increasingly attractive. The ratio of commercial bank deposits and currency to total liquid assets held by corporations rose in 1958 but fell during 1959.

Over the longer postwar span, money has not declined steadily relative to near monies in the liquid reserves of corporations, as has been the case with individuals. The money-to-total liquid asset ratio of corporations has been volatile, declining in 1953, 1957 and 1959, but increasing in all other years since 1951. In absolute terms, corporate holdings of liquid assets have risen substantially since 1945. However, the opportunities for profitable investment in new plant and equipment, inventories, and receivables have exerted downward pressures on total liquidity positions. Corporate treasurers have worked to minimize cash requirements by close attention to cash inflows and outflows, but the economies effected have appeared more in increases in assets used directly in the business operations than in increases in holdings of near money assets.

# Labor resources in the Sixties

The 500 billion dollar annual rate of output of goods and services in the first half of 1960 was an appropriate beginning for a decade optimistically billed by some as the "Soaring Sixties." Although not everyone is equally confident about the economic prospects for the current decade, there is general agreement that a large *potential* for continued economic growth does exist.

Many of the projections of rapid economic growth are based upon the expectation that population will increase nearly 3 million a year during the current decade. This, it is said, will boost the demand for all kinds of goods and services as well as the capacity to produce them. Demand, however, does not necessarily move hand in hand with population; it can and often does show large swings quite independent of changes in the total number of consumers.

On the other hand, population, insofar as it affects the size of the work force, is one of the limiting factors in economic growth. Also, in an economy in which it is public policy to promote "maximum employment," it may be said that an expanding labor force "requires" economic growth—or increasing leisure, or both.

From the standpoint of the potential labor supply in the 1960's, the most significant feature is that the number of persons of working age, which grew slowly during the last decade, will be growing rapidly. The large number of babies born during the Forties will be reaching maturity. The population age 14 and over will increase by about



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24 million in the next *ten* years—more than in the *twenty* years, 1940-60.

While the population of working age during the next ten years can be estimated quite accurately—it is already in being and estimates probably would be changed significantly only by unusual developments as to death rates or emigration—the prospective actual number of workers for any given year is much less precise. This is because of shifts in the proportion of the population which is "economically active"—that is, working or seeking work.

### Who are the workers?

The official statistics on employment and unemployment are based upon national surveys taken monthly during the week which includes the fifteenth day of each month. Everyone age 14 or over is considered to be employed if, during the survey week, he (1) did *any work at all* either as a paid employee or in his own business, profession or farm, or (2) worked 15 hours or more as an unpaid worker on a farm or in a family business. Members of the armed forces are not counted among the employed; individuals who have jobs but are not working during the survey week because of vacation, illness, bad weather or labor disputes, are considered to be employed.

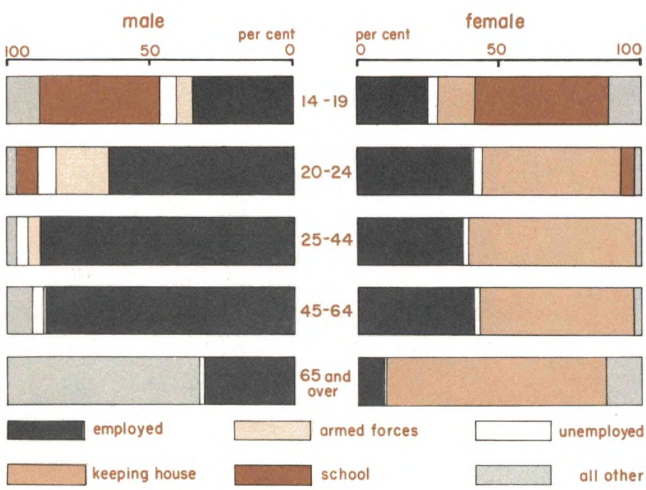
The economically active population of working age—the "labor force"—includes the employed, the members of the armed forces and those unemployed who are looking for work. Although the size of the labor force is frequently used to denote the number of people available for work, it does not always accurately reflect the labor supply. In part, this is because the number of persons who would work at any given time varies somewhat with the availability of jobs.

Also, youngsters under 14 are not included in the labor force. Although most children under 14 are enrolled in school, many hold part-time jobs during the school year and full-time jobs during the summer; a limited number may be employed full-time throughout the year. During the summer months of 1950, it was estimated that over 1 million children age 10 to 13 had some kind of job.

Furthermore, women keeping house are not considered to be employed or part of the labor force. But others hired to perform the same work are included as a part of the employed labor force.

