

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

OCTOBER 1943

Sources of Manpower in the Twelfth District

LABOR shortage is the principal wartime problem of the Twelfth District, threatened labor surplus the principal concern for the postwar future. The labor shortage results from a sharp expansion of industrial production and the concurrent withdrawal into military service of a large number of workers and potential workers. The probability of experiencing substantially full employment after the war depends on how many of the additional jobs, or their equivalent, carry over into the postwar period, and on how many of the additional workers, and of the men already drawn into military service from the area, seek permanent employment in the District.

Little can be said, in specific terms, about the probable or potential number of postwar jobs. The amount of the wartime increase in jobs and the direction in which it has been concentrated are pertinent points of departure for judging the extent to which the increase may persist. Similarly, while it is impossible to foretell how many of the people who have come into the District's labor force will remain in it, determination of their number and sources should help to define the magnitude of the problem.

Unbalanced Increase in Employment

Employment in nonagricultural establishments and on farms in the District is estimated to have increased by 1,302 thousand from an average of 3,575 thousand in 1940 to 4,877 thousand in June 1943.

EMPLOYMENT IN NONAGRICULTURAL ESTABLISHMENTS AND ON FARMS—TWELFTH FEDERAL RESERVE DISTRICT
(in thousands)

	Total	Agricultural	Manufacturing ¹	All Other ¹
Monthly Average, 1940.....	3,575	694	686	2,195
June, 1943	4,877	699	1,544	2,634
Increase	1,302	5	858	439

¹ Manufacturing activities in Government yards and depots included in All Other.

Note: Figures exclude proprietors of unincorporated businesses, the self-employed, domestic servants, casual workers, and unpaid family workers other than farm family workers. An estimate of about 600 thousand for the excluded groups, as of April 1940, can be derived by subtracting employment in nonagricultural establishments and on farms from the total number reporting themselves employed in the 1940 census. The derived figure is in error by any discrepancies between the two sources of data.

Source: United States Bureau of Labor Statistics, except for agricultural employment, for which it is United States Bureau of Agricultural Economics.

Two-thirds of this increase has been in manufacturing employment, and over 90 percent of the growth in manufacturing has been in shipbuilding and aircraft. Including Navy yards and repair work in military air depots, these two industries now employ half again as many workers as did all manufactures before the war. The older estab-

lished industries serving civilian markets have grown over a long period much more slowly than the wartime rate of expansion in the production of military goods. It would require many years at the prewar rate of growth for those industries to provide as many jobs as now exist in manufacturing enterprises in the District. But the war also has brought important metal producing and metal working industries, which are capable of supplying raw and semi-finished materials and parts, to manufacturers of civilian as well as of military goods. Even if, as is expected, shipbuilding and aircraft production fall to a fraction of their present levels, the consequent reduction in the number of jobs may be balanced in part not only by resumption of activities which have been curtailed because of raw material or labor shortages, but by the conversion of war industries to the manufacture of new peacetime products on a sizeable scale. From the standpoint of the total number of jobs available after the war, the most important question is the extent to which such conversion is physically possible and economically feasible. This and other questions concerning availability of jobs represent one side of the problem. The other has to do with the number of people wanting jobs, and it is to this side of the problem that the following discussion is related.

Population

Resident civilian population in the seven western states in June 1943 was 789 thousand greater than total population in April 1940, when the most recent decennial census was made. With the exception of Idaho, all of the states experienced some gain, despite heavy withdrawals into the military services.

Increases were limited to the chief urban industrial centers, with the remainders of the various states, for the most part, losing population. An apparent exception is Arizona, where population grew in both the Phoenix area and in the rest of the state. In this instance, however, the "remainder" includes both a second urban industrial area in and around Tucson, and counties in which 28 thousand Japanese have been relocated.

The two largest urban areas, centering in Los Angeles and San Francisco, experienced the greatest absolute increases in population. Relative to 1940, however, the greatest gains occurred in the Las Vegas, San Diego, Portland-Vancouver and Seattle-Tacoma-Bremerton areas. Las Vegas, with over two and a half times its prewar population, is an extreme example of the effect of

★ *Back the Attack* ★ *Buy War Bonds* ★

locating important war production facilities in or near a small community.

