

Job growth moderated in 1989 while unemployment held steady

The slowdown in employment growth occurred across most industries, with actual job losses concentrated in manufacturing; unemployment was relatively stable, averaging 5.3 percent

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Job growth moderated in 1989, and unemployment held steady for most of the year, as the U.S. economic expansion extended to 7 consecutive years. The overall deceleration in employment growth resulted largely from pronounced weakness in manufacturing, where employment actually declined during the year, reflecting slower growth in domestic consumption and weaker export growth. Although actual job losses were concentrated in manufacturing, nearly all other industries showed smaller job gains in 1989 than in 1988.

Despite this slowdown, the unemployment rate showed very little change during 1989. After slipping to 5.2 percent in the first quarter, it then registered 5.3 percent each quarter thereafter. Similarly, the number of unemployed persons in the fourth quarter, at 6.6 million, was little different from the year-earlier figure. The pattern of little change in unemployment over the year held for the major demographic groups.

This article is the most recent of a continuing annual series on the status of the labor market.

Overview of the economy

The pronounced slowdown in labor markets in 1989 reflected a diminution in overall economic growth. The rate of growth in real gross national product (GNP)—the Nation's total output of

goods and services—moderated from the 1988 pace, reflecting marked declines in auto production and new home construction, as well as a slowdown in export growth. In the first quarter, the economy grew at a seasonally adjusted annual rate of 3.7 percent, although much of this relatively strong growth reflected the temporary resurgence in agricultural output following the 1988 drought. Evidence of slackening growth became clearer in the second and third quarters, when real GNP expanded at annual rates of 2.5 and 3.0 percent, respectively. By the fourth quarter, the economy had slowed much further, as advance data showed the economy growing at an annual rate of 0.5 percent.¹ This was the smallest increase since the second quarter of 1986, when GNP actually declined. (It is important to note, however, that some of the weakness in late 1989 may have reflected the temporary effects of labor-management disputes, as well as the impact of several natural disasters which occurred in the fall.)

The moderation in economic growth in 1989 reflected slower expansion in a number of sectors of the economy, but was most apparent in manufacturing. Industrial output, which had been expanding rapidly over the 1987-88 period, slowed markedly during the year. Much of the weakness reflected a slowdown in spending on the part of American consumers. Slower consumption was most obvious in the reduced

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demand for, and ultimately, production of, durable goods—particularly autos. Car sales began softening early in 1989, leaving dealers with excessively large inventories. Although automakers responded by periodically offering consumer incentive programs over the rest of the year, unit sales of domestically manufactured autos for all of 1989 were still down from 1988 levels. Slower than expected sales forced manufacturers to curtail production in order to trim inventories. As shown in chart 1, the industrial production index for motor vehicles and parts, which had been trending upward in 1988, dropped sharply in 1989.

Another factor which figured prominently in the manufacturing slowdown was the slackening in export growth. Over the 1987–88 period, strong export growth had played a major role in the robust expansion in manufacturing. The decline in the value of the dollar since early 1985 had made American-manufactured goods quite attractive to foreign buyers, and many industries, notably machinery, chemicals, and primary metals, benefited substantially from the ensuing export growth. However, the dollar stopped declining in 1988, and then began rising slowly. Although the dollar's value started

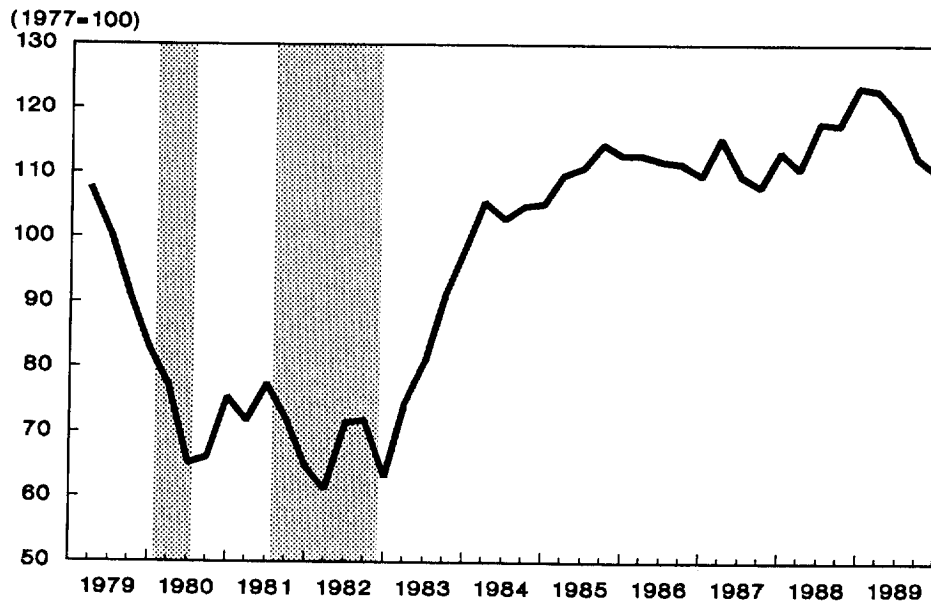
softening again by the fourth quarter of 1989, as of December, its level was still a bit higher than a year earlier.² While the increase in the value of the dollar in 1989 was relatively small, it appeared to dampen export performance. Export growth slowed markedly in the second half of the year.

Construction activity also moderated in 1989. Reflecting steep increases in mortgage interest rates in the first few months of the year, housing starts fell sharply from late-1988 levels. As mortgage rates started to decline around mid-year, the number of new housing starts recovered a bit. Despite the general moderation in interest rates in the second half, however, new home construction remained below the 1988 pace. It is important to note that the trend in new homebuilding has generally been down since the beginning of 1986, as shown in chart 2.

Employment

The moderation in output growth in 1989 was evident in both nonagricultural payroll employment, as measured by the Current Employment Statistics program (CES, also known as the establishment survey), and total civilian employment, as measured by the Current Population

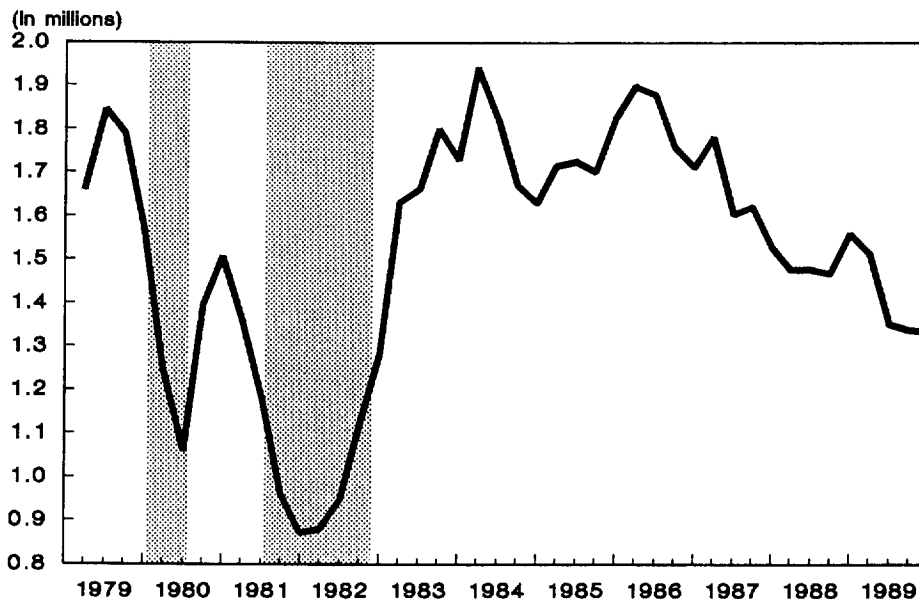
Chart 1. Industrial production index for the motor vehicles and parts industry, seasonally adjusted quarterly averages, 1979–89



NOTE: Shaded areas represent recessionary periods as designated by the National Bureau of Economic Research.