The inclusion of the self-employed in the labor force is, in general, vague and somewhat arbitrary. While women keeping house are excluded, artists and authors are included if they are working at their trade even though their products may not be salable.

**Distribution** of the population of working age, 1959



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### Changes in the labor supply

The proportion of the working-age population employed or looking for work is constantly changing. In an average month in 1959, 52.5 per cent of the working age population was employed, 3 per cent was unemployed and 2 per cent was in the armed forces. In other words, 57.5 per cent of the population age 14 and over was economically active. During World War II, a much larger proportion of the population was employed, unemployed or in the armed forces. In 1944, for example, these groups included 61.9 per cent of all persons age 14 and over.

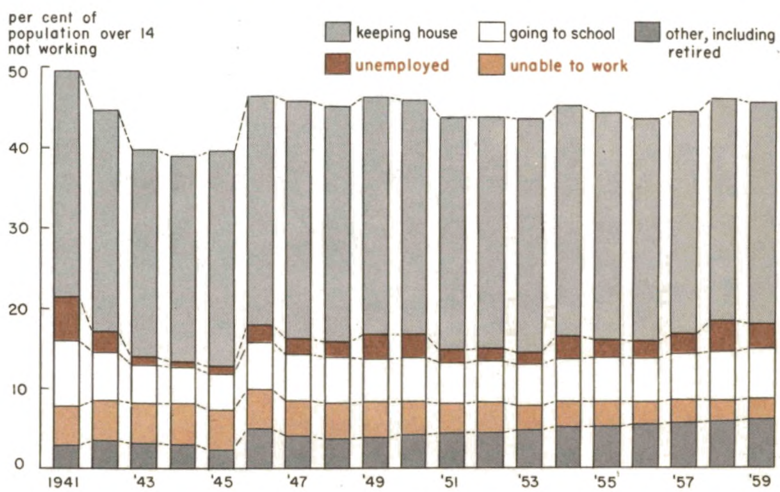
The utilization of the population during war cannot, of course, be considered normal, but less striking fluctuations also occur in peacetime. The economically active proportion of the population age 14 and over declined from 58.5 per cent in 1956 to 57.5 per cent in 1959. The proportion in the armed forces was smaller in 1959, and the proportion unemployed was larger than in 1956. If the same proportion as in 1956 had been economically active in 1959, total employment in the latter year would have been about 1.3 million more than it was.

These fluctuations in the labor force are accompanied by shifts in the reasons given for not working and illustrate the flexibility in the total number that may be drawn into employment from a population of any given size. Under conditions of high labor demand, women keeping house and young people attending school often are attracted into employment. Also, many "unable to work" because of physical or other handicaps find that jobs suited to their capacities are available.

The location of new businesses and residential areas also influences decisions relative to entering the labor force. A new plant in a suburban community, for example, usually attracts a number of the local women into jobs. In general, the reasons given for not working—keeping house, going to school, unable to work, not interested in work—are, in part, only alternatives to not knowing about or finding the kind of work, the location, the compensation or the hours that would be convenient or attractive.

The greatest flexibility occurs in the younger groups, between 14 and 24. Increased military requirements tend to expand the proportion of this age group employed and in the armed forces. Many young men who previously were in school or not

**The reasons** for not working change with shifts in the job market



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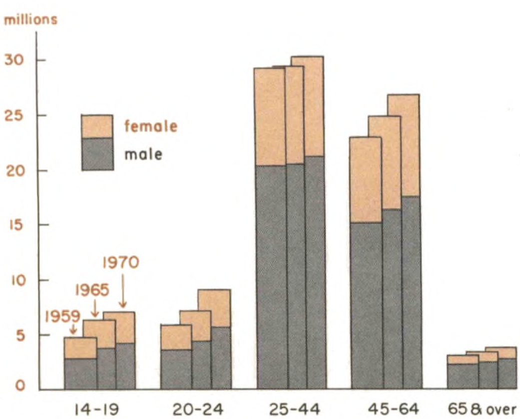
interested in working come into the labor force, and the proportion unemployed declines. Similar but less dramatic changes occur in the proportion of the younger people who seek employment during periods of high-level economic activity during peacetime. Fluctuations in the proportion of younger people *in the labor force* appear to result largely from shifts in the availability of jobs.

The major working group, men 25 to 65 years old, is much more consistently in the labor force. Most of them have important family responsibilities. If laid off, they usually do not leave the labor force but seek another job and during this period are included in the unemployed segment of the labor force.

Women, 25 to 65, are a much more flexible component of the labor force—in part, because keeping house is not considered employment. Women may leave the labor force because of a decline in availability of jobs, change in marital status or husband's earning capacity or addition of children to the family. Also, some women enter the labor force in order to earn money for special purposes. They may desire additional funds to release the family from a temporary financial "bind," to purchase new furniture or to provide the down payment for a house. After the goal is secured, they leave the job market.