POPULATION AND IN-MIGRATION—TWELFTH FEDERAL
RESERVE DISTRICT
(April, 1940—June, 1943)

State Area	Total Population Apr. 1, 1940 (in thousands)	Civilian Population June 30, 1943 (in thousands)	Ratio 1943 to 1940 (in percent)	Net In-migration 1943 to 1940 (in thousands)	Ratio In-migration to 1940 Population (in percent)
Arizona	499	574	115	89	18
Phoenix Area	186	208	112	29	16
Remainder of State	313	366	117	60	19
California	6,907	7,453	108	923	13
San Francisco Bay Area	1,462	1,722	118	356	24
Los Angeles Area	2,786	2,984	107	352	13
San Diego Area	289	386	134	112	39
Remainder of State	2,370	2,361	100	103	4
Idaho	525	465	89	-40	8 (loss)
Nevada	110	136	124	34	31
Las Vegas Area	16	42	263	27	169
Remainder of State	94	94	100	7	7
Oregon	1,090	1,146	105	121	11
Portland-Vancouver Area	355	434	122	107	30
Remainder of State	735	712	97	14	2
Utah	550	584	106	42	8
Salt Lake-Ogden Area	268	307	115	44	16
Remainder of State	282	277	98	-2	1 (loss)
Washington	1,736	1,848	106	203	12
Seattle-Tacoma-Bremerton Area	731	894	122	164	22
Portland-Vancouver Area	50	81	162	32	64
Remainder of State	955	873	91	7	1
Twelfth District Total	11,417	12,206	107	1,372	12
All Urban Areas Combined	6,143	7,058	115	1,223	20
All Remainders of States	5,274	5,148	98	149	3
Portland-Vancouver Area					
Total	405	515	127	139	34

Areas: Each "area" is composed of the counties containing the cities used in identifying the area, with the exception of "San Francisco Bay Area" which is Alameda, Contra Costa, Marin, San Francisco, San Mateo and Solano counties.

Sources of Data: Both the 1943 population figures and the estimate of net in-migration are based on registrations with the Office of Price Administration for War Ration Book II. The registration figures purport to exclude all members of the armed forces who receive sustenance in kind or who are messed separately under an officer's command. Failure to register, dishonest duplicate registration, or neglect in returning books issued persons subsequently deceased or becoming ineligible, may introduce errors into the basic data. Uncertainty as to accuracy is greater in a small geographic area than in a state or in combinations of states or areas. Errors are not believed to be excessive in any case.

Migration

Net in-migration, which has been much more important than natural increase in this period of rapid growth, added 1,372 thousand persons to the District's population between April 1940 and June 1943. This is 583 thousand more than the population increase, the difference being the excess of military withdrawals over natural increase. The figure of 1,372 thousand measures only net migra-

Distribution and Trade—

Index numbers, 1935-39 daily average=100	With Seasonal Adjustment				Without Seasonal Adjustment			
	1943		1942		1943		1942	
	Aug.	July	June	Aug.	Aug.	July	June	Aug.
Retail Trade								
Department Store Sales (value)								
Twelfth District	p198	199	200	172	p180	165	184	158
Southern California	p192	195	199	166	p179	166	183	155
Northern California	p174	186	179	151	p158	152	165	139
Portland	p199	205	203	180	p190	174	194	173
Western Washington	p240	241	245	217	p226	199	227	204
Eastern Washington and Northern Idaho	p197	176	183	168	p178	156	173	152
Phoenix	p283	232	235	228	p197	176	200	159
Carloadings (number)¹								
Total	p103	117	107	107	p119	119	115	123
Merchandise and Misc.	p114	117	123	116	p127	125	131	130
Other	p 89	118	85	95	p108	112	95	115

¹ 1923-25 daily average = 100.
pPreliminary.

tion to the District; in other words, only the difference between in-coming and out-going population is reflected in the figure. In the more congested centers, transportation, housing, and general living conditions are, or have been at one time, so unsatisfactory that some of the in-migrant workers leave after a relatively brief experience. Furthermore, some localities have attracted population from other parts of the District and the latter areas, in turn, have offset their losses, at least in part, by drawing on still other regions. The urban communities with the greatest volume of supply contracts have gained population from their own hinterlands, and from other states in the District, as well as from outside the District. With these intra-district movements, the total shifting of population has been several times the net amount of in-migration.

Sources of Increased Manpower

The increase in Twelfth District manpower requirements in nonagricultural establishments and on farms consists of the 1,302 thousand by which employment has increased, plus the replacement of workers withdrawn by military inductions and enlistments. The requirements have been met by in-migration and by increased intensity of employment of the population.

Net in-migration has been the most important single source of additional manpower. It has furnished 686 thousand workers. Substantially all of the 488 thousand unemployed and of the 215 thousand on emergency work in 1940 presumably have been absorbed. The age distribution of the population in 1940 was such that a net increase in the number of persons in the age groups most likely to be in the labor force could have been expected by 1943. This is estimated to have supplied about 70 thousand workers, without allowance for migration and military withdrawals.

