

# Employment and unemployment: developments in 1985

*Last year, the economy completed its third year of strong postrecession growth; however, the expansion has not been sufficient to return factory employment to its prerecession level or to drop most jobless rates to the lows of the late 1970's*

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Employment continued to increase in 1985, as the economy completed its third year of recovery from the 1981–82 recession. However, job growth slowed from the rapid pace recorded in the previous 2 years—a moderation that is typical in the third year after a business cycle trough.<sup>1</sup> Construction, as well as most industries in the service-producing sector, showed robust job gains throughout the year. In contrast, manufacturing employment, which had rebounded during 1983 and most of 1984, decreased in 1985—especially in the durable goods industries.

The civilian unemployment rate edged down in the second half of the year to 7.0 percent in the fourth quarter. The jobless rate had declined sharply in the first year and a half of recovery, then leveled off at about 7.3 percent from mid-1984 to mid-1985. By the fourth quarter of 1985, jobless rates for most worker groups had fallen to or below those of the July 1981 prerecession peak but remained above those in 1979—the last year that the unemployment rate had averaged less than 6 percent. All of the decline in unemployment during 1985 took place among adult workers.

This article describes labor market developments in 1985 for major age-sex, race-ethnic, industrial, and occupational groups. It also examines the performance of key employment and unemployment indicators in cyclical terms and evaluates selected developments from a secular perspective. Data discussed in this article come from two sources: house-

hold interviews and reports from employers.<sup>2</sup> Unless otherwise noted, over-the-year changes are based on fourth quarter-to-fourth quarter movements, and all data are seasonally adjusted.

## **Total employment**

Civilian employment rose by 2.0 million in 1985 to 108 million at yearend. The increase took place entirely among adults—about 1.4 million women and 700,000 men. (See table 1.) The number of persons employed in agriculture decreased to approximately 3.1 million in the second half of 1985, after holding in the 3.3 to 3.4 million range over the previous decade. High levels of production worldwide contributed to sharply lower prices for U.S. farm products in 1985.<sup>3</sup> The unexpected deflation put many farmers in a severe credit squeeze and led to a large number of foreclosures on farm properties. Employment fell by similar amounts (about 100,000 persons) for both hired farmworkers and self-employed farmers.

Over the entire 3-year expansion (fourth-quarter 1982 to fourth-quarter 1985), civilian employment rose by almost 9 million, or 8.9 percent. The increase for adult men (about 8 percent) was the largest recorded in any 3-year recovery period since World War II; this reflected both the severity of the 1979–82 employment drop and the strength of the subsequent rebound. Employment rose even more rapidly for women (11 percent) during the 3 years of expansion. However, in contrast to the pattern for men, employment among women had continued to rise throughout the early 1980's,

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**Table 1. Selected labor force indicators by sex, age, race, and Hispanic origin, seasonally adjusted quarterly averages, 1982-85**

(Numbers in thousands)

Characteristic	1982	1983	1984	1985			
	IV	IV	IV	I	II	III	IV
<b>Total</b>							
Civilian labor force .....	110,926	112,142	114,235	115,024	115,206	115,468	116,158
Percent of population .....	64.1	64.1	64.5	64.8	64.7	64.7	64.9
Employed .....	99,135	102,600	105,959	106,618	106,804	107,200	107,996
Agriculture .....	3,475	3,308	3,325	3,319	3,259	3,077	3,093
Nonagriculture .....	95,660	99,292	102,634	103,298	103,545	104,123	104,903
Employment-population ratio ..	57.3	58.6	59.8	60.1	60.0	60.1	60.4
Unemployed .....	11,791	9,541	8,276	8,406	8,402	8,268	8,162
Unemployment rate .....	10.6	8.5	7.2	7.3	7.3	7.2	7.0
<b>Men, 20 years and over</b>							
Civilian labor force .....	58,340	59,026	59,981	60,063	60,217	60,278	60,542
Percent of population .....	78.7	78.4	78.2	78.2	78.1	78.0	78.0
Employed .....	52,552	54,427	56,234	56,305	56,439	56,597	56,909
Employment-population ratio ..	70.9	72.3	73.4	73.3	73.2	73.2	73.4
Unemployed .....	5,788	4,599	3,747	3,757	3,778	3,681	3,633
Unemployment rate .....	9.9	7.8	6.2	6.3	6.3	6.1	6.0
<b>Women, 20 years and over</b>							
Civilian labor force .....	44,115	45,057	46,366	46,900	47,123	47,363	47,749
Percent of population .....	52.9	53.3	54.0	54.5	54.6	54.7	54.9
Employed .....	40,139	41,761	43,280	43,744	43,947	44,210	44,716
Employment-population ratio ..	48.2	49.4	50.4	50.8	50.9	51.0	51.5
Unemployed .....	3,976	3,296	3,086	3,156	3,176	3,153	3,033
Unemployment rate .....	9.0	7.3	6.7	6.7	6.7	6.7	6.4
<b>Both sexes, 16 to 19 years</b>							
Civilian labor force .....	8,471	8,059	7,888	8,061	7,866	7,828	7,867
Percent of population .....	54.3	53.5	54.1	55.2	54.2	54.2	54.4
Employed .....	6,445	6,412	6,445	6,568	6,418	6,393	6,371
Employment-population ratio ..	41.3	42.5	44.2	45.0	44.2	44.2	44.0
Unemployed .....	2,027	1,647	1,443	1,493	1,448	1,434	1,496
Unemployment rate .....	23.9	20.4	18.3	18.5	18.4	18.3	19.0
<b>White</b>							
Civilian labor force .....	96,604	97,662	98,798	99,611	99,672	99,900	100,515
Percent of population .....	64.4	64.5	64.7	65.0	64.9	64.9	65.2
Employed .....	87,466	90,471	92,622	93,357	93,392	93,706	94,487
Employment-population ratio ..	58.3	59.8	60.7	60.9	60.8	60.9	61.3
Unemployed .....	9,138	7,192	6,175	6,254	6,280	6,195	6,028
Unemployment rate .....	9.5	7.4	6.3	6.3	6.3	6.2	6.0
<b>Black</b>							
Civilian labor force .....	11,500	11,617	12,242	12,299	12,351	12,340	12,464
Percent of population .....	61.4	61.0	62.8	62.9	63.0	62.6	63.0
Employed .....	9,150	9,550	10,393	10,402	10,498	10,520	10,580
Employment-population ratio ..	48.9	50.1	53.3	53.2	53.5	53.4	53.5
Unemployed .....	2,350	2,067	1,849	1,897	1,853	1,821	1,883
Unemployment rate .....	20.4	17.8	15.1	15.4	15.0	14.8	15.1
<b>Hispanic origin</b>							
Civilian labor force .....	6,723	6,982	7,392	7,341	7,383	7,525	7,538
Percent of population .....	63.6	63.9	65.4	64.4	64.3	65.0	64.6
Employed .....	5,693	6,142	6,619	6,587	6,603	6,729	6,730
Employment-population ratio ..	53.9	56.2	58.6	57.8	57.5	58.1	57.7
Unemployed .....	1,030	839	772	755	779	796	808
Unemployment rate .....	15.3	12.0	10.4	10.3	10.6	10.6	10.7

