

Research Department
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Jobs and Jobseekers

In May, the U.S. economy generated 385,000 new jobs, in a continuation of the strong expansion which has now brought total employment to 90.4 million. In May also, the jobless rate declined slightly to 6.9 percent of the civilian labor force—the lowest figure of the past two and a half years, but still a very high rate for this stage of a cyclical recovery. Moreover, the actual number of unemployed remained almost stable, at 6.7 million, during the month.

Those May figures typify the employment-unemployment paradox that has bedeviled policymakers for the past several years. The May increase in jobs was just about double the “normal” monthly increase, yet by the standard means of calculating the unemployment rate, there was little visible improvement in the jobless situation. Ironically, although more jobs are being created than ever before, there are also more people looking for jobs than ever before.

Workers vs. searchers

The expansion in the job market is indeed impressive, with employment increasing by more than 6 million (7 percent) since the early-1975 recession trough. This exceeds the growth in any comparable recovery period of the past two decades, in terms of either numbers or percentage growth. The parallel decline in the jobless rate, from a

peak of 9.0 percent to the present level of 6.9 percent, matches the decline in earlier cyclical recoveries, yet the actual level of joblessness remains higher than in earlier periods.

In earlier times, an improvement of 2 percentage points in the unemployment rate would have brought it easily within the bounds of acceptability. But for a number of sociological and economic reasons—including, importantly, the impact of inflation on family budgets—people are entering the labor market in unprecedented numbers. Thus, the jobless rate cannot be considered in isolation, but must be considered in relation to the percentage of the population active in the labor market. This labor-force participation rate exceeded 62 percent in May—one full percentage point higher than at the recession trough. With the labor force now numbering more than 97 million, this means that nearly one million more people are in the labor force than would have been the case if the participation rate had remained stable over the past two years.

Although faced with a sharp increase in the number of persons seeking jobs, the labor market has been uncommonly successful in accommodating a larger number of jobseekers. The ratio of employment to the working-age popula-

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tion has risen significantly since the cyclical trough, from 55 percent to a near-record 57 percent of the work-age population. That statistic underscores the job-creating ability of this cyclical expansion.

Women vs. men

The recovery period has witnessed a continuation of the long-term upsurge in the number of women workers. Over the past two years, the labor-force participation rate for adult women (20 years and over) has risen 2.5 percentage points to 48.2 percent of that population group. Married women with children comprise a major part of today's female workforce. In fact, more than half of all married women with school-age children have been in the labor force throughout the 1970's. And women with even younger children are also a major factor in the workforce; almost 40 percent of women with children less than 6 years old are now working or looking for work.

The recovery period again has witnessed a continuation of the long-term decline in the relative importance of men workers, especially in older age categories. Over the past two years, the participation rate for adult males has declined by 0.8 percentage points to 79.5 percent of that population group. Only the youngest age categories (20-24 years and 25-34 years) showed increases, while the participation rate for men in the 55-64 age category declined significantly.

The participation rate among these older men had declined gradually (from 90 to 83 percent) between 1947 and 1970, reflecting improvements in retirement and disability benefits over that period. But the trend then accelerated in the 1970's. In 1976, the 55-64 participation rate dropped to 74 percent, reflecting further improvements in retirement plans, which led many such workers to choose early retirement rather than termination in the two recessions of this decade.

Nonetheless, adult men still represent the dominant group in the workforce in terms of size. Despite their declining participation rate, they have accounted for nearly one-third of the total labor-force increase in the recovery period. (Adult women meanwhile have accounted for three-fifths of that overall increase.) Moreover, the adult-male share of the employment growth has exceeded their share of the labor-force increase, reflecting the sharp cyclical expansion of the manufacturing industry, in which adult males are disproportionately represented.

Losers vs. entrants

Despite the normal cyclical decline in unemployment, the actual number of unemployed remained high at 6.7 million this May, compared with a figure of 7.5 million at the bottom of the recession. In neither case, of course, do the figures represent only people losing jobs. In a dynamic and fluid labor market,

many people are considered jobless who are just entering the market, sometimes for the first time and sometimes after a spell outside the workforce. At the bottom of the recession, more than 53 percent of the unemployed were actual job losers—a typical recession phenomenon, given the heavy cut-backs in production at that time. But with the recovery, most of these job-losers have been recalled, so that entrants and re-entrants now account for the bulk of the jobless numbers.

The continued high level of unemployment cannot be attributed to any significant lag in real output. Production of goods and services in

this expansion has increased as fast as in any other expansion of the past two decades—and the same has been true of employment gains. An important contributing factor, however, is one that was missing in earlier recoveries—the larger proportion of the population now seeking jobs. In the mid-1950's, when 4 percent was considered a “normal” unemployment rate, 55 percent of the working-age population was employed; but today, with the jobless rate close to 7 percent, the employment rate has risen to a near-record 57 percent. One is reminded of the Red Queen's advice to Alice: “You must run as fast as you can to stay in the same place.”

Herbert Runyon

NEW PUBLICATION

A supplement to the Spring 1977 issue of the *Economic Review* entitled “The Monetarist Controversy”—featuring a paper by Professor Franco Modigliani with discussion by Professor Milton Friedman—is presently being distributed to subscribers to the *Economic Review*. The monograph is also available free to readers of this publication. To obtain a copy, write or phone the Public Information Section, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco 94120, phone (415) 544-2184.

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BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT

(Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 6/1/77	Change from 5/25/77	Change from year ago	
			Dollar	Percent
Loans (gross, adjusted) and investments*	97,379	+ 1,419	+ 8,378	+ 9.41
Loans (gross, adjusted)—total	74,931	+ 608	+ 7,324	+ 10.83
Security loans	2,054	- 120	- 446	- 17.84
Commercial and industrial	23,967	+ 165	+ 1,759	+ 7.92
Real estate	23,084	+ 98	+ 3,032	+ 15.12
Consumer instalment	13,060	+ 62	+ 1,966	+ 17.72
U.S. Treasury securities	9,261	+ 873	- 212	- 2.24
Other securities	13,187	- 62	+ 1,266	+ 10.62
Deposits (less cash items)—total*	95,884	+ 1,258	+ 7,291	+ 8.23
Demand deposits (adjusted)	27,001	+ 395	+ 1,960	+ 7.83
U.S. Government deposits	230	- 104	- 77	- 25.08
Time deposits—total*	66,376	+ 297	+ 4,983	+ 8.12
States and political subdivisions	5,814	- 73	- 694	- 10.66
Savings deposits	31,840	- 11	+ 5,760	+ 22.09
Other time deposits‡	26,934	+ 361	+ 213	+ 0.80
Large negotiable CD's	9,988	+ 340	- 1,434	- 12.55
Weekly Averages of Daily Figures	Week ended 6/1/77	Week ended 5/25/77	Comparable year-ago period	
Member Bank Reserve Position				
Excess Reserves (+)/Deficiency (-)	- 8	+ 42	+ 166	
Borrowings	8	18	11	
Net free(+)/Net borrowed (-)	- 16	+ 24	+ 155	
Federal Funds—Seven Large Banks				
Interbank Federal fund transactions				
Net purchases (+)/Net sales (-)	- 378	- 197	- 378	
Transactions with U.S. security dealers				
Net loans (+)/Net borrowings (-)	+ 214	- 143	+ 318	

*Includes items not shown separately. ‡Individuals, partnerships and corporations.

Editorial comments may be addressed to the editor (William Burke) or to the author. . . .
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