The propensity to seek work, under the stimulus of the war effort, has assisted materially in meeting ex-

Production and Employment—

Index numbers, 1923-25 average=100	With Seasonal Adjustment				Without Seasonal Adjustment			
	1943		1942		1943		1942	
	Aug.	July	June	Aug.	Aug.	July	June	Aug.
Industrial Production¹								
Lumber ^{2,3}	p127	141	138	134	p152	150	156	162
Refined Oils	—	—	—	—	198	192	194	184
Cement	135	137	145	226	151	150	165	203
Wheat Flour	121	126	130	117	121	110	115	117
Petroleum	—	—	—	—	118	118	118	110
Electric Power	p389	378	385	318	p426	422	413	349
Factory Employment and Payrolls^{2,4}								
Employment								
Twelfth District	309	310	306	252	311	311	306	255
California	371	370	365	290	372	370	365	291
Pacific Northwest	226	231	236	211	230	232	234	215
Oregon	220	230	230	197	226	232	232	203
Washington	229	230	238	218	232	232	232	222
Intermountain	161	164	164	146	161	168	168	148
Payrolls								
Twelfth District	613	622	611	446	624	617	613	456
California	726	717	708	502	730	716	712	506
Pacific Northwest	453	497	487	382	481	487	485	406
Oregon	399	451	430	335	428	434	434	360
Washington	484	523	520	410	511	518	514	433
Intermountain	335	334	304	227	324	327	322	223

¹ Daily average.

² 1935-39 average = 100.

³ Revised series. Back figures will be supplied on request.

⁴ Excludes fish, fruit, and vegetable canning.

pPreliminary.

panded manpower needs. A greater proportion of young people, of housewives, and of men nearing or past retirement age have taken or retained jobs. Shifting of some of the proprietors of unincorporated businesses, self-employed, domestic servants, casual workers, and family workers other than farm family workers, into employment in non-agricultural establishments and on farms, or into military service, has also counted in meeting the increase in manpower requirements as defined above. Measurement of the total addition resulting from increased participation of young people, housewives, etc., and of whatever number of proprietors, servants, etc. may have shifted occupations, is not directly available. The difference between this total and military withdrawals can be derived, however, and military withdrawals were larger by about 155 thousand.

Permanence of Increased District Labor Supply

A fairly large number of the workers who made it possible for Twelfth District industry and agriculture to expand employment by 1,302 thousand may be unwilling to drop out of the District labor force when the war ends. A substantial part of the housewives will withdraw if their

husbands have jobs or reasonable assurance of jobs, however, and many of the young people will quit and many of the old ones may retire. Former domestics may be unwilling to give up factory jobs, at factory wages, for what they formerly earned as servants, but the opportunity in domestic service will exist for them or for others. The same will hold, more or less, for the casual workers, proprietors and self-employed who may have shifted from their earlier occupations. Some of those who have migrated to centers of war production doubtless will return to their prewar homes. Other in-migrants, however, have brought their families and possessions, with full intention of permanent settlement in the District. The previously unemployed and those on emergency work programs in 1940 can hardly be expected to return voluntarily to their former status. In addition, the demobilized military personnel will be seeking employment.

Unless the war industries of the District can convert their facilities to the manufacture of peacetime products, the number of jobs in the District will be much smaller than at present. The number wanting work in the District is likely to exceed by a wide margin the number employed in 1940. The threat of a serious labor surplus is real.

Government Finance and Bank Credit

Bank Deposits and Coin and Currency in Circulation

DURING the four weeks ending October 6, which included the period of the Third War Loan Drive, purchases of Government securities by individuals, corporations, and other non-bank buyers temporarily halted the expansion in bank deposits and coin and currency in circulation which has been evident over the past two years or more. Payment for those purchases by non-bank investors drew heavily upon deposits and to a much smaller extent upon cash holdings of the public. Adjusted demand deposits of Twelfth District member banks declined about 6 percent during the period. This decline was in marked contrast to the persistent increase of other recent months which has averaged about 4 percent monthly since the first of the year. The steady increase in the demand for currency also was interrupted, although not to the same degree. Coin and currency in circulation remained almost unchanged in the two weeks ending September 22. The

upward movement was resumed before the end of September, but the increase of 34 million dollars over the four weeks ending October 6 was substantially smaller than increases in other recent months.