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.

despite the occurrence of back-to-back recessions in 1980 and 1981-82.

*Employment-population ratios.* The proportions of the civilian noninstitutional population that are employed have moved differently for men, women, and teenagers in the first half of the 1980's. As the tabulation below shows, the long-term decline in the ratio for men accelerated during the recessions of the early 1980's. The ratio only partially rebounded in 1983 and 1984, and then showed little change in 1985.

	Men	Women	Teenagers
1979 annual average ...	76.5	47.7	48.5
Fourth-quarter:			
1982 .....	70.9	48.2	41.3
1983 .....	72.3	49.4	42.5
1984 .....	73.4	50.4	44.2
1985 .....	73.4	51.5	44.0

In contrast, the employment-population ratio for women continued the steady increase that has been evident since the mid-1950's. The increases slowed somewhat during recessions—as was the case in the early 1980's—and then resumed a strong uptrend in recoveries. The ratio for teenagers followed a pattern similar to that for men in the 1980's, but has not shown a consistent long-term trend.

Employment-population ratios for whites, blacks, and persons of Hispanic origin all declined during the recessions of the early 1980's and then rebounded in the 1983-85 period. However, as the following tabulation shows, only the ratio for whites stood above its 1979 level by late 1985.

	White	Black	Hispanic
1979 annual average ....	60.6	53.8	58.3
Fourth-quarter:			
1982 .....	58.3	48.9	53.9
1983 .....	59.8	50.1	56.2
1984 .....	60.7	53.3	58.6
1985 .....	61.3	53.5	57.7

The ratio for whites reached an all-time high in the fourth quarter of 1985, while that for blacks was slightly below the 1979 high. The stonger performance of the ratio for white women in the 1980's was a major factor in the overall difference; it also reversed the long-term pattern of higher ratios for black than for white women. In 1979, the ratio for black women (49 percent) exceeded that for their white counterparts (47 percent), but by the 1981-82 recession trough, the black ratio had declined to 47 percent, while that for whites had edged up to 48 percent. Both ratios increased to about 51 percent by late 1985. In contrast, the wide gap between the employment-population ratios of black and white teenagers narrowed very little in the 1980's. Only 1 out of 4 blacks aged 16 to 19 was employed in 1985, compared to about 1 out of 2 white teenagers.

The employment-population ratio for persons of Hispanic origin has remained between those of whites and blacks over the last decade. As the above tabulation shows, the Hispanic ratio, like that for blacks, fell sharply during the recession years of the early 1980's. The greater drop and

subsequent rebound for minorities reflects, among other things, their heavier concentration in cyclically sensitive manual occupations.

*Occupational changes.* Employment growth between 1984 and 1985 was greatest for office workers, particularly highly skilled executives, administrators, and managers. The service occupations and technical, sales, and administrative support positions grew at a slightly faster pace than total employment. However, as the tabulation below shows, there was an over-the-year decrease for operators, fabricators, and laborers, as well as a sharp drop in farming, forestry, and fishing occupations.

	Percent change	
	Fourth quarter 1983-84	Fourth quarter 1984-85
Total .....	3.3	2.0
Managerial and professional .....	5.1	4.3
Technical, sales, and administrative .....	3.2	2.7
Service occupations .....	.9	2.6
Precision production, craft, and repair .....	3.5	1.4
Operators, fabricators, and laborers .....	3.1	-1.0
Farming, forestry, and fishing .....	.8	-7.9

While slower employment growth was evident in most major occupational groups from 1984 to 1985, the change was especially marked for nonfarm manual workers at all skill levels. In 1984, when construction and manufacturing rebounded strongly, job gains for skilled craft workers and for medium and low-skilled manual workers equaled the rise in total employment; in 1985, however, the increase slowed sharply for the former group and turned to a decrease for the latter. In fact, employment fell by about 3 percent over the year for machine operators, assemblers, and inspectors, most of whom are employed in manufacturing. Only managerial and professional occupations registered above-average employment increases in both 1984 and 1985.

### Nonfarm payroll employment

Total nonagricultural payroll employment, as measured by the Bureau of Labor Statistics business survey, also continued to post substantial gains throughout 1985. This marked the third straight year of strong growth, which has resulted in an increase of 10 million jobs during the current recovery.<sup>4</sup> At 98.8 million in the fourth quarter of 1985, nonfarm employment had increased by about 3 million over the year. (See table 2.)

However, even a quick look beyond the total figure reveals marked differences among industries. All of the major divisions which make up the service-producing sector posted employment increases, with the largest gains coming in retail trade and services. Among the goods-producing industries, only construction produced a gain in employment. Significant and pervasive declines in employment characterized both mining and manufacturing. (See chart 1.) The widespread declines in manufacturing, which were con-

centrated in the first three quarters of 1985, reversed the strong growth trend of the previous 2 years.