SOURCE: Board of Governors of the Federal Reserve System.

Chart 2. New privately owned housing units started, quarterly averages, seasonally adjusted annual rates, 1979-89



NOTE: Shaded areas represent recessionary periods as designated by the National Bureau of Economic Research.

SOURCE: Data points are quarterly averages of monthly figures published by the U.S. Bureau of the Census. The data point for the fourth quarter of 1989 is preliminary.

Survey (CPS, also referred to as the household survey).³ Between the fourth quarters of 1988 and 1989, the establishment survey showed an increase of 2.6 million jobs, compared to 3.3 million in the prior year.⁴ (See table 1.) After a large increase early in 1989, job gains slowed markedly. By the fourth quarter, payroll employment growth had slowed to 450,000, the smallest quarterly increase since the second quarter of 1986.

According to the survey of households, total civilian employment (including agricultural workers, the self-employed, and workers in other categories not covered in the establishment survey) posted a gain of 1.8 million in 1989, about 500,000 less than in 1988. (See table 2.) The 1989 increase represents the slowest rate of civilian employment growth thus far in the expansion. As with the establishment survey, the household survey showed that employment growth was at its strongest in the early part of the year. The growth rate dropped precipitously after the first quarter, however, and employment grew only modestly in the second half of the year.

The slowdown in employment growth in 1989, as indicated by both surveys, is illustrated in chart 3. The chart clearly shows that the

household survey registered slower employment growth than the establishment survey. While the two surveys show similar employment growth patterns over the longer term, it is not unusual for estimates of job growth from the two surveys to diverge significantly over shorter periods.⁵

Industry developments. Employment trends among the *goods-producing* industries in 1989 generally mirrored the output trends for each industry. Job declines in manufacturing, combined with slackening employment growth in construction, overshadowed a small but noteworthy increase in mining employment. This led to an employment gain in the goods-producing sector of only 130,000 in 1989, about a fourth of the growth in 1988.

The slowdown in job growth in the goods sector was primarily attributable to the weakness in *manufacturing*. After a strong increase early in 1989, employment growth slowed considerably, and in the second half of the year, the Nation's factories lost about 150,000 jobs. As a result, manufacturing employment in the fourth quarter, at about 19.5 million, was down about 40,000 from the year-earlier level. (See chart 4.)

Table 1. Employees on nonagricultural payrolls by industry, seasonally adjusted quarterly averages, 1982-89

[In thousands]

Industry	1982	1984	1986	1988	1989			
	IV				I	II	III	IV ^P
Total	88,717	95,869	100,357	106,799	107,680	108,339	108,917	109,366
Total private	72,893	79,711	83,505	89,288	90,104	90,661	91,110	91,523
Goods-producing	22,980	24,936	24,446	25,452	25,634	25,664	25,659	25,584
Mining	1,029	956	715	713	712	719	722	735
Oil and gas extraction	651	609	396	397	395	401	406	412
Construction	3,837	4,501	4,849	5,189	5,263	5,282	5,320	5,339
General building contractors	959	1,188	1,303	1,373	1,394	1,383	1,397	1,391
Manufacturing	18,115	19,479	18,881	19,550	19,659	19,663	19,617	19,511
Durable goods	10,484	11,630	11,134	11,540	11,601	11,587	11,527	11,434
Lumber and wood products	596	703	723	775	780	771	763	765
Furniture and fixtures	425	492	501	532	534	535	531	523
Stone, clay, and glass products	558	593	582	605	607	604	600	600
Primary metal industries	824	843	728	784	787	787	783	773
Blast furnaces and basic steel products	344	317	255	277	276	276	275	269
Fabricated metal products	1,349	1,483	1,403	1,445	1,458	1,452	1,442	1,430
Machinery, except electrical	2,051	2,235	2,002	2,119	2,138	2,148	2,151	2,142
Electrical and electronic equipment	1,953	2,247	2,101	2,072	2,062	2,050	2,032	2,010
Transportation equipment	1,662	1,931	2,037	2,059	2,072	2,070	2,051	2,022
Motor vehicles and equipment	659	877	868	866	874	871	853	826
Instruments and related products	699	721	698	762	773	778	781	778
Miscellaneous manufacturing	367	382	360	387	390	392	393	391
Nondurable goods	7,631	7,850	7,747	8,011	8,058	8,076	8,091	8,077
Food and kindred products	1,628	1,608	1,615	1,646	1,652	1,659	1,673	1,671
Tobacco manufactures	68	64	57	56	56	53	52	51
Textile mill products	729	726	708	725	728	728	727	722
Apparel and other textile products	1,139	1,156	1,094	1,087	1,096	1,095	1,092	1,085
Paper and allied products	654	682	676	695	696	697	699	697
Printing and publishing	1,271	1,404	1,475	1,582	1,597	1,604	1,611	1,615
Chemical and allied products	1,055	1,055	1,017	1,076	1,086	1,093	1,094	1,099
Petroleum and coal products	200	187	164	162	161	162	163	163
Rubber and miscellaneous plastics products	679	792	798	838	842	842	840	834
Leather and leather products	209	176	143	143	144	142	140	139
Service-producing	65,737	70,933	75,911	81,346	82,047	82,676	83,258	83,782
Transportation and public utilities	5,023	5,200	5,285	5,615	5,662	5,699	5,688	5,764
Transportation	2,735	2,963	3,093	3,401	3,448	3,484	3,536	3,585
Communications and public utilities	2,288	2,237	2,192	2,214	2,214	2,216	2,151	2,179
Wholesale trade	5,213	5,644	5,764	6,105	6,171	6,219	6,252	6,295
Durable goods	3,034	3,336	3,382	3,612	3,657	3,685	3,708	3,735
Nondurable goods	2,179	2,308	2,382	2,493	2,514	2,535	2,544	2,560
Retail trade	15,189	16,921	18,164	19,280	19,452	19,523	19,613	19,706
General merchandise stores	2,141	2,317	2,383	2,453	2,481	2,492	2,484	2,475
Food stores	2,510	2,685	2,946	3,165	3,212	3,247	3,287	3,334
Automotive dealers and service stations	1,634	1,833	1,966	2,130	2,149	2,158	2,155	2,167
Eating and drinking places	4,872	5,525	6,002	6,321	6,326	6,348	6,384	6,417
Finance, insurance, and real estate	5,356	5,779	6,400	6,727	6,761	6,791	6,834	6,869
Finance	2,664	2,890	3,210	3,300	3,312	3,317	3,334	3,353
Insurance	1,715	1,784	1,977	2,103	2,114	2,124	2,135	2,140
Real estate	977	1,105	1,213	1,324	1,335	1,350	1,365	1,376
Services	19,131	21,231	23,446	26,109	26,424	26,764	27,063	27,305
Business services	3,289	4,196	4,925	5,688	5,724	5,778	5,807	5,842
Health services	5,892	6,177	6,632	7,313	7,442	7,571	7,694	7,832
Government	15,824	16,159	16,852	17,511	17,576	17,679	17,807	17,843
Federal	2,745	2,830	2,896	2,983	2,981	2,992	2,998	2,979
State	3,641	3,772	3,927	4,084	4,094	4,122	4,160	4,163
Local	9,438	9,557	10,029	10,444	10,502	10,565	10,648	10,700