The decline in demand deposits was not accompanied by any similar reduction in time accounts, although the moderate but persistent increase in time accounts, which has been evident over the preceding six months, was interrupted. The total of these accounts on October 6 was virtually unchanged from the level of four weeks earlier. Funds held in time accounts apparently were not used on any large scale for the purchase of Government securities.

Loans and Investments of Member Banks

Loans of weekly reporting member banks increased by 180 million dollars or 20 percent to a total of 1,103 million during the period, September 8 to October 6. Loans for purchasing or carrying securities increased 63 million dollars during the four weeks to total 93 million on October 6. A considerable portion of these loans was probably made for the purchase of Government securities. The only other increase of some magnitude occurred in commercial, industrial, and agricultural loans, which increased by 60 million dollars to total 520 million. During the same period, investments of reporting member banks rose by 244 million dollars or 7 percent to 3,635 million. Increased holdings of Treasury bills and certificates of indebtedness accounted for two-thirds of the increase.

In the subsequent two weeks, loans declined slightly, but investments of reporting member banks increased further by 315 million dollars. This increase was largely the result of allotments of the issues of $\frac{7}{8}$ percent certificates of indebtedness and 2 percent bonds offered by the Treasury for cash subscription to commercial banks only.

Banking and Credit—

Averages of Wednesday figures (millions of dollars)	1943 Sept.	Change From		1942 Sept.
		1943 Aug.	July	
Condition Items of Weekly Reporting Member Banks				
Total loans.....	970	+ 56	+ 55	— 72
Com'l, ind. & agric. loans.....	472	+ 23	+ 31	— 5
Loans to finance securities transactions.....	70	+ 33	+ 27	+ 31
Real estate loans.....	325	— 4	— 4	— 46
All other loans.....	103	+ 4	+ 1	— 52
Total investments.....	3,456	+ 69	+173	+1,532
United States Gov't securities.....	3,025	— 62	+ 41	+1,530
All other securities.....	431	+131	+132	+ 2
Adjusted demand deposits.....	2,493	+ 30	+ 76	+ 690
Time deposits.....	1,265	+ 33	+ 47	+ 168
United States Gov't deposits.....	495	+ 59	+ 69	+ 426
Coin and Currency in Circulation				
Total (changes only).....	—	+ 91	+153	+ 714
Fed. Res. notes of F. R. B. of S. F.	1,625	+ 8	+ 62	+ 573
Member Bank Reserves.....	1,372	+ 48	+ 68	+ 133

Summary of National Business Conditions

Released September 22, 1943—Board of Governors of the Federal Reserve System

INDUSTRIAL activity and war expenditures were maintained in August at a high level. Commodity prices showed little change. Retail trade continued in large volume.

INDUSTRIAL PRODUCTION

Output of manufactures and minerals showed little change in August and the Board's seasonally adjusted total index of industrial production remained at the July level. Production of durable manufactures increased. Output of iron and steel continued to advance and reached the peak levels achieved earlier this year. There were further slight increases in activity at war plants in the transportation equipment industries. Output of other durable products showed little change.

Production of nondurable goods declined in August, reflecting further decreases in output of textile, leather, and food products. Cotton consumption in August was about 15 percent lower than the same period a year ago and was at the lowest level since the beginning of 1941. Leather output has also declined in recent months and is currently close to prewar levels. Activity at meat-packing plants showed the usual seasonal decline in August but preliminary figures indicate that output was about one-fifth larger than a year ago. Output of most other manufactured foods declined somewhat further. Production of petroleum, coke, and rubber products continued to advance in August while chemical production showed little change. Production of crude petroleum continued to rise and in August was in the largest volume on record. Lake shipments of iron ore likewise reached a record level. Production of coal and metals was maintained in large volume.

DISTRIBUTION

Department store sales continued large in August and the first half of September. Increases during this period were less than seasonal, however, following maintenance of sales at a comparatively high level during July. For the year to date value of sales at department stores has been about 13 percent greater than in the corresponding period last year, reflecting in part price increases. Inventories at department stores have increased in recent months and are now somewhat higher than at the beginning of this year, indicating that receipts of new merchandise have been in excess of the value of goods sold. Total carloadings were maintained in large volume during August and the first half of September. Shipments of grain showed a less than seasonal decline from the peak reached in July and were one-fifth larger than August a year ago.

COMMODITY PRICES

The general level of wholesale commodity prices continued to show little change in August and the early part of September. Prices of lumber and newsprint were increased, while prices of fruits and vegetables showed further seasonal declines.