Chart 2 illustrates the relative strength of the service-producing versus the goods-producing sector over the long term. Employment in the service-producing sector has been on an almost continuous upward climb for the past 40 years. Even during recessionary periods, growth slowed only temporarily, and there were no significant or prolonged declines in service-related employment during the postwar years. In marked contrast, the goods-producing sector showed only moderate overall employment growth throughout the postwar period, and each of the industries within the sector was substantially affected by recessions. Over the entire 1945-85 period, the service-producing sector gained approximately 51 million jobs, compared to 7½ million jobs in the goods-producing sector. As a result, service-producing employment grew from 57 to 75 percent of total payroll employment.

Viewed from a cyclical perspective, employment gains during the past 3 years were among the strongest in any comparable postwar period. The current expansion has already lasted longer than 3 of the 7 previous recoveries, and the growth in total nonfarm employment has outpaced that in 2 of the other 4 recoveries. (See table 3.) This has been the strongest recovery in the postwar period for construction and for most industries in the service-producing sector. For manufacturing, however, the recovery has been relatively modest, much of its earlier strength having dissipated in 1985.

*Service-producing industries.* In 1985, service-producing industries continued to add jobs at about the same rapid pace as during the first 2 years of the recovery, with employment in the sector increasing by 2.8 million.

The *services* division showed the largest increase, gaining well over a million jobs in 1985, with business services leading the way. Within business services, the "temporary help supply services" industry has been the strongest gainer, although there has been some moderation from the phenomenal growth rates evidenced earlier in the recovery. Health services employment continued its strong secular growth trend in 1985, and large increases were also registered in personal services and in amusement and recreation.

*Retail trade* also showed marked growth in 1985, as retail sales remained strong. Eating and drinking places and food stores continued their long-term uptrends, with sizable gains in each quarter. Auto dealers and service stations, which have had a strong cyclical recovery, also grew throughout 1985. Although small in terms of employment level, "radio, television, and music stores" posted the largest percentage increase—about 15 percent. This is linked to the rapidly increasing demand for video cassette recorders and the services of video clubs.

*Wholesale trade* employment continued to grow during 1985, particularly among wholesalers of machinery, equip-

ment, and supplies. Employment in this industry grew despite declines in machinery and electrical equipment manufacturing jobs. Some of this strength can be attributed to the industry's strong ties to the construction industry and to large volumes of imports.

*Finance, insurance, and real estate* continued the healthy growth pace shown throughout the recovery. While the increases were not as spectacular as in retail trade and ser-

vices, they have been very steady—between 40,000 and 80,000 jobs each quarter. One of the fastest-growing industries within this division has been “credit agencies other than banks,” that is, savings and loan institutions, credit unions, and the like. This growth is tied to recent banking deregulation which has lowered barriers to entry and encouraged growth and competition in the savings and lending industry.

*Transportation and public utilities* employment increased

**Table 2. Employees on nonagricultural payrolls by industry, seasonally adjusted quarterly averages, 1982–85**

[In thousands]

Industry	1982	1983	1984	1985			
	IV	IV	IV	I	II	III	IV <sup>1</sup>
Total .....	88,721	91,804	95,849	96,640	97,338	97,933	98,786
Total private .....	72,891	75,932	79,745	80,522	81,143	81,578	82,295
<b>Goods-producing</b> .....	<b>22,982</b>	<b>23,938</b>	<b>24,973</b>	<b>25,077</b>	<b>25,055</b>	<b>24,983</b>	<b>25,088</b>
Mining .....	1,029	955	977	976	979	965	955
Oil and gas extraction .....	651	596	624	620	622	616	606
Construction .....	3,836	4,098	4,432	4,537	4,646	4,690	4,755
General building contractors .....	959	1,084	1,180	1,219	1,230	1,241	1,267
Manufacturing .....	18,117	18,885	19,564	19,564	19,430	19,328	19,378
Durable goods .....	10,485	11,082	11,673	11,676	11,585	11,491	11,508
Lumber and wood products .....	596	692	709	705	695	700	712
Furniture and fixtures .....	425	469	494	499	495	496	497
Stone, clay, and glass products .....	558	584	599	601	599	599	602
Primary metal industries .....	825	860	848	839	819	799	801
Blast furnaces and basic steel products .....	344	350	318	313	305	294	296
Fabricated metal products .....	1,349	1,410	1,486	1,483	1,476	1,465	1,464
Machinery, except electrical .....	2,050	2,088	2,232	2,224	2,200	2,161	2,140
Electrical and electronic equipment .....	1,954	2,089	2,250	2,248	2,215	2,186	2,182
Transportation equipment .....	1,663	1,815	1,947	1,972	1,984	1,987	2,013
Motor vehicles and equipment .....	660	815	877	878	875	865	869
Instruments and related products .....	699	698	722	725	725	724	724
Miscellaneous manufacturing .....	367	377	386	382	377	373	373
Nondurable goods .....	7,631	7,803	7,891	7,888	7,846	7,838	7,869
Food and kindred products .....	1,627	1,615	1,622	1,635	1,636	1,634	1,640
Tobacco manufactures .....	68	65	66	66	66	65	64
Textile mill products .....	729	757	726	713	702	696	699
Apparel and other textile products .....	1,140	1,191	1,182	1,175	1,153	1,156	1,163
Paper and allied products .....	654	670	683	682	682	683	686
Printing and publishing .....	1,271	1,324	1,395	1,405	1,415	1,427	1,438
Chemicals and allied products .....	1,055	1,041	1,052	1,052	1,045	1,039	1,034
Petroleum and coal products .....	200	192	187	184	181	175	170
Rubber and miscellaneous plastics products .....	679	743	796	798	792	790	800
Leather and leather products .....	209	204	182	177	174	175	174
<b>Service-producing</b> .....	<b>65,740</b>	<b>67,866</b>	<b>70,876</b>	<b>71,563</b>	<b>72,283</b>	<b>72,950</b>	<b>73,698</b>
Transportation and public utilities .....	5,023	5,040	5,233	5,267	5,291	5,301	5,342
Transportation .....	2,736	2,782	2,995	3,024	3,049	3,059	3,104
Communications and public utilities .....	2,288	2,258	2,238	2,243	2,243	2,242	2,238
Wholesale trade .....	5,214	5,362	5,649	5,699	5,750	5,789	5,840
Durable goods .....	3,034	3,142	3,334	3,367	3,401	3,433	3,464
Nondurable goods .....	2,179	2,220	2,315	2,332	2,348	2,355	2,376
Retail trade .....	15,183	15,942	16,960	17,166	17,366	17,501	17,626
General merchandise stores .....	2,140	2,195	2,330	2,344	2,360	2,353	2,344
Food stores .....	2,509	2,581	2,726	2,772	2,816	2,847	2,869
Automotive dealers and service stations .....	1,633	1,718	1,846	1,864	1,890	1,901	1,917
Eating and drinking places .....	4,870	5,169	5,513	5,587	5,665	5,731	5,778
Finance, insurance, and real estate .....	5,356	5,554	5,756	5,811	5,884	5,959	6,041
Finance .....	2,664	2,792	2,892	2,921	2,955	2,998	3,039
Insurance .....	1,715	1,724	1,775	1,788	1,807	1,825	1,845
Real estate .....	978	1,038	1,089	1,103	1,122	1,136	1,157
Services .....	19,133	20,096	21,174	21,502	21,797	22,045	22,358
Business services .....	3,289	3,755	4,233	4,332	4,422	4,479	4,578
Health services .....	5,891	6,044	6,139	6,186	6,234	6,285	6,362
Government .....	15,831	15,872	16,104	16,118	16,195	16,355	16,491
Federal .....	2,745	2,781	2,830	2,840	2,868	2,886	2,894
State .....	3,642	3,674	3,727	3,736	3,758	3,792	3,834
Local .....	9,444	9,417	9,547	9,542	9,569	9,677	9,763

