

Employment rose in the first half of 1985 as the recovery entered its third year

The total employment gain and unemployment decrease since the recovery began compare favorably with the earlier postwar recoveries; but recently, manufacturing has weakened largely due to the strong U.S. dollar and deteriorating trade balance

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Employment continued to increase in the first half of 1985, but, as is typical in later stages of recoveries, the pace of job growth slackened. Two and one-half years after the 1981–82 recession trough, total employment was up by 7.6 million or 7.7 percent. This gain was substantially greater than the 6.1-percent average in the first 2½ years of recovery from earlier postwar recessions.¹ Nonfarm payroll employment rose by an even larger amount—8.6 million over the recovery period. (See note on survey differences in box.) The service-producing sector and construction accounted for all the growth in nonfarm payroll employment in the first half of 1985. In contrast, after showing strong job gains in the first year and a half of recovery, manufacturing employment slowed and then declined during the first half of 1985. The unemployment rate, which fell sharply throughout 1983 and most of 1984, has shown little movement since last fall.

This article summarizes employment and unemployment developments in the first half of 1985 and compares the performance of key labor market indicators in the ninth and tenth quarters of this recovery with similar periods in earlier postwar recoveries. Changes during the first half of 1985 refer to movements in seasonally adjusted data from the fourth quarter of 1984 to the second quarter of 1985.

Employment

Total civilian employment continued to expand, rising by about 800,000 in the first half of 1985; however, this was less than the 1.0 million gain posted in the second half of 1984 and much smaller than the increases recorded earlier in the recovery. At 106.8 million in the second quarter of 1985, employment had increased by approximately 7.6 million from the recession trough in the fourth quarter of 1982. Nearly 6 million of this increase occurred in the first 1½ years of the recovery.

Age and gender. The employment gain in the first half of 1985 was concentrated among adult women (650,000 of 800,000), which represented a return to the secular pattern of the 1970's and early 1980's, when women also accounted for a disproportionately large share of employment growth. This trend had been interrupted during the first 2 years of the current recovery, when adult men, who had experienced the sharpest job cutbacks during the recession, recorded the largest employment gains. However, adult male employment rose by only 100,000 in the first half of 1985. (See table 1.)

The employment-population ratio (the proportion of a given population that is employed) provides additional insight into trends in employment for adult men and women in recent years. The ratio for men has declined since the mid-1950's, and this trend accelerated considerably during the recession period of the early 1980's. The following

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Sources of the data

Data discussed in this article come from two sources: (1) household interviews, and (2) reports from employers. The Current Population Survey is conducted monthly in 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 more than 200,000 nonagricultural establishments and provides information on the number of persons on business payrolls, as well as on average hours and earnings.

The long-term movements of employment from these two surveys have been very similar but differences in short-run changes, especially over the course of a business cycle, are not unusual. As pointed out in this article, the establishment survey has shown considerably more employment growth during the current recovery and, in particular, over the past year, than the household survey. Although the precise reasons for this divergence are unclear, there are several factors which can cause different survey results. These include differences in definition, coverage, methods of collection, and estimating procedures.

tabulation shows the employment-population ratio of adult men and women in selected periods:

	<i>Men</i>	<i>Women</i>
1979 annual	76.5	47.7
1982 IV quarter	70.9	48.2
1984 IV quarter	73.4	50.4
1985 II quarter	73.2	50.9

Despite a rebound in the first 2 years of the recovery, the adult male ratio in mid-1985 remained well below its 1979 level. In contrast, the employment-population ratio for women 20 years of age and over has shown a secular increase, except for pauses during economic recessions, such as occurred in the early 1980's. However, as was the case in previous business cycles, the ratio for women resumed its upward climb in this recovery, and topped 50 percent for the first time in 1984.

Teenage employment was little changed in the first half of 1985. However, the decrease in youth employment that was evident in the early 1980's bottomed out in 1984. Each year between 1979 and 1983, teenage employment dropped, reflecting both the decline in the youth population and the effect of back-to-back recessions in 1980 and 1981-82. The teenage employment-population ratio fell from a high of 48.5 percent in 1979 to 41 to 42 percent during most of 1982 and 1983. It then recovered to about 44 percent late last year and fluctuated between 44 and 45 percent in the first half of 1985.

Industry. Construction, retail trade, and services have been the most rapidly growing industry divisions throughout the current recovery, and they continued to post the largest job

gains going into 1985. Together these three divisions accounted for 1.2 million of the 1.5 million increase in total nonfarm payroll employment during the first half of 1985. By contrast, manufacturing has shown almost no job growth since mid-1984 and actually declined in the second quarter of 1985. (See table 2.)

Construction employment reached an all-time high of 4.6 million in the second quarter of 1985—up 800,000, or 21 percent from the 1982 recession low. Approximately 200,000 of the construction employment gain occurred in the first half of the year. Services and retail trade, whose job growth during the recovery substantially outpaced the increase in total nonfarm payroll employment, continued to post large job gains in the first half of 1985—about 600,000 in services and 400,000 in retail trade. In addition, job growth continued in finance, insurance, and real estate; wholesale trade; and transportation and public utilities in the first half of 1985, while government employment was little changed.