In retail food markets prices of apples and fresh vegetables decreased further from mid-July to mid-August. The Bureau of Labor Statistics cost of living index declined one-half of one percent as decreases in foods were partly offset by small increases in retail prices of other goods and services.

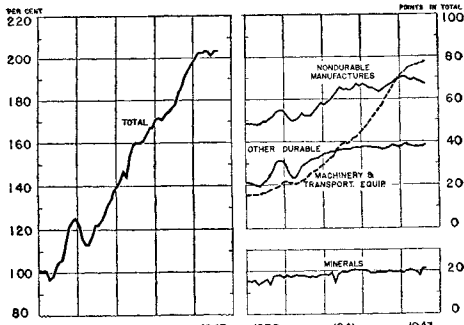
AGRICULTURE

General crop prospects declined slightly in August according to official reports. The forecast for corn production was raised by 3 percent to almost 3 billion bushels, while prospects for other feed crops declined. Production of cotton indicated on September 1 was 11.7 million bales as compared with a crop of 12.8 million last season. Milk production in August was estimated to be 2 percent smaller than output a year ago, while marketing of most other livestock products continued in larger volume than last year.

BANK CREDIT

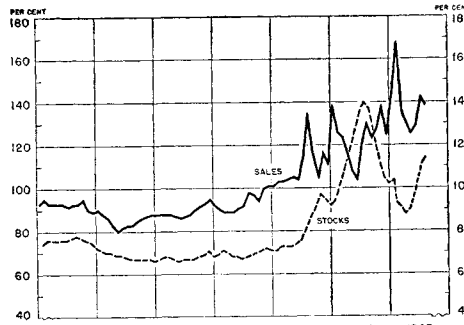
In mid-September excess reserves of member banks rose sharply to about 2 billion dollars from the average level of about 1.1 billion which had prevailed in the latter part of August and early in September. This increase was due in part to the fact that the Treasury was making disbursements out of temporary borrowing from Reserve banks on special certificates in anticipation of tax collections and receipts from the Third War Loan Drive. It also reflected in part a substantial decrease in required reserves at the middle of the month when funds from individual and corporate deposits were transferred to Government loan accounts which are not subject to reserve requirements. During the four weeks ended September 15 the Reserve System holdings in Government securities increased by about 1 billion dollars in addition to the special certificates taken directly from the Treasury. Most of the increase was in the form of Treasury bills sold to the Reserve banks with sellers retaining the option to repurchase. Over this four-week period currency in circulation increased by about 560 million dollars to a total of 18.8 billion outstanding.

In the last two weeks of August and the first week of September, reporting member banks in 101 leading cities showed a net decline in security holdings as a result of the sale of bills to the Reserve System. In the week ending September 15, however, some non-banking holders sold securities to the banks in anticipation of purchases during the Drive, and bank holdings also increased through repurchase of bills from the Reserve System. Commercial loans which had expanded by 100 million dollars in July and in August, increased by 250 million during the week ending September 15. This increase in commercial loans was shared by both New York and other reporting member banks. In the week ending the 15th, loans to brokers and dealers in New York City increased 370 million dollars, most of which was for purchasing and carrying Government securities, and there was also an increase in loans on securities to others.



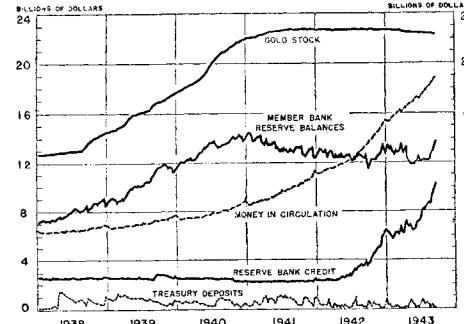
INDUSTRIAL PRODUCTION

Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100 for total. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for August.



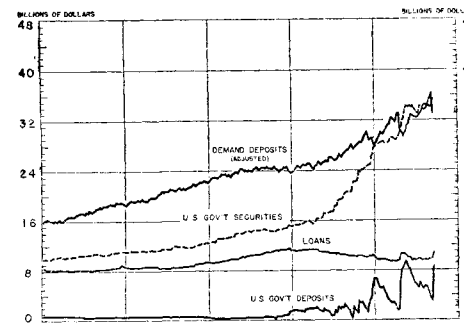
DEPARTMENT STORE SALES AND STOCKS

Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average=100. Monthly figures, latest shown are for August.



MEMBER BANK RESERVES AND RELATED ITEMS

Wednesday figures, latest shown are for September 15.



MEMBER BANKS IN LEADING CITIES

Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for September 15.