^P = preliminary.

Table 2. Employment status by sex, age, race, and Hispanic origin, seasonally adjusted quarterly averages, 1982-89

[Numbers in thousands]

Characteristic	1982	1984	1986	1988	1989			
	IV				I	II	III	IV
Total								
Civilian labor force	110,959	114,257	118,583	122,442	123,209	123,759	124,035	124,394
Percent of population	64.1	64.5	65.4	66.1	66.3	66.5	66.5	66.5
Employed	99,120	105,944	110,485	115,933	116,815	117,253	117,468	117,770
Agriculture	3,471	3,324	3,163	3,223	3,216	3,140	3,237	3,185
Nonagriculture	95,649	102,620	107,322	112,710	113,598	114,113	114,231	114,585
Employment-population ratio	57.3	59.8	60.9	62.6	62.9	63.0	63.0	63.0
Unemployed	11,839	8,312	8,097	6,508	6,394	6,506	6,567	6,624
Unemployment rate	10.7	7.3	6.8	5.3	5.2	5.3	5.3	5.3
Men, 20 years and over								
Civilian labor force	58,375	60,020	61,701	63,019	63,382	63,682	63,741	63,985
Percent of population	78.8	78.3	78.2	77.9	78.0	78.1	78.0	78.1
Employed	52,553	56,257	57,933	60,094	60,582	60,854	60,835	61,071
Employment-population ratio	70.9	73.4	73.4	74.3	74.6	74.7	74.4	74.5
Unemployed	5,822	3,764	3,768	2,924	2,800	2,828	2,906	2,914
Unemployment rate	10.0	6.3	6.1	4.6	4.4	4.4	4.6	4.6
Women, 20 years and over								
Civilian labor force	44,112	46,357	49,001	51,471	51,884	52,116	52,365	52,469
Percent of population	52.9	54.0	55.7	57.3	57.6	57.6	57.7	57.7
Employed	40,127	43,256	46,072	49,044	49,480	49,632	49,892	49,962
Employment-population ratio	48.1	50.4	52.4	54.6	54.9	54.9	55.0	54.9
Unemployed	3,985	3,101	2,929	2,427	2,405	2,484	2,473	2,507
Unemployment rate	9.0	6.7	6.0	4.7	4.6	4.8	4.7	4.8
Both sexes, 16 to 19 years								
Civilian labor force	8,472	7,880	7,881	7,952	7,943	7,961	7,929	7,939
Percent of population	54.3	54.1	54.2	55.0	55.3	55.9	55.9	56.3
Employed	6,440	6,432	6,480	6,795	6,753	6,767	6,741	6,736
Employment-population ratio	41.3	44.1	44.5	47.0	47.0	47.5	47.6	47.8
Unemployed	2,032	1,448	1,400	1,157	1,190	1,194	1,188	1,203
Unemployment rate	24.0	18.4	17.8	14.5	15.0	15.0	15.0	15.2
White								
Civilian labor force	96,623	98,811	102,446	105,344	105,895	106,278	106,421	106,783
Percent of population	64.4	64.7	65.7	66.4	66.6	66.8	66.7	66.8
Employed	87,452	92,616	96,398	100,526	101,246	101,505	101,603	101,962
Employment-population ratio	58.3	60.7	61.8	63.4	63.7	63.8	63.7	63.8
Unemployed	9,171	6,195	6,048	4,818	4,649	4,773	4,818	4,821
Unemployment rate	9.5	6.3	5.9	4.6	4.4	4.5	4.5	4.5
Black								
Civilian labor force	11,503	12,252	12,710	13,345	13,440	13,453	13,514	13,535
Percent of population	61.5	62.9	63.2	64.1	64.3	64.1	64.2	64.0
Employed	9,155	10,393	10,896	11,839	11,901	11,934	11,987	11,932
Employment-population ratio	48.9	53.3	54.2	56.9	56.9	56.9	56.9	56.5
Unemployed	2,348	1,859	1,814	1,505	1,539	1,519	1,527	1,603
Unemployment rate	20.4	15.2	14.3	11.3	11.5	11.3	11.3	11.8
Hispanic origin								
Civilian labor force	6,826	7,614	8,258	9,132	9,201	9,312	9,369	9,419
Percent of population	63.5	65.4	66.0	67.7	67.6	67.8	67.6	67.4
Employed	5,783	6,819	7,423	8,417	8,527	8,564	8,561	8,653
Employment-population ratio	53.8	58.6	59.4	62.4	62.7	62.4	61.8	61.9
Unemployed	1,043	795	835	714	674	748	807	767
Unemployment rate	15.3	10.4	10.1	7.8	7.3	8.0	8.6	8.1

NOTE: Detail for race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

The slowdown in manufacturing job growth and eventual decline in factory employment in 1989 was concentrated in the *durable goods* sector. Between the fourth quarters of 1988 and 1989, the number of jobs in durable goods manufacturing fell by 105,000. The largest absolute job losses occurred in the transportation and electrical equipment industries. In transportation equipment, employment fell by about 35,000 in 1989; after increasing slightly in the first half, employment then fell sharply, as shrinking auto sales forced automakers to cut back production, in some cases closing plants for extended periods. In electrical equipment, employment declined throughout the year, with job losses totaling about 60,000 by the fourth quarter. Except for a brief period of stability in 1988, employment in this industry has generally been on a slow downtrend since early 1985. While the long-term decline reflects the intense foreign competition in the electronic products market, the most recent job losses may also reflect the slowdown in defense orders.