<sup>1</sup> Data are preliminary.

in 1985, though at a considerably slower pace than in the year before. Within transportation, railroads continued their long-term secular decline, while airlines and trucking continued to post gains. Employment in communications and other public utilities was about unchanged over the year, as declines in communications were offset by slight growth in the other public utilities. Increased competition in the telephone industry drove companies to streamline operations, in part by reducing labor costs through job cuts.

*Government* employment also rose in 1985, as Federal, State, and local governments each showed increases. Some of the growth in local government may be related to increases in employment in public education resulting from moves to improve the quality of education, and legislation mandating education of handicapped children.

*Goods-producing industries.* Employment trends for 1985 were mixed in the goods-producing sector; construction continued to advance sharply but mining and manufacturing lost jobs.

*Construction* employment rose by about 300,000 or 7 percent during the year, matching the growth rate in each of the 2 previous years. The greatest strength was among special trade contractors, which have increased their share of total construction employment from approximately 50 to 57 percent over the past 5 years. This category spans the entire spectrum of construction trades, from painting and papering to plumbing, electrical work, stone masonry, and roofing. Special trade contractors may be employed in new construction, renovation, or maintenance and in both residential and nonresidential construction.

Residential construction employment rose moderately, helped by relatively low mortgage interest rates in 1985. Demographic trends continued to be favorable for the industry, as the last of the baby-boom generation entered the prime age group for first-time home buying. Nonresidential construction remained strong in 1985. Despite increasing office vacancy rates, incentives such as tax shelters and the perceived security of real estate investment continued to make nonresidential construction investment attractive.

*Mining* is the only major division in which employment at the end of 1985 was below the 1982 recession trough level. The last strong period for mining employment was 1981 through the first quarter of 1982, when increases in oil and gas extraction associated with energy shortages fueled job growth. Since then, a worldwide oil glut and resultant price declines have had dampening effects on employment.

The year brought a reversal in employment trends in *manufacturing*. What had been a relatively strong cyclical recovery collapsed in the face of increasing import competition and a slump in the computer-related industries. In the fourth quarter, factory jobs stood at 19.4 million, 190,000 below the year-earlier level. Employment had increased by 1.4 million in the first 2 years of the recovery, but the 1985 weakness was pervasive, particularly during the first three

quarters. By the fourth quarter, most of the declines had flattened out and total manufacturing employment showed a small increase.

A sharp turnaround in the nonelectrical machinery and electrical and electronic equipment industries contributed the most to manufacturing's over-the-year decline. These two industries showed considerable strength during the first 2 years of the recovery, gaining 185,000 and 300,000 jobs, respectively. During 1985, however, nonelectrical machinery lost 90,000 jobs and electrical and electronic equipment, 70,000. The biggest reductions were registered in computer-related industries, particularly electronic computing equipment and electronic components including semiconductors. The computer industry has recently begun to face serious import competition, particularly in the semiconductor market. In addition, earlier overprojections of product demand, particularly in the personal computer market, were reflected in production and employment cutbacks. Two other industries, fabricated metals and miscellaneous manufacturing, also had gained jobs earlier in the recovery but suffered declines in 1985.

Six other industries had job losses in 1985—primary metals, textiles, apparel, chemicals, petroleum, and leather. With the exception of apparel, these industries had fewer jobs at the end of 1985 than at the trough of the 1981–82 recession. Their continuing weakness is largely a reflection of long-term structural adjustment problems, aggravated in recent years by increased import competition. These six industries had a combined loss of 140,000 jobs over the year.

Three manufacturing industries showed job gains over the year—transportation equipment (70,000), printing and publishing (40,000), and food processing (20,000). The growth in transportation equipment was due mainly to increases in aircraft, guided missiles, and spacecraft manufacturing. Automobile employment, which advanced very strongly in 1983 and 1984, held about steady during 1985. Job levels in the remaining manufacturing industries were also little changed over the year.

Other economic indicators reflect the 1985 slump in manufacturing. Following growth during the first 1½ years of the recovery, the index of industrial production has essentially been at a standstill since mid-1984. Capacity utilization also peaked in mid-1984 after steady increases during the first 2 years of recovery, and has since declined.