The number of **workers age 25 to 44** will not increase substantially in the 1960's




### Ability and willingness to work

While the level of economic activity and the military requirements for manpower can cause many people to be drawn into the labor force, the limits to this flexibility in labor supply are determined by many other factors. Changes in the proportion of the population able and willing to work will depend upon such things as the age distribution of the population and the attitudes and laws concerning overtime, education, Social Security, dependent children, retirement, child labor and the roles of women workers and the aged.

The proportion of the working-age population in school and hence not available for full-time employment has increased, in part because of rising income and the expanding desire for education, and also because of an increase in the number, age 14 to 17. These are more likely to be in school than to be employed.

People over 65, more important numerically and as a proportion of the total population in 1959 than ever before, are being utilized less intensively. The proportion unable to work because of mental and physical illness has declined substantially, but the proportion "not desiring to work" has increased rapidly. Private pension plans, Social Security and high levels of personal income and savings in the past two decades have made it possible for more of those 65 and over to retire. However, the receipt of a



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pension does not always mean that these people leave the labor force.

### The woman worker

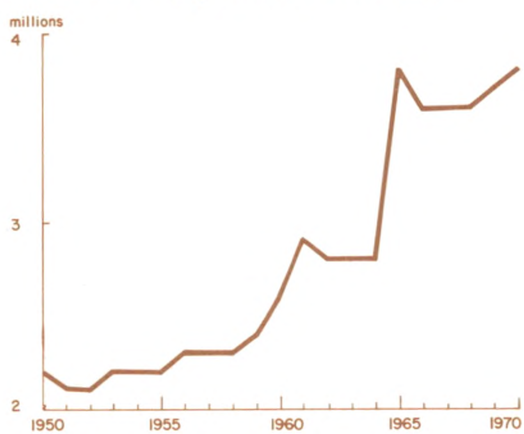
One of the most dramatic and widely publicized trends in employment has been the increased proportion of women working. A number of factors has been responsible. With modern appliances, housework requires less time. The declining birth rate of the 1930's meant that fewer women were "tied down" by child care in the 1940's and could be drawn into employment. The length of the work day and the work week have been shortened, making it possible for many women to work and still do the usual household tasks.

There has been an increase in educational attainment for women and an expansion in the number of clerical jobs. The population shift from rural to urban areas and the location of factories and trade centers in or near suburban residential communities have made it easier for women to find employment.

A major force speeding the entry of women into the labor force was the tremendous surge in requirements during World War II. After the war, women retained many of their newly won positions in American industry.

This has been especially evident for the older women. The younger women have tended to leave their jobs to rear children and do housework. But once the children are grown, many of them have again obtained employment. The number of women working, age 14 to 44, has increased only about 7 per cent since 1950, but the number over 44, for whom care of children is not likely to prohibit employment, increased over 50 per cent between 1950 and 1960.

The number of **people reaching 18** will rise sharply in the mid-Sixties




### Labor supply to climb

If the same proportion of the population age 14 and over were to be employed in 1965 as in 1959, almost 71 million people would be at work, and by 1970 the number would rise to 76.8 million—an increase of over 11 million from the 1959 level. However, if the demand for labor were very strong, comparable to 1956, employment would be on the order of 72.5 million in 1965 and 78.5 million in 1970.

The only group in which the total number of workers is not likely to increase significantly during the 1960's is the age 30 to 44 category. The low birth rates of the 1930's will be reflected in the declining number of people in this age group during the early years of the decade. Typically, a high proportion of the men of these ages is employed, and little expansion can be expected even at high levels of economic activity. Furthermore, increased employment of women cannot be expected to boost the number of workers in this age sector unless there are important changes in the current patterns of marriage and birth rates.