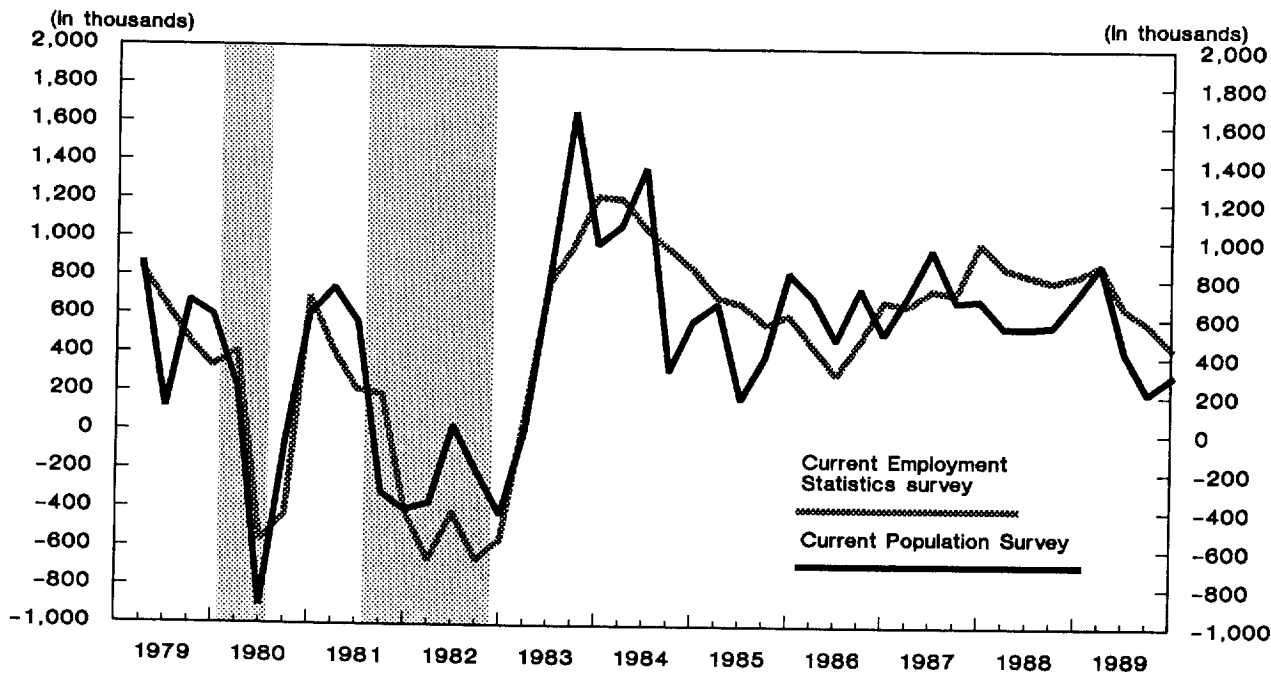
The primary and fabricated metals industries also registered small job losses over the year, partially as a result of cutbacks in auto production, but also because of the slowdown in export growth. While not declining over the year, em-

ployment in machinery and in instruments and related products showed slower growth in 1989. These industries also derive a substantial part of their business from exports (they both have relatively high export-to-shipment ratios), and the moderation in export growth in 1989 undoubtedly contributed to the smaller employment gains in these industries.

Employment in the lumber industry and in stone, clay, and glass products started declining early in the year, reflecting the slowdown in new home construction. Employment in each industry continued to drift down throughout much of 1989, and in the fourth quarter, the job totals for both industries were down slightly from a year earlier.

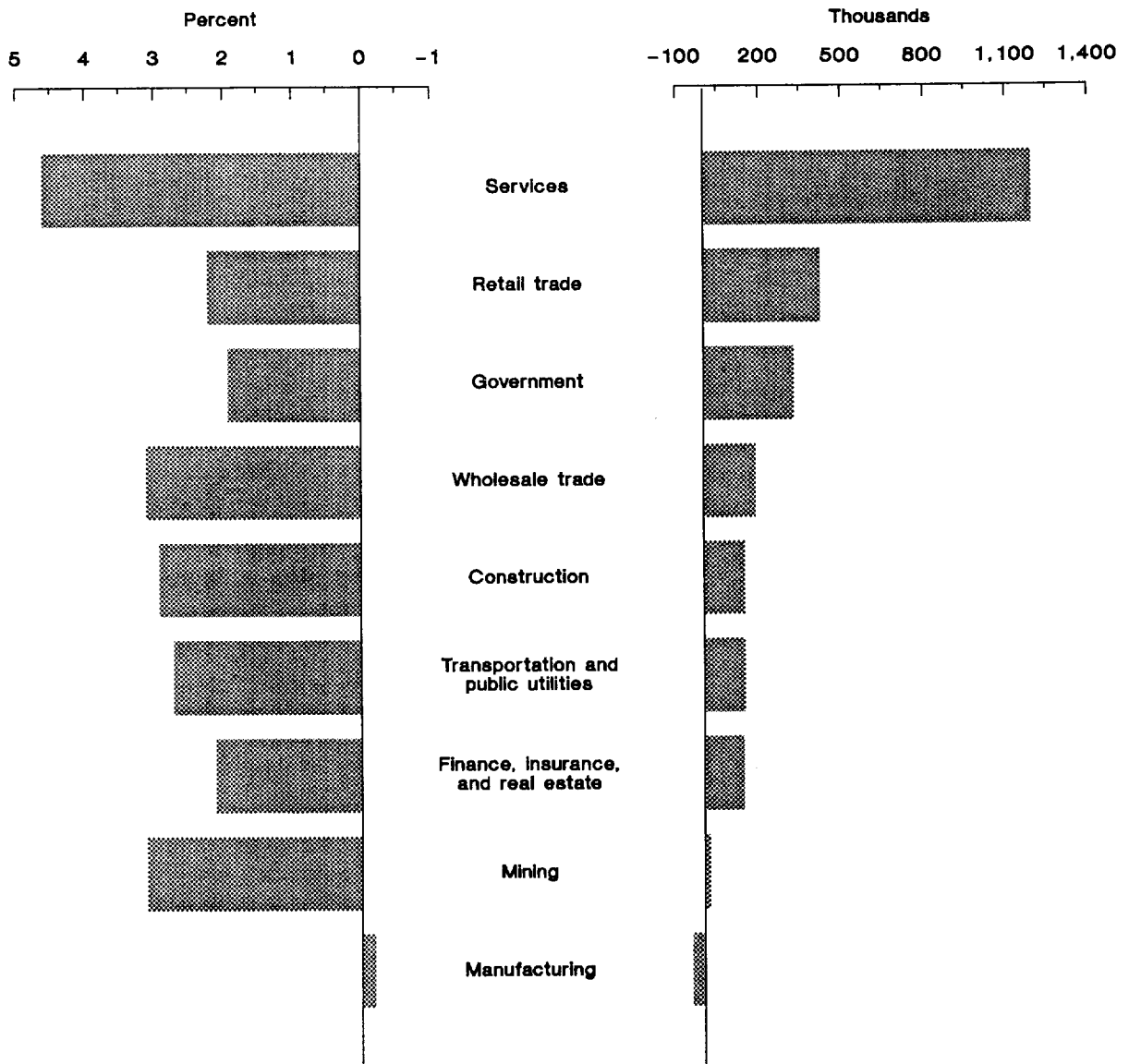
Employment growth among *nondurable goods* manufacturers in 1989 partially offset the job losses in durable goods industries. However, several nondurable goods industries posted slower growth, or, in some cases, job losses, during the year. In particular, the printing and publishing and the chemicals industries registered marked slowdowns in employment growth after the first quarter. Some of the weakness in the chemicals industry may reflect slower export demand, as this industry had benefited from vibrant export growth in 1987-88.