### **Hours of work**

The workweek of production or nonsupervisory workers on private nonagricultural payrolls remained in the narrow range of 35.0–35.2 hours throughout 1985. Following a modest decline during the recession, hours had peaked at 35.4 in early 1984, but declined slightly later that year before stabilizing in 1985. Average weekly hours have shown a long-term secular downtrend over the entire post-war period, declining nearly 5 hours between 1945 and

1985. This has largely been due to increasing percentages of employment concentrated in retail trade and services, industries which have large—and growing—numbers of part-time employees.

Average weekly hours in manufacturing declined slightly in the first half of 1985. That trend was reversed in the second half, and the factory workweek rose to a very high 40.8 hours by yearend. Factory overtime followed the same general pattern and reached 3.5 hours in the fourth quarter.

In 1985, the index of aggregate weekly hours, a more comprehensive measure which takes into account both the number of production workers and their average hours, rose for the third straight year. Spurred by the strong employment growth, it stood at 117.7 (1977 = 100) in the last quarter, its highest level ever recorded. The aggregate hours index for manufacturing fell slightly between the fourth quarters of 1984 and 1985, reflecting the decline in employment.

**Unemployment**

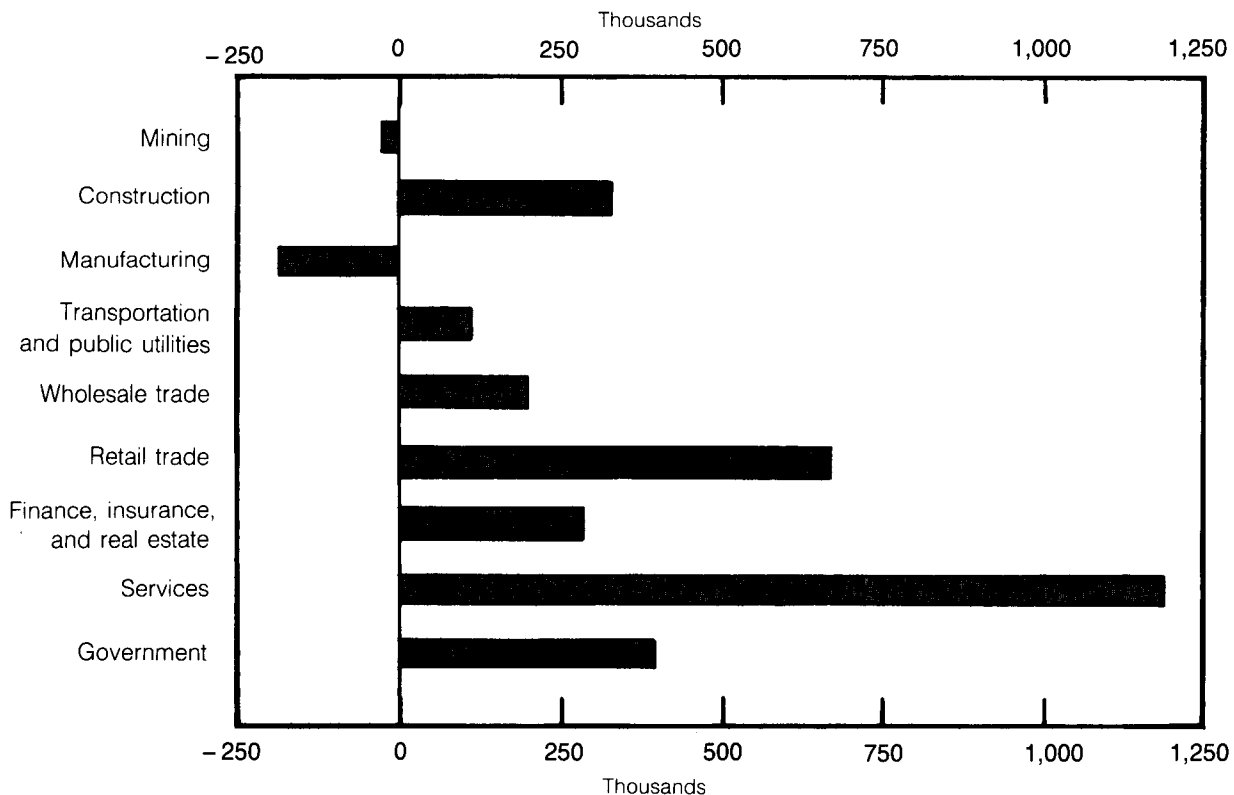
The number of unemployed persons declined in the second half of 1985 to about 8 million in December. Similarly, the jobless rate, which had remained little changed from late 1984 through the first half of 1985, dipped to 7.0 percent in the fourth quarter, down sharply from the recession high of 10.6 percent in late 1982. During the past 3 years of economic expansion, jobless rates for all civilians and for most major labor force groups fell back to or below prerecession peak (July 1981) levels. Despite these declines, jobless rates for virtually all worker groups at year's end were still above those prevailing just before the onset of the 1980 recession. As the tabulation below shows, the unemployment rate increase over the period was sharpest for men—especially those in the 25–54 age group.