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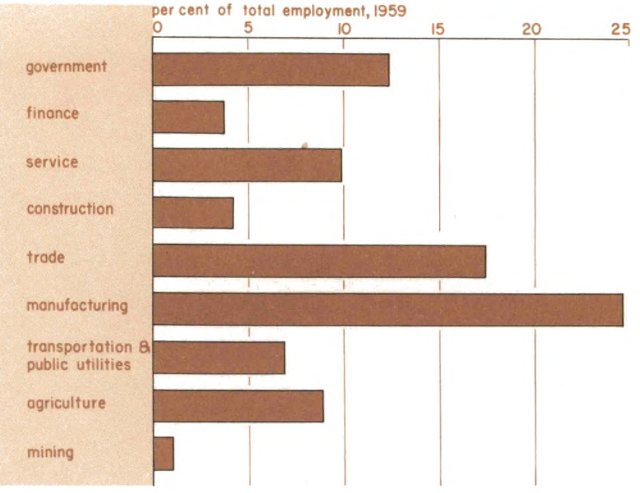
The most impressive feature of the decade is likely to be the large number of young people entering the labor force. Because of the high birth rates after World War II, the number of young people available for work will rise sharply. Those age 18 to 21 will increase from less than 10 million in 1959 to nearly 15 million by 1970. Each year during the current decade 2.6 to 3.8 million persons will reach 18, and many of them will be seeking work for the first time. Even with increases in college enrollment, this group will provide a large growth in the potential labor supply.

**The relative importance** of various industries in the job market, 1959




The increase in the number of workers age 45 to 65 in the 1960's will probably come, for the most part, from increased employment of women. At the current employment rates, the number of women in this age category working is likely to increase 1.3 million by 1970, and, if the trend toward greater participation continues, the increase will be even greater.

Although the number age 65 and over will continue to increase during the decade, their greater financial ability to take it easy may effectively limit any increase in the total number working. If, however, the demand for well-trained workers were strong, this age group could supply some of the additional needs. There has already been some indication that when these people can be used effectively, there is a relaxation of retirement rules.

### The changing job "mix"

The future distribution of employment by industries cannot be foreseen with any degree of clarity. This will be determined by the changing mix of demand for goods and services and the sectors in which machinery can be substituted for manpower. Possibly, recent shifts may provide some suggestion as to probable trends in the Sixties.

During the 1950's, employment in both agriculture and mining declined substantially. Agricultural employment dropped 22 per cent—from 7.5 million to 5.8 million. Relatively, the decline in mining was somewhat larger—24 per cent—but total employment in this sector is much smaller. Those declines reflected rapid progress in mechanization and other technological advances, since total output in both industries increased substantially. It seems quite apparent that an even smaller labor force will be required to produce agricultural products in the current decade.

Construction employment was higher proportionately in 1959 than it had been in 1950. However, the peak had been reached earlier, in 1956.



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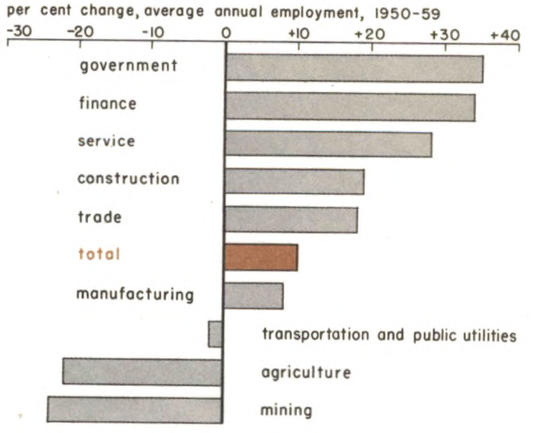
In 1950, the proportion of total employment accounted for by manufacturing was slightly more than 25 per cent; in 1959, it was somewhat less. Between these years, the proportion rose as high as 28 per cent in 1953, when defense production reached a peak. The proportion of workers in manufacturing runs substantially above 25 per cent in industrial centers, of course, but for the nation as a whole it has remained at about one in four.

Altogether, the industries which produce *goods* dropped from 43 per cent of total employment in 1950 to 39 per cent in 1959, a sizable shift within the span of a decade. During the same period, industries which produce *services,* including transportation, public utilities, trade, finance, government and other services, rose from 44 to 49 per cent of the total. Except for transportation, employment in all service groups increased more rapidly than total employment. The rise in relative importance of services reflects both the shift in consumer expenditures and the slower rate of progress in mechanizing the production of services as compared with goods, education and medical services, for example. It is quite possible, therefore, that the tendency for employment to rise relatively in this sector will continue in the Sixties.

**Employment growth** in the Fifties led by "service" industries




If the changing occupational structure of the 1950's continues through the current decade, the need for professional, technical, office and sales workers will be growing much more rapidly than the need for people in skilled, semi-skilled, and unskilled jobs. The rapidly growing occupations require more training and education than the manual operations, and the middle-age groups are more likely to have acquired these qualifications.

The growth potential of the American economy during the current decade will be strengthened as a result of the larger growth in labor force. But with the addition coming largely in the young and unskilled, there may be problems of matching the supply with the needs. Also, the shift in consumer spending with greater emphasis on services may require that a larger proportion of the labor force be utilized in sectors where productivity is relatively low with less promise of rising sharply than in the goods-producing sectors.

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