Chart 3. Quarterly employment changes in the Current Employment Statistics survey and the Current Population Survey, seasonally adjusted, 1979-89



NOTE: Shaded areas represent recessionary periods as designated by the National Bureau of Economic Research.

Chart 4. Employment changes by major industry division, fourth-quarter 1988-89



The rubber industry also posted a sharp reduction in job growth beginning in the second quarter, and employment in the industry declined a bit in the second half. Much of the weakness was attributable to decreased auto production. The textile and apparel industries, which had registered job declines in 1988, showed continued weakness in 1989, with both industries posting small declines over the year. Similarly, employment in the tobacco and leather industries also declined slightly in 1989. Other non-durable industries, such as food and petroleum,

continued to show growth about in line with that achieved during 1988.

The average *workweek* for manufacturing workers held at about 41 hours for most of the year, before slipping marginally in the fourth quarter. Overtime hours in manufacturing followed the same pattern. Reflecting both the slight drop in hours and employment weakness, the index of aggregate weekly hours for the manufacturing industry declined slightly over the year, to about 95 (1977=100) in the fourth quarter.

Despite the softening demand for new construction in 1989, employment advances in the industry moderated only slightly. Following a strong increase early in the first quarter, construction employment growth slowed sharply, but then recovered a bit in the second half. Some of the growth toward the end of 1989 may have emanated from the rebuilding efforts necessitated by several natural disasters (particularly Hurricane Hugo and the San Francisco earthquake) which occurred in the fall. At 5.3 million in the fourth quarter, construction employment was up to 150,000 from the fourth quarter of 1988, slightly smaller than the gain registered in the previous year.

Within construction, employment growth among general building contractors slowed somewhat during 1989, consistent with the moderation in new home construction. Job growth among special trades contractors—the largest and fastest-growing segment of the construction industry—continued at about the 1988 pace. Similarly, employment in the heavy construction component repeated the 1988 pattern of moderate growth; this industry had shown little growth earlier in the expansion.

In marked contrast to the slowing output and employment trends in the manufacturing and construction industries, the situation in the mining industry improved slightly in 1989. Employment in mining registered small increases throughout most of the year, following declines during much of 1988. In the fourth quarter of 1989, mining employment totaled about 735,000, roughly 20,000 above the year-earlier figure.

Virtually all of the mining employment gain in 1989 occurred in oil and gas extraction. Spurred by rising energy prices, exploration and drilling for oil picked up modestly during the year, as indicated by an increase in the number of oil rigs. As a result, employment in oil and gas extraction began showing small advances in the second quarter, and by the fourth quarter, had reached a level of 410,000. While up over the year, employment in this industry still falls way short of the levels that existed prior to the oil price collapse in 1986. Employment trends in oil and gas extraction tend to be positively associated with the price of oil, as increasing prices make domestic production more profitable.

Job growth in the service-producing sector slowed slightly in 1989, though the increase of 2.4 million was still fairly healthy, representing nearly all of the net job growth among nonagricultural industries in 1989. Within the sector, employment trends varied somewhat by industry division. (See chart 4.)

The strongest employment gains in 1989, both in terms of the number of jobs added and in the rate of growth, were in the services industry. Although job growth slowed slightly after midyear, for the year as a whole, the services industry added about 1.2 million jobs. The moderation in the second half reflected, in part, slower employment expansion in business services. Within this industry, employment in temporary help supply services declined a bit in 1989, reflecting, among other things, the reduced rate of business formations. Earlier in the expansion, this industry had shown marked employment increases. By contrast, job growth in computer programming and software, which had also posted strong job growth in recent years, remained quite strong.

Job gains in health services sustained the vigorous pace that began in mid-1988. Although hospitals continued to add the largest number of employees, the strongest rates of growth were in outpatient care facilities and, to a lesser extent, medical and dental laboratories. One factor contributing to strong job growth in health services in recent years is the continued aging of the population.

Employment growth among most other services industries generally slowed a bit in 1989. Job growth was notably weaker in educational services and membership organizations. In contrast, employment gains in auto repair services and in social services remained fairly robust in 1989.

The softening in retail sales in 1989 contributed to a slowdown in employment growth in the retail trade industry. In the fourth quarter, retail employment totaled 19.7 million, up about 425,000 from the fourth quarter of 1988. This is about three-fourths of the growth registered in 1988. Within retail trade, employment in general merchandise stores edged down in the second half. Job growth in the auto dealers and service stations industry slowed sharply in 1989, reflecting the dropoff in auto sales. The other two major retail industries, food stores and eating and drinking places, continued to post moderate-to-strong employment growth in 1989.

In wholesale trade, where strong export growth over the 1987-88 period helped boost employment growth, the weakening export picture during 1989, plus the general slowing of consumption expenditures, contributed to a slight slowdown in employment growth in 1989. This weakness was most apparent in durable goods distribution, although job growth in nondurable goods distribution also slowed in the second half of the year. Overall, wholesale trade added about 190,000 jobs during the year.

The strongest employment gains in 1989 were in the services industry.

Despite the slowdown over the year, the rate of employment growth in the industry still exceeded the average for all service-producing industries.

Job growth in the *transportation and public utilities* industry in 1989, at 150,000, was also less than in 1988. In transportation, continued growth in the demand for trucking and airline travel led to strong employment gains. In contrast, employment in the communications industry showed little change in 1989. Strike activity depressed payrolls in the third and fourth quarters, but the return to work of most employees by late in the fourth quarter returned employment levels to where they had been during the first half of the year. Over the longer term, this industry has shown little in the way of employment gains throughout most of the current expansion.

Employment growth in *finance, insurance, and real estate* in 1989, at about 140,000 jobs, slightly exceeded that in 1988. The over-the-year improvement was due entirely to strong expansion in the finance industry. In the insurance industry, employment growth dropped slightly off the 1988 trend, but still continued at a moderate pace. Similarly, employment growth in the real estate industry continued to be fairly strong in 1989.

In *government*, the employment growth in 1989 remained about in line with the 1988 pace. Overall, government employment grew by about 330,000 in 1989. Nearly all of the increase occurred among State and local governments, where strong growth was particularly evident in general administration, as well as in education.

Employment in *agriculture* (as measured by the household survey) showed little change in 1989, hovering around 3.2 million throughout the year. This industry, which is characterized by an older work force and a large degree of self-employment, has accounted for a shrinking share of total civilian employment over the last century. At the beginning of the century, agriculture accounted for about 40 percent of total employment. By the end of World War II, the proportion had dropped to around 15 percent. The industry now employs less than 3 percent of all workers.

