Research Department
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The Great Job Boom

Most observers have given due credit to the upsurge in physical output over the past two years, but they have tended to slight an equally impressive boom—the great upsurge in employment. Total civilian employment rose by 6 million persons between the middle of 1971 and the third quarter of 1973, with gains of over 500,000 in each of nine consecutive quarters, and October's performance added almost 600,000 more. This is the largest increase in employment for any two-year period since the 1945-47 postwar demobilization.

The boom in employment has received less attention than other business statistics, at least partly because the unemployment rate until last month remained relatively high in terms of previous business-cycle expansions. Until the October decline to 4.5 percent—the Administration's end-year target level—the rate had averaged 4.8 percent for most of 1973. Only in the incomplete recovery of 1958-60 was the unemployment rate consistently higher than in the very strong expansion of 1971-73.

Who got the jobs?
In the third quarter of this year, total civilian employment averaged almost 85 million persons, which is (as noted), about 6 million more jobs than existed in the second quarter of 1971. Payroll employment, which excludes farm workers and the self-employed, rose by nearly 5 million during the period under consideration.

Construction and manufacturing, the two industries most affected by the business cycle, accounted for almost two-fifths of the overall increase, despite the fact that they make up less than one-third of the total workforce. Close to one-half of the job gain came in services (such as medical care and hotels) and in wholesale and retail trade.

Women fared somewhat better than men during this two-year period, obtaining 43.3 percent of the new jobs, compared with 40.0 percent for men and 16.7 percent for teenagers. In view of this shift, the adult-male share of total employment declined from 58.1 to 56.8 percent. But this development does not mean a deterioration in the employment situation of the adult-male group. Quite the contrary, the decline in joblessness for adult men was actually greater in relative terms than it was for either adult women or teenagers.

Why not a drop?
The number of adult males in the civilian labor force grew by less than three-fourths as much as the number of adult women in the labor force in the period under consideration. This is not a new development. For adult males, the labor-force participation rate—the number of persons working or looking for work as a percentage of the total in that particular population group—has declined over the last decade from 94.0 to 90.5 percent. At the same time, participation rates have risen for

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other groups, from 44.0 to 51.3 percent for adult women and from 45.0 to 54.0 percent for teenagers. This shift in labor-force participation rates in favor of those groups with traditionally poorer employment records helps explain the persistence of relatively high unemployment in a period of rapidly growing employment.

The overall unemployment rate dropped from 5.9 to 4.9 percent between the second quarter of 1971 and the third quarter of 1973, but it would have dropped even more if it had been influenced solely by the adult-male rate. (For this key group, joblessness dropped from 4.4 to 3.1 percent over this period.) Unemployment declined among women and teenagers also, but still remained relatively high; this fact, coupled with their growing share of the labor force, helped account for the continued high level of the overall jobless rate.

The adult-male working population as a group possesses a greater degree of continuous work experience and a greater variety of skills and training than either adult women or teenagers. Consequently, the declining rate of labor-force participation of adult men—chiefly due to earlier retirement—has led to shortages of skilled workers in some fields, even though adult men still make up the dominant group in the labor force. Scarcities of experienced workers imply tightness in a wide range of labor markets. This situation in turn generates upward pressure on wage rates, thereby aggravating an inflation problem already made serious by worldwide commodity shortages and other factors.

In comparison with adult-male work patterns, women enter the labor market as new entrants to the labor force, fresh out of school—or as re-entrants, after marriage and child raising. Teenagers generally enter the labor market on a first-time basis, although they might also re-enter the labor force after a period of schooling or not actively seeking work.

Who are the jobless?
During the great job boom of the past two years, the number of jobless declined from 5.0 to 4.1 million, and in the process, revealed a distinct cyclical pattern among the various age-sex categories. In a recession, more adult men are normally unemployed than either adult women or teenagers, not only because men form a larger part of the total work force, but also because they tend to be more

heavily represented in cyclical industries such as construction or manufacturing. Conversely, when good times roll around and these industries recover, relatively fewer adult men show up in the ranks of the unemployed.

In view of the strong recent expansion in adult-male dominated industries, their share of the total jobless pool dropped from 41 to 36 percent over the past two years. In contrast, the relative shares increased for both adult females and teenagers, significantly so for the latter.

Tight labor markets?

The upsurge in employment has probably garnered fewer headlines than the persistence of a relatively high unemployment rate. Indeed, the 4.8-percent jobless rate maintained until recently would normally be considered indicative of widespread slack in labor markets. Yet because of the changing labor-force mix described above, this aggregate measure is not as reliable a measure as usual, and must be supplemented by other measures.

All of the other relevant labor-market indicators are at or near their cyclical peaks—some are at the highest levels of the past two decades—and thus support the evidence provided by the employment figures. For example, the very high level of the quit rate in manufacturing is significant, since it indicates the degree of confidence that workers have in readily obtaining another job after quitting their present job. Other areas of strength include the number of new hires, the length of the factory workweek and of overtime hours, and also the number of job vacancies and of help-wanted advertisements. Several of these indicators have turned down in recent months, but they all remain quite strong.

All of these measures are "leading indicators," so that they normally turn up or down in advance of the turning points of the business cycle—certainly prior to changes in such aggregate measures as the unemployment rate. (However, their timing is not at all precise, varying from a couple of months to a year or more prior to the cyclical turning point.) These indicators may now be foretelling a slowdown, but basically, they point to the continuing tightness of labor markets. These markets may not be getting any tighter, but apparently they are not getting any looser either.

Herbert Runyon

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BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT

(Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 10/24/73	Change from 10/17/73	Change from year ago	
			Dollar	Percent
Loans adjusted and investments*	74,961	+ 471	+9,953	+ 15.31
Loans adjusted—total*	57,435	— 55	+9,534	+ 19.90
Securities loans	943	— 76	— 263	— 21.81
Commercial and industrial	19,907	— 46	+2,675	+ 15.52
Real estate	17,729	+ 66	+3,133	+ 21.46
Consumer instalment	8,797	+ 14	+1,349	+ 18.11
U.S. Treasury securities	5,568	+ 318	— 423	— 07.06
Other securities	11,958	+ 208	+ 842	+ 07.57
Deposits (less cash items)—total*	73,196	+ 148	+8,806	+ 13.68
Demand deposits adjusted	21,748	— 70	+1,199	+ 05.83
U.S. Government deposits	730	+ 137	— 73	— 09.09
Time deposits—total*	49,564	+ 180	+7,664	+ 18.29
Savings	17,514	+ 6	— 832	— 04.54
Other time I.P.C.	22,852	+ 22	+6,162	+ 36.92
State and political subdivisions	5,874	+ 12	+1,043	+ 21.59
(Large negotiable CD's)	11,447	+ 96	+5,434	+ 90.37

Weekly Averages of Daily Figures	Week ended 10/24/73	Week ended 10/17/73	Comparable year-ago period
Member Bank Reserve Position			
Excess reserves	36	— 9	103
Borrowings	189	71	40
Net free (+) / Net borrowed (—)	—153	— 80	+ 63
Federal Funds—Seven Large Banks			
Interbank Federal funds transactions			
Net purchases (+) / Net sales (—)	—410	—173	—321
Transactions: U.S. securities dealers			
Net loans (+) / Net borrowings (—)	—154	—230	+209

*Includes items not shown separately.

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