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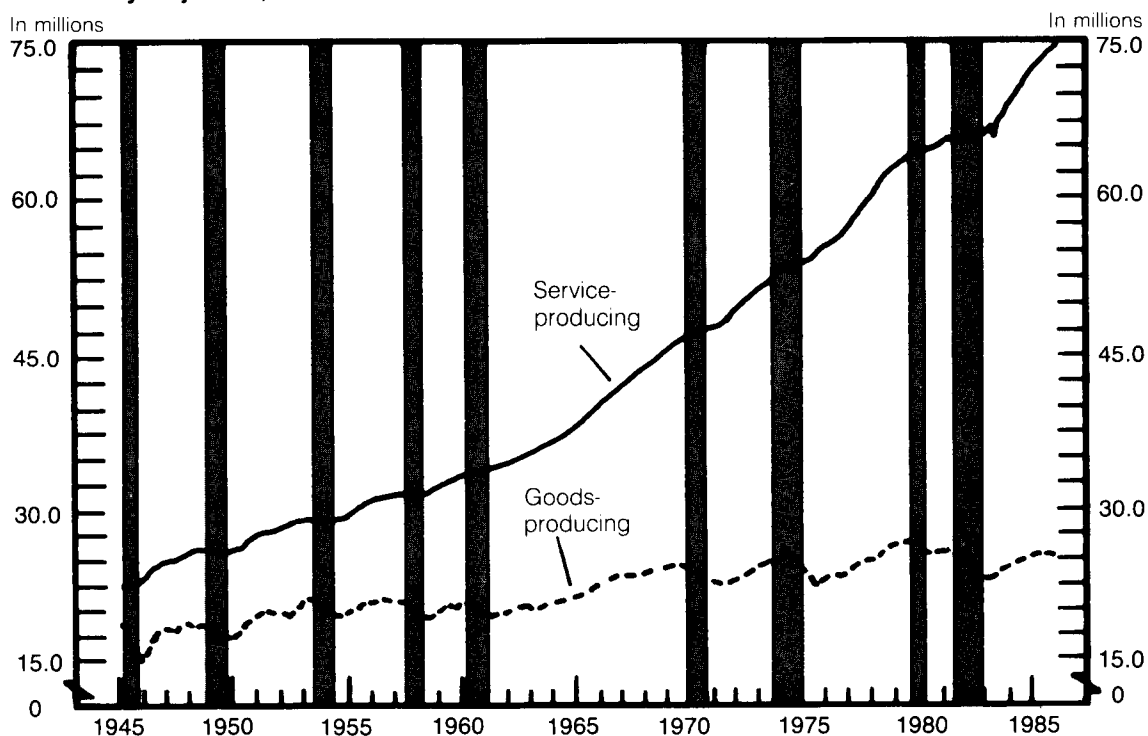
	Fourth-quarter		
	1979	1982	1985
Total, 16 years and over . . . .	5.9	10.6	7.0
Men:			
16–24 years . . . . .	11.6	20.3	14.0
25–54 years . . . . .	3.6	9.1	5.4
55 years and over . . . . .	2.8	5.8	4.0
Women:			
16–24 years . . . . .	12.5	17.0	13.1
25–54 years . . . . .	5.1	8.5	5.8
55 years and over . . . . .	3.1	5.0	3.7

The back-to-back recessions in 1980 and 1981–82 hit the goods-producing industries extremely hard. In effect, the sector experienced one deep and prolonged downturn, as employment fell by about 3½ million between the fourth quarters of 1979 and 1982. Despite 3 full years of expansion, goods-related employment had recovered only about 80 percent of the jobs lost by the end of 1985. Weak em-

**Chart 1. Employment changes by major industry division, fourth-quarter 1984–1985**



**Chart 2. Employment in the service-producing and goods-producing sectors, seasonally adjusted, 1945-85**



NOTE: Shaded areas indicate recessions as designated by the National Bureau of Economic Research.

ployment demand in this sector thus far in the 1980's has had its most adverse effect on men of prime working age. As the above tabulation shows, their jobless rate jumped from 3.6 percent in 1979 to 9.1 percent in 1982 before it began to recover. However, with an incomplete recovery in goods-producing employment, their rate was about 1½ times higher in 1985 than in 1979.

At the same time that employment weakened in goods-producing industries, the supply of 25- to 44-year-old workers (both men and women) expanded rapidly. As the baby-boom generation moved into adulthood in the 1980's, the work force aged 25 to 44 jumped by 12 million. In contrast, the labor force of younger workers declined and that of persons aged 45 and over was little changed between 1979 and 1985. The decrease (approximately 2 million over the period) in the number of 16- to 24-year-olds in the labor force helped to moderate unemployment problems for these younger workers.

Women of prime working age were much less affected by the cyclical swings of the 1980's than were men, because women's employment is concentrated in the steadily expanding service-producing sector. The low proportion of females employed in the goods-producing sector (20 percent versus 43 percent for men) is a major reason that jobless rates for 25- to 54-year-old women increased much less than

those of their male counterparts in the early 1980's. By 1985, the jobless rate for these women had decreased to a level only moderately above the 1979 level.

*Whites, blacks, and Hispanics.* The longstanding disparity between white and black labor market success did not change appreciably during the recessions of the early 1980's or the subsequent strong recovery. The black jobless rate was about 15 percent at the end of 1985; the rate for whites was 6 percent. Although both rates in 1985 were substantially below their 1982 highs, neither was back to its 1979 level—about 12 percent for black workers and 5 percent for whites.

Adult men of both races accounted for most of the unemployment rate increases in the early 1980's. Their 1985 rates were still more than one-third higher than in 1979. In contrast, jobless rates for black and white women in 1985 were less than one-fourth above those of 1979. The rate for black teenagers, which had been as high as 50 percent during much of 1982 and 1983, declined to approximately 40 percent in 1985—marginally above that in 1979. For white teenagers, the 1985 rate (16 percent) was also slightly above the 1979 level.

The labor market experience for persons of Hispanic origin essentially followed the business cycle swings during

the 1980's. Their unemployment rate rose from about 9 percent in 1979 to more than 15 percent in 1982 and then decreased to the 10.5- to 11-percent range in 1984 and 1985. The Hispanic population grew substantially in 1985 (more than 3 percent on an annual basis), and their employment also showed a large gain.

**Industry and occupation.** Between 1983 and 1984, unemployment rates for workers in all major industry groups had declined, with the goods-producing sector showing the sharpest drop.<sup>5</sup> However, while moderate declines continued in most service-producing industries during 1985, the jobless rate for workers in the goods-producing industries was unchanged. The rate for factory workers, which had fallen from 8.9 to 7.3 percent between 1983 and 1984, edged up to 7.5 percent by the end of 1985—with all of the increase occurring in durable goods industries. For wage and salary workers in the service-producing sector, jobless rate declines were most notable in services and government.