Employment changes by sex and race. As has been the case in nearly every year of the expansion, the rate of employment growth for *adult women* (20 years and over) in 1989 exceeded that for *adult men*. Adult female workers, who now make up just over 40 percent of the labor force, comprised half of 1989's job growth. Up until 1989, women's share of overall job gains

had been much higher than their overall representation in total employment. This trend is explained, in part, by the fact that adult men, owing to deep job losses suffered in the severe 1981-82 recession, made up a significant percentage of overall job gains in the early years of the expansion. As the employment upswing continued, a more dominant trend—the rapid expansion in work force participation by women—reasserted itself, and women began making up a greater share of employment growth. There were about 61 million employed adult men and 50 million employed adult women in the fourth quarter of 1989.

The proportion of the adult female population with jobs—their employment-population ratio—set a new record of 55.0 percent during 1989, before closing the year at 54.9 percent. The ratio for adult men, at 74.5 percent, reached its highest yearend mark in the decade. Consistent with the ever-increasing presence of women in the labor market, the ratio for women has been rising at a healthy pace every year. By contrast, and again symptomatic of the severity of the last recession for men, the proportion of men employed has still not reattained its prerecession level. Whether the proportion will return to its earlier mark remains to be seen, as the secular trend in this measure since World War II has been downward, owing in large part to the greater availability of early-retirement opportunities.

All of the employment increase in 1989 was among adults. *Teenage* employment, at a level of 6.7 million, was about unchanged over the year, after rising in each of the previous 3 years. The employment gains of those years, coupled with the gradual fall in the size of the teenage population, led to a rising employment-population ratio. That ratio again edged up in 1989, to 47.8 percent in the fourth quarter, but this time attributable entirely to the continued population falloff. The proportion of 16- to 19-year-olds with jobs was well above the 40-percent range of the recession years earlier in the decade.

Employment gains among *white, black, and Hispanic* workers continued in 1989, although growth rates for each group were reduced, consistent with the overall employment slowdown. Hispanics again registered the highest rate of employment growth, owing mainly to the fact that their population has been by far the fastest growing of the three major race/ethnic groups. While they make up only 7 percent of all employed persons, Hispanics accounted for 13 percent of the total employment gain over the year; this pattern of a disproportionately high rate of employment growth for Hispanics has occurred in nearly every year of the expansion.

The rate of employment growth for adult women in 1989 exceeded that for adult men.

Employment and Unemployment in 1989

The rate of employment growth for blacks slowed sharply in 1989. Prior to 1989, blacks had shown generally robust rates of job growth, usually higher than those for whites. Nonetheless, the proportion of the black population who were employed in 1989—56.5 percent in the fourth quarter—remains below that of both white (63.8 percent) and Hispanic (61.9 percent) workers. Indeed, the 7-percentage-point gap between the white and black ratios is virtually the same as 10 years earlier, prior to the recessions of the early 1980's.

Although slower employment growth was felt by all the major demographic worker groups in 1989, the economy was still able to generate enough jobs to raise the proportion of the entire working-age population which is employed to a record 63.0 percent. The 0.4-percentage-point over-the-year rise in the ratio, coming in a year of relatively modest employment gains, points to the extremely slow growth of the civilian working-age population. The latter has been growing at only 1.0 percent per year for the last couple of years. It should be noted, as a further indication of how the pace of employment growth slowed during the course of 1989, that most of the increase in the employment-population ratio took place in the first quarter, with little change occurring over the remainder of the year. This is the first year in the expansion that the quarterly employment-population ratio has not increased throughout the year.

Other employment developments

Consistent with the overall employment slowdown, employment growth for most *occupations* slowed sharply in 1989, as can be seen in the following tabulation.

	Percent change, fourth-quarters—	
	1987-88	1988-89
Total employment	2.1	1.6
Executive, administrative, and managerial	5.5	3.4
Professional specialty	4.1	4.1
Technicians and related support	4.8	2.6
Sales occupations	2.5	2.0
Administrative support	-1.5	1.7
Service occupations	2.6	- .9
Precision production, craft, and repair4	1.8
Operators, fabricators, and laborers	1.7	0
Farming, forestry, and fishing	1.0	-2.8

The sluggish performance of the goods-producing industries in 1989 kept employment

growth in some production-oriented occupations, such as operators, fabricators, and laborers, essentially unchanged over the year. Within this group, the employment level for machine operators, assemblers, and inspectors actually declined.

Some occupations concentrated in the service-producing sector, such as professional specialty and administrative support positions, managed to maintain or improve their growth rates in 1989. Although less than last year's very rapid paces, the growth rate for executives, administrators, and managers was still above the average for all occupations.

All of the net employment growth in 1989 was among *full-time* workers (persons working 35 hours or more per week). By the fourth quarter, slightly less than 17 percent of total employment was made up by *part-time* workers, whose share of employment was down a bit over the year. While the great majority of part-timers were working such schedules voluntarily, some were not: about 4.8 million persons were at work *part time for economic reasons*. This group of workers—persons working part time even though they would have preferred full-time work—accounted for about 4 percent of total civilian employment in the fourth quarter of 1989. While high by historical terms, the number of these underutilized workers was down over the year. The decrease came largely from a drop in the number of persons working part time because that was the only type of work they could find, but there were also fewer working part time because their hours were cut back.

The number of *self-employed* workers showed little change in 1989. This type of employment, which gradually fell as a percentage of total employment in the 1960's and 1970's, has retained a steady share in the 1980's, accounting for about 8 to 9 percent of total employment. Self-employed workers in agricultural pursuits (almost all of whom are men) accounted for 1.4 million of the Nation's 10 million self-employed workers in 1989. Women made up about a third of the self-employed in nonagricultural industries, and their share has been rising steadily over the last two decades.

Unemployment

Even with the slowdown in economic growth in 1989, the number of unemployed persons and the unemployment rate showed little change for most of the year. The level of unemployment in the fourth quarter of 1989 was 6.6 million, about the same as in the fourth quarter of 1988. Likewise, the civilian unemployment rate was little changed from the same period a year earlier. The 5.3-percent fourth-quarter mark in

1989 is in sharp contrast to the Nation's jobless rate at the trough of the last recession (10.7 percent in the fourth quarter of 1982).

The Nation's unemployment rate was remarkably stable for most of the year in 1989. After declining from 5.4 percent in January to 5.0 percent in March, the rate then edged back up to 5.3 percent in April and stayed at or near that mark every month thereafter. Such an extended length of time with no real improvement in the civilian jobless rate occurred once before in the current 7-year-old expansion. After falling sharply in the first year and a half after the 1981-82 recession bottomed out, the jobless rate fluctuated in a fairly narrow band from mid-1984 to mid-1986, attributable principally to marked weakness in the goods-producing sector. (See chart 5.) The pace of reductions in the jobless rate quickened again, as the civilian unemployment rate fell one full percentage point in 1987 and half a percentage point in 1988.

Consistent with the pattern in the overall civilian jobless rate in 1989, unemployment rates for most worker groups remained at their relatively low 1988 levels. Rates for adult men (4.6 percent in the fourth quarter), adult women (4.8 percent), teenagers (15.2 percent), whites (4.5 percent), and blacks (11.8 percent) all exhibited little or no over-the-year change. The rate for Hispanic workers, which experienced broad fluctuations during the course of the year, ended the year at 8.1 percent.

One area of the labor market that has shown little change thus far during the current expansion has been the differential between the unemployment rates of the three major race/ethnic groups, as reflected in the tabulation below. The black jobless rate was about 2½ times that of whites in the fourth quarter of 1989, a ratio similar to that a decade earlier, at the peak of the last major economic expansion, and that at the trough of the 1981-82 recession. The rate for Hispanics was about midway between the rates for white and black workers in each of those periods.

	<i>Fourth-quarter unemployment rates</i>		
	1979	1982	1989
Whites	5.2	9.5	4.5
Blacks	12.1	20.4	11.8
Hispanics	9.0	15.3	8.1

The unemployment rate differential also applies to teenagers, but at sharply higher rates. The rate for black teenagers remains especially high; at 32.2 percent in the fourth quarter, it reflects the fact that nearly 1 in 3 young black

workers is searching for work. By comparison, the rate for white teens was 12.8 percent in the same period.

Other unemployment developments

There was little over-the-year change in the distribution of unemployed persons by their *reason* for unemployment. The situation is very different today, however, than earlier in the decade, as a much smaller proportion of currently unemployed workers attribute their situation to job loss now than in 1982. Most of the recent job searchers had either left their last job voluntarily (job leavers) or were entering or reentering the labor force.

	<i>Fourth-quarter</i>	
	1982	1989
Percent unemployed	100.0	100.0
Job losers	61.4	46.0
Job leavers	6.7	15.6
Labor force reentrants	21.1	28.1
New labor force entrants ...	10.9	10.4

The dramatic increase in the proportion of the unemployed who were job leavers, as well as the increase among labor force reentrants, attests to the healthier labor market in the more recent period, as workers are more apt to change jobs or reenter the labor market in order to better their economic status in more prosperous times.

Reductions in the number of people out of work for 27 weeks or more—sometimes called the *very long-term unemployed*—have been very sharp in recent years. From 1988 to 1989, the number fell by 90,000 to a level of 640,000; nonetheless, this level is still 100,000 above its pre-recession mark. As can be seen in the following tabulation, the proportions of unemployed workers experiencing jobless spells of less than 5 weeks or for more than half a year have shifted markedly since the recession. The second quarter of 1983 marked the highest level in the long-term unemployed series, and so that period is used as the basis for comparison.

	<i>Second-quarter</i>	<i>Fourth-quarter</i>
	1983	1989
Percent unemployed ..	100.0	100.0
Less than 5 weeks	32.4	48.9
5 to 14 weeks	27.2	30.2
15 weeks and over	40.4	20.9
15 to 26 weeks	15.2	11.3
27 weeks and over	25.2	9.7

The number of *families* with at least one unemployed member held steady in 1989 at a level of 4.7 million. Nearly three-quarters of those families had at least one other member em-

ployed, which partly allayed the effect of the other member's joblessness. There were significant differences in that respect, however, by race and ethnicity. Fewer than three-fifths of black families who experienced unemployment also had another family member working, compared with about three-fourths of white and Hispanic families. Further, the proportion of black families with unemployment, at 14.4 percent in the fourth quarter, was much higher than the 6.2 percent for white families and somewhat higher than the 12.0 percent for Hispanic families.

Married persons in the work force, who tend to be older than the average worker, are much less likely to experience job market difficulties than are others. The unemployment rates for married men (3.0 percent) and women (3.9 percent) in the final quarter of 1989 were substantially lower than the national average (5.3 percent). The rate for women who maintain families (with no spouse present), at 8.0 percent, was markedly higher. This aspect of the national unemployment situation is a particular cause for concern, in that about 6 out of 10 women who maintain families have children under the age of 18, and that such women run the highest risk of being in poverty.⁶

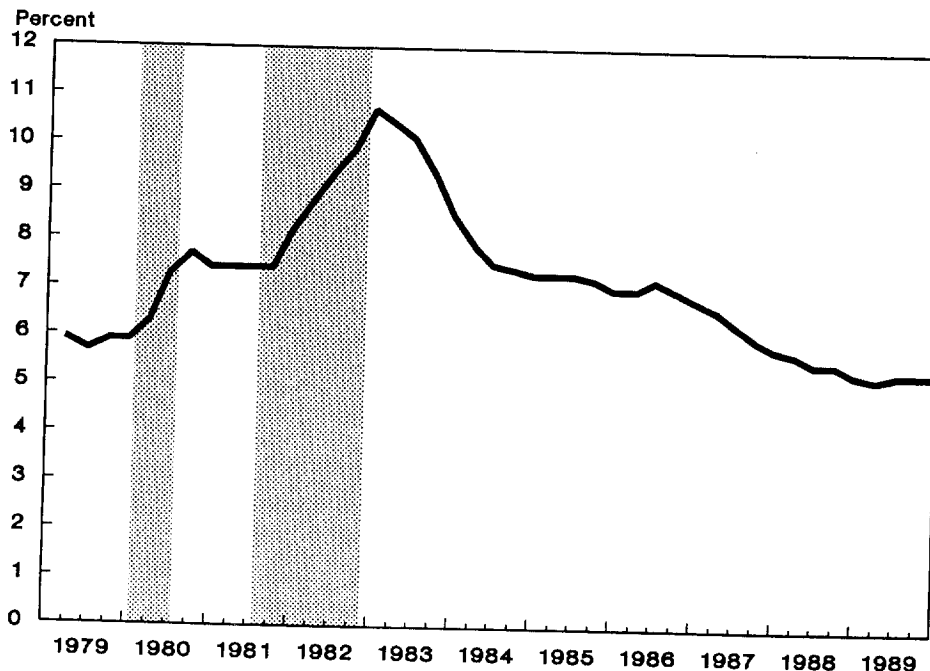
Labor force

The civilian labor force, at a level of 124.4 million in the fourth quarter of 1989, rose by a little under 2 million during the year. Given the relative stability in unemployment, movements in the total labor force and for most worker groups generally matched those of employment, with a relatively fast pace being set early in the year and then little change occurring in the second half.

Adult women were responsible for about half of the over-the-year increase in the work force. Since the beginning of the expansion, they have accounted for 62 percent of total labor force gains. The teenage labor force, at a level of 7.9 million in the fourth quarter of 1989, showed little change over the year, despite the continuing decline in their population. The 16- to 19-year-old population has fallen nearly every year in the 1980's.

The percentage of the population in the labor force—the *labor force participation rate*—reached 66.5 percent during the year, the highest mark on record for that measure. The participation rate for adult men (78.1 percent) showed little change over the year, while that for adult women (57.7 percent) set

Chart 5. Unemployment rate for all civilian workers, seasonally adjusted quarterly averages, 1979-89



NOTE: Shaded areas represent recessionary periods as designated by the National Bureau of Economic Research.

another high, as it has virtually every quarter during the expansion.