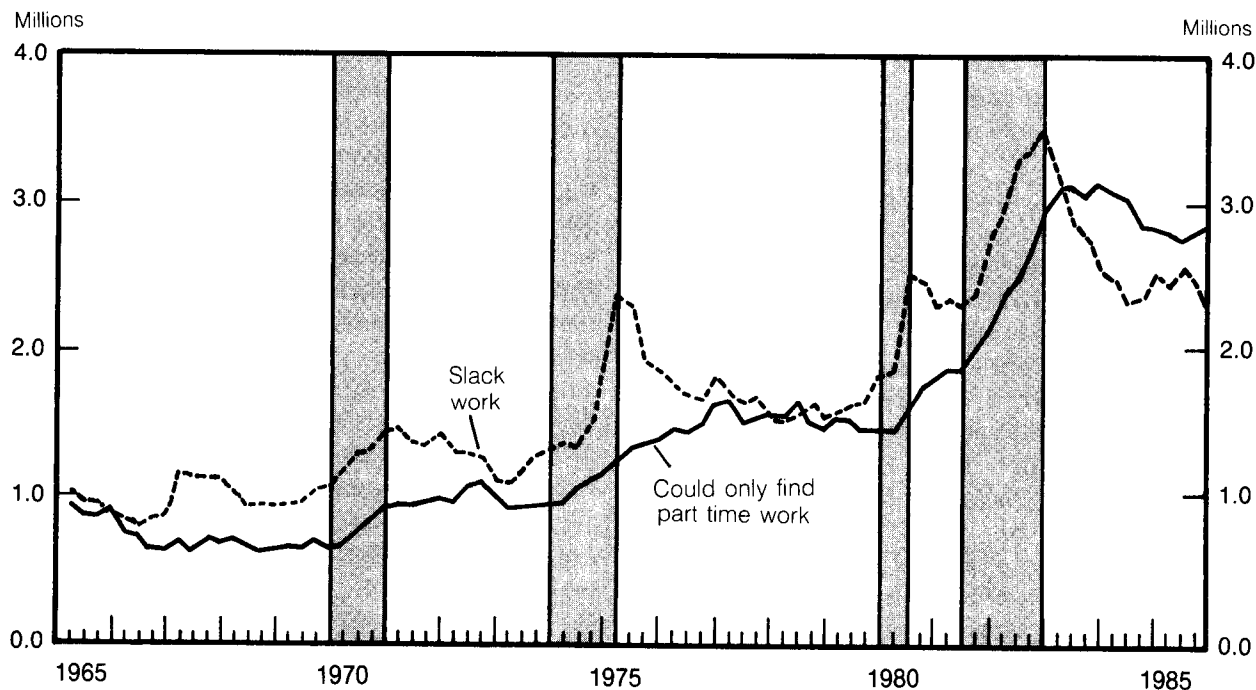
Unemployment rates for all major occupational groups had dropped between 1983 and 1984, but showed little further improvement in 1985.<sup>6</sup> Among managerial and professional workers, where employment growth was strong, the jobless rate declined from 2.4 to 2.2 percent between 1984 and 1985. Small declines also took place for administrative support workers and skilled craft workers in the construction trades. However, the unemployment rate was vir-

tually unchanged for machine operators, assemblers, and inspectors, most of whom work in manufacturing.

**Duration and reasons.** Total unemployment declined only slightly in 1985, but the average duration of unemployment dropped from about 17 to 15½ weeks. Despite considerable improvement over the recession high of 21 weeks, the average length of an ongoing unemployment spell was still 5 weeks longer than in 1979. Long-term (15 weeks or more) and very long-term unemployment (27 weeks or more), which tend to lag cyclical changes, continued to fall during 1985, while the number of persons jobless for less than 5 weeks rose slightly. However, in spite of sharp decreases since 1983, the numbers of long-term and very long-term unemployed in late 1985, at 2.2 and 1.2 million, respectively, remained very high by historical standards.

Changes in the number of persons unemployed for different reasons were also comparatively small between 1984 and 1985. The most highly cyclical group—persons seeking work because they had lost their last jobs—continued to decline, although much more moderately than earlier in the recovery. Their proportion of total unemployment dropped from 61 percent at the 1982 recession trough to just below 50 percent at the end of 1985. There were small increases in the number of persons unemployed because they had left their last jobs or had reentered the labor market after a period of absence.

**Chart 3. Number of persons working part time involuntarily by major reason, seasonally adjusted quarterly averages, 1965–85**



NOTE: Shaded areas indicate recessions as designated by the National Bureau of Economic Research.



**Table 3. Percent change in nonagricultural payroll employment from trough to 37 months after trough, five postwar recessions**

Industry	1949 trough	1954 trough	1961 trough	1975 trough	1982 trough
Total nonagricultural	16.1	8.4	8.1	12.6	11.7
Mining	49.8	5.7	-6.7	17.9	-7.4
Construction	21.3	13.4	9.0	19.8	24.0
Manufacturing	23.3	5.9	6.6	11.8	7.4
Transportation and public utilities	11.5	4.0	0.4	7.2	6.7
Wholesale trade	8.5	6.2	5.7	11.9	12.3
Retail trade	10.3	6.7	7.0	15.1	16.5
Finance, insurance, and real estate	11.9	11.2	8.6	12.8	13.2
Services	8.8	13.1	13.7	17.1	17.4
Government	14.4	13.2	12.0	7.1	4.4

NOTE: Data are seasonally adjusted.

### Short workweeks and discouragement

About 5½ million persons worked part time but wanted full-time work in 1985, down slightly from 1984. However, the number of these economic (or involuntary) part-time workers in 1985 was still 1 million above the prerecession low and 2 million above the 1979 level. (See chart 3.)

The two major components of part-time employment for economic reasons—slack work and inability to find full-time work—have behaved differently over the last several years. Slack work, which refers to an employer-initiated curtailment of hours, is highly cyclical and generally leads changes in overall economic activity because employers tend to reduce hours before laying off employees. Similarly, as the economy recovers, employers tend to restore hours before rehiring laid-off workers.<sup>7</sup> As the chart shows, the number on short workweeks because of slack work began to rise before the start of the last three recessions. It also led the recovery from the 1981–82 recession, falling from 3.7 million in September 1982 to 2.3 million by mid-1984. However, since the second quarter of 1984, it has fluctuated between 2.3 and 2.6 million.