Hispanic workers accounted for about 15 percent of 1989's work force gains, twice their representation in the total labor force. The rapid increase in the Hispanic population—fueled primarily by immigration—provided the impetus for their increased labor market activity. The Hispanic labor force participation rate—at 67.4 percent in the fourth quarter—continued to be the highest among the three major race/ethnic groups.

Persons not in the labor force

Over the course of a long employment expansion, labor markets tend to tighten as a ready supply of workers becomes more scarce. Some persons outside the labor force may become more inclined to enter it as demand for workers in some areas or industries increases. As such, they may be thought of as potential workers. Table 3 shows the composition of persons outside the work force based on whether or not they want a job and their reason for not looking.

As might be expected, about 9 of 10 persons outside the labor force do not want a job. Most of those persons are women, retired individuals, and students. In the fourth quarter of 1989, about 5.2 million persons outside the labor force wanted a job, but were not looking. About two-thirds of them were women (many of whom cited family responsibilities as their reason for not looking), while students and persons with ill health or disabilities also made up significant shares of this population.

The persons who want jobs but are not looking because they think they cannot find any are called *discouraged workers*. The number of such persons fell over the year, by 125,000, to a level of 825,000 in the fourth quarter. About two-thirds of the discouraged workers claimed job-market factors as their reason for not looking for work, while the remaining third cited personal reasons. The over-the-year improvement came from both sources. Slightly more than half of all discouraged workers were women, while more than 1 in 4 were black.

IN SUMMARY, employment growth continued in 1989, although at a much more moderate pace than in the preceding year, and unemployment

Table 3. Persons not in the labor force by reason, seasonally adjusted quarterly averages, 1988 and 1989

(In thousands)

Reason	1988	1989				
		IV	I	II	III	IV
Total not in labor force	62,811	62,564	62,419	62,567	62,624	
Do not want a job now	57,506	57,232	57,007	57,626	57,577	
Current activity:						
Going to school	6,289	6,367	6,278	6,995	6,229	
Ill, disabled	4,688	4,567	4,774	4,671	4,767	
Keeping house	24,573	24,507	24,096	24,031	23,886	
Retired	17,256	17,194	17,387	17,673	18,270	
Other activity	4,700	4,597	4,472	4,256	4,425	
Want a job now	5,439	5,303	5,323	5,463	5,176	
Reason not looking:						
School attendance	1,408	1,291	1,286	1,447	1,246	
Ill health, disability	782	887	932	888	907	
Home responsibilities	1,140	1,176	1,154	1,175	1,251	
Think cannot get a job	954	851	865	817	827	
Job-market factors	587	563	523	518	563	
Personal factors	367	289	343	299	263	
Other reasons	1,154	1,097	1,085	1,136	945	

showed little change for most of the year. The overall slowdown in job growth resulted from smaller job gains among most industries, although weakness was particularly evident in manufacturing, where employment actually declined during the year. The slower pace of employment growth was felt by all the major demographic groups; similarly, the overall pattern of little change in unemployment in 1989 held for all major worker groups.

The slowdown in labor market improvement in 1989 echoes a similar slowdown which occurred earlier in this expansion, from roughly mid-1984 to mid-1986. Both periods are characterized by reduced overall employment growth, owing mainly to weakness in the goods-producing sector, and an unchanging unemployment picture. The earlier slowdown was followed by a period of renewed labor market strength, as employment growth accelerated and jobless rates began moving downward again. It remains to be seen whether the current moderation of growth in the now 7-year-old labor market expansion portends a worsening economic scenario, or, like the earlier moderating phase, is only a pause which will be followed by more vigorous labor market improvements. □

Footnotes

¹ Data on gross national product (GNP) are produced quarterly by the Bureau of Economic Analysis of the U.S. Department of Commerce. Advance estimates are released in the first month following the end of the quarter. Preliminary

and final estimates, based on more complete information, are released in the second and third months, respectively.

² *Federal Reserve Bulletin* (Board of Governors of the Federal Reserve System, selected issues), table 3.28.

³The Current Employment Statistics program is a monthly survey of more than 300,000 business establishments nationwide conducted by the Bureau of Labor Statistics (BLS) in cooperation with State employment security agencies. The Current Population Survey is a monthly survey of about 60,000 households nationwide conducted for BLS by the Bureau of the Census. For further information on these surveys, see *BLS Handbook of Methods*, Bulletin 2285 (Bureau of Labor Statistics, 1988).

⁴Unless otherwise noted, estimates of employment change in this article refer to differences in seasonally adjusted quarterly averages. Over-the-year changes are based on fourth-quarter averages.

⁵In a recent *Monthly Labor Review* article which compared job growth estimates from the CES and CPS during the current economic expansion, the author, Paul Flaim, outlined several potential reasons for the divergence between the two surveys. These include differences in the way the two surveys account for multiple jobholders, the accuracy of adjustments to the CES for new firm growth, and the accuracy of population estimates used in the CPS. See Paul O. Flaim, "How many new jobs since 1982? Data from two surveys differ," *Monthly Labor Review*, August 1989, pp. 10-15.

New information on the number of multiple jobholders sheds light on the general pattern of the CES-CPS divergence in employment growth during this recovery. In the establishment survey, multiple jobholders are counted each time they appear on a payroll. In the household survey, a person is counted as employed only once, regardless of the number of jobs held. Data from a special supplement to the CPS on multiple jobholding taken in May 1989 suggest that, since the last estimate of multiple jobholders was made (in May 1985), the number of persons with two jobs or more has grown dramatically; in fact, such growth may account for about two-thirds of the divergence in employment growth estimates between the CPS and CES over the May 1985-May 1989 period. For a summary analysis of the recent data on dual jobholders, see the news release entitled "Multiple Jobholding Reached Record High in May 1989," USDL 89-529 (Bureau of Labor Statistics, Nov. 6, 1989). A forthcoming *Monthly Labor Review* article will provide a thorough analysis of the multiple jobholding data and their impact on the reconciliation of job growth estimates from the two surveys.

⁶See Bruce W. Klein and Philip L. Rones, "A profile of the working poor," *Monthly Labor Review*, October 1989, pp. 3-13.

Geographical trends

. . . The human resources period will be best known for returning work to the home, but other types of migration will occur as well. Having work based in the home will greatly increase individual freedom to live in any area desired without worrying about the commute to work. Individuals might opt for the city, the suburbs, or a rural area simply because that is where they prefer to live.

The human resources period should reduce the trend of people moving to where the jobs are, which has been the trend for hundreds of years. Our highly mobile society will become less mobile, except for those who simply like to relocate every few months. With this more stationary population, there should be a much stronger sense of community, since people will get to know their neighbors better. And that will be needed to offset the loss of contact with coworkers that results from work at home. Stronger ties will exist with the community and within the family.

—Dennis J. Kravetz

*The Human Resources Revolution:
Implementing Progressive Management
Practices for Bottom-Line Success*
(San Francisco, CA, Jossey-Bass Publishers,
1988), p. 63.