Economic part-time employment stemming from an inability to find full-time work is less cyclical than slack work. In addition to the general state of the economy, this “failure to find work” series also reflects the experience, skills, and training of jobseekers and the availability of work schedules desired by workers. The number of persons who could only find part-time employment rose from early 1980 through mid-1983 and declined only slightly over the next 2½ years. At 2.9 million in 1985, the failure-to-find component of involuntary part-time employment was double the 1979 level and four times as high as in the late 1960’s.

Despite 3 years of strong economic expansion, the number of discouraged workers—persons who report that they want to work but are not looking for a job because they believe they could not find one—has remained about unchanged since mid-1984. The number of discouraged workers rose from about 800,000 in 1979 to 1.8 million at the recession trough in fourth-quarter 1982. However, after dropping to 1.2 million by the third quarter of 1984, it has

shown no further sustained improvement. As was true for economic part-timers, the number of discouraged workers in 1985 exceeded the 1981 prerecession peak and was substantially above the 1979 level.

Most discouraged workers cite job market factors—rather than personal factors, such as age or lack of skills, education, or training—as their reason for not seeking work. The number of persons citing job market factors, which tracks closely with business cycle swings, dropped from 1.4 million in late 1982 and early 1983 to just below 900,000 in the third quarter of 1984, and declined to 800,000 by the fourth quarter of 1985. The smaller group citing personal factors has fluctuated between 325,000 and 425,000 for the past 3 years.

### Labor force

The civilian labor force rose by about 2 million, or 1.7 percent, in both 1984 and 1985. These increases, while larger than those which had occurred during the recession years between 1980 and 1983, were well below the 2.7-percent annual average gain during the 1970’s. The slower pace of labor force growth thus far in the 1980’s reflects both demographic changes and cyclical effects.

The civilian noninstitutional population aged 16 and over had jumped by 3 million per year during the 1970’s, as most of the baby-boom generation reached working age. However, during the 1980’s, the population increase eased to an average of 2.2 million, a slowdown that reflects the sharp decline in birth rates beginning in the mid-1960’s. This falloff in the potential labor supply in the early 1980’s, of course, coincided with a period of very weak employment demand. And as indicated earlier, the impact of 3 consecutive bad years was greatest in the cyclically sensitive goods-producing industries, in which men are more likely to be employed.

During the recessions of the early 1980’s, male labor force participation rates decreased, after holding steady during the late 1970’s. Table 4 shows that annual average participation rates for men and women moved differently in the 1980’s, as had been the case throughout the postwar period. The long-term decline in labor force participation

**Table 4. Annual average labor force participation rates by sex, selected years, 1950–85**

Year	Men	Women
1950	86.4	33.9
1960	83.3	37.7
1970	79.7	43.3
1976	77.5	47.3
1977	77.7	48.4
1978	77.9	50.0
1979	77.8	50.9
1980	77.4	51.5
1981	77.0	52.1
1982	76.6	52.6
1983	76.4	52.9
1984	76.4	53.6
1985	76.3	54.5

for men has been concentrated in the older age groups, reflecting a movement toward early retirement. However, this trend was interrupted in the late 1970's, then resumed during the 1980-82 downturn, and there was no rebound at all during the 1983-85 expansion. The participation rate for women continued its secular uptrend into the 1980's, although the rate of growth moderated somewhat during the recession years. As the economic recovery continued into its second and third years, female participation accelerated, reaching 54.5 percent by 1985.

THE LABOR MARKET EXPERIENCE in the 1980's can be viewed in terms of two sharply distinct periods. The first

3 years of the decade were characterized by severe and protracted labor market problems—especially in the goods-producing industries and for adult men. The 1983-85 recovery and expansion has been strong and widespread: Employment recorded very large gains over these 3 years, and unemployment fell more than in any 3-year recovery period since the mid-1950's. However, despite sustained improvements in overall labor market measures, certain areas, such as manufacturing, remain weak. Factory employment in late 1985 was about 1 million below its 1981 prerecession peak and 2 million below its 1979 high. Moreover, while jobless rates for most worker groups fell substantially over the 1983-85 period, they had not yet returned to the lows that prevailed in the late 1970's. □

— FOOTNOTES —

<sup>1</sup> Business cycle peaks and troughs are designated by the National Bureau of Economic Research. The three most recent recessions extended from the following peak-to-trough dates: November 1973–March 1975, January 1980–July 1980, and July 1981–November 1982.

<sup>2</sup> The Current Population Survey gathers data monthly from a sample of about 60,000 households and provides information on the labor force, employment, and unemployment by demographic and economic characteristics. The Current Employment Statistics program is a monthly survey of approximately 280,000 nonagricultural establishments and provides information on the number of persons on business payrolls, as well as on average hours and earnings.

<sup>3</sup> The Producer Price Index for crude foodstuffs and feedstuffs dropped an average of 2 percent per month in the first 9 months of 1985.

<sup>4</sup> The long-term movements of employment from the Current Population Survey and the Current Employment Statistics survey are very similar. Differences in short-run changes, especially over the course of a business cycle, are not unusual. The Current Employment Statistics survey has

shown more employment growth during the current recovery period, particularly between 1984 and 1985. Although the precise reasons for this divergence are unclear, there are several factors which can contribute to different survey results, including differences in definitions and coverage.

<sup>5</sup> Unemployed persons are classified according to the industry and occupation of their last full-time job lasting 2 weeks or more.

<sup>6</sup> Comparisons are based on unadjusted data averaged for the fourth quarters. Beginning in January 1983, occupational data from the Current Population Survey were coded and published according to the 1980 Census system, which evolved from the Standard Occupational Classification system. Seasonal adjustment of data based on the new classification system will not be possible until at least 5 years of data are available. For further information on the change in occupational classification, see "Revisions in the Current Population Survey Beginning in January 1983," *Employment and Earnings*, February 1983, pp. 7-15.

<sup>7</sup> See Robert W. Bednarzik, "Short workweeks during economic downturns," *Monthly Labor Review*, June 1983, pp. 3-11.