After rebounding strongly during the first 1½ years of the current recovery and regaining about 60 percent of the jobs lost during the recession, increases in factory employment slowed markedly in the subsequent year, and a decline took place between the first and second quarters of 1985. International economic forces have had an increasingly important effect on factory employment in recent years. As the economy rebounded strongly in 1983 and 1984, the exchange value of the U.S. dollar rose, compared with the currencies of our major trading partners,² making it more difficult for U.S. manufactured goods to compete with foreign products. Part of the leveling off in U.S. industrial output and employment in late 1984 and into 1985 was related to increased imports. The value of U.S. imports of manufactured goods rose by 39 percent for the year ending in the third quarter of 1984, compared with the preceding year.³

While the slowing in manufacturing job growth since mid-1984 reflected increased pressure from imports, other factors, such as the moderation in job gains that occurs at this stage of most recoveries, also had an impact. After jumping by 1.3 million in the first six quarters of the recovery, factory employment showed little growth in the second half of 1984, and then decreased from the first to the second quarter of 1985. Total manufacturing employment was almost unchanged between the second quarters of 1984 and 1985, but declines occurred in several industries that have a history of import sensitivity—primary metals, textiles, apparel, and leather. In contrast, modest job gains occurred over the last year in printing and publishing; rubber and miscellaneous plastics products; and, most notably, transportation equipment. But while automobile employment continued to rise, the bulk of the transportation equipment job gain occurred in aircraft and parts, and guided missiles and space vehicles.

Employment in mining, which has also been affected by international developments, showed little cyclical responsiveness during the 1982-85 period. Rather, the number of

Table 1. Employment status by sex, age, race, and Hispanic origin, selected seasonally adjusted quarterly averages, 1981-85

[Numbers in thousands]

Characteristic	Peak	Trough	1984				1985	
	III 1981	IV 1982	I	II	III	IV	I	II
Total								
Civilian labor force	108,519	110,892	112,650	113,514	113,754	114,185	115,158	115,176
Percent of population	63.7	64.1	64.1	64.5	64.4	64.5	64.9	64.7
Employed	100,477	99,121	103,768	104,985	105,306	105,951	106,732	106,758
Employment-population ratio	59.0	57.3	59.1	59.6	59.6	59.8	60.1	60.0
Unemployed	8,041	11,772	8,882	8,529	8,447	8,233	8,426	8,417
Unemployment rate	7.4	10.6	7.9	7.5	7.4	7.2	7.3	7.3
Men, 20 years and over								
Civilian labor force	57,192	58,356	59,352	59,571	59,798	60,013	60,082	60,164
Percent of population	78.8	78.7	78.3	78.3	78.3	78.3	78.2	78.1
Employed	53,719	52,570	55,199	55,637	55,952	56,274	56,314	56,381
Employment-population ratio	74.0	70.9	72.8	73.1	73.3	73.4	73.3	73.2
Unemployed	3,473	5,786	4,153	3,934	3,846	3,738	3,768	3,783
Unemployment rate	6.1	9.9	7.0	6.6	6.4	6.2	6.3	6.3
Women, 20 years and over								
Civilian labor force	42,455	44,100	45,275	45,924	46,058	46,335	46,953	47,137
Percent of population	52.0	52.9	53.3	53.9	53.8	53.9	54.5	54.6
Employed	39,575	40,141	42,117	42,838	42,928	43,285	43,797	43,945
Employment-population ratio	48.5	48.2	49.6	50.2	50.2	50.4	50.9	50.9
Unemployed	2,880	3,959	3,158	3,087	3,129	3,051	3,155	3,192
Unemployment rate	6.8	9.0	7.0	6.7	6.8	6.6	6.7	6.8
Both sexes, 16 to 19 years								
Civilian labor force	8,871	8,436	8,022	8,019	7,898	7,837	8,123	7,875
Percent of population	54.9	54.1	53.7	54.3	53.9	53.8	55.7	54.3
Employed	7,183	6,409	6,452	6,510	6,426	6,392	6,620	6,432
Employment-population ratio	44.4	41.1	43.2	44.1	43.9	43.9	45.4	44.3
Unemployed	1,688	2,027	1,570	1,508	1,472	1,444	1,503	1,442
Unemployment rate	19.0	24.0	19.6	18.8	18.6	18.4	18.5	18.3
White								
Civilian labor force	94,916	96,567	98,096	98,619	98,425	98,755	99,747	99,671
Percent of population	64.1	64.4	64.5	64.8	64.6	64.7	65.1	64.9
Employed	88,831	87,460	91,437	92,233	92,172	92,626	93,487	93,357
Employment-population ratio	60.0	58.3	60.1	60.6	60.5	60.7	61.0	60.8
Unemployed	6,085	9,107	6,659	6,387	6,253	6,129	6,260	6,314
Unemployment rate	6.4	9.4	6.8	6.5	6.4	6.2	6.3	6.3
Black								
Civilian labor force	11,022	11,509	11,816	11,942	12,102	12,263	12,302	12,347
Percent of population	60.3	61.5	61.5	61.9	62.4	63.0	62.9	62.9
Employed	9,291	9,155	9,842	10,035	10,187	10,409	10,396	10,499
Employment-population ratio	50.9	48.9	51.2	52.0	52.5	53.4	53.2	53.5
Unemployed	1,730	2,354	1,973	1,907	1,915	1,854	1,906	1,848
Unemployment rate	15.7	20.5	16.7	16.0	15.8	15.1	15.5	15.0
Hispanic origin								
Civilian labor force	6,433	6,719	7,079	7,183	7,305	7,417	7,317	7,361
Percent of population	63.8	63.6	64.2	64.6	65.2	65.5	64.2	64.1
Employed	5,797	5,685	6,299	6,405	6,532	6,636	6,574	6,584
Employment-population ratio	57.5	53.8	57.1	57.6	58.3	58.7	57.7	57.3
Unemployed	636	1,033	780	778	773	781	742	777
Unemployment rate	9.9	15.4	11.0	10.8	10.6	10.5	10.1	10.5

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.

jobs in mining fell from about 1.2 million in early 1982, when a world-wide oil glut developed, to about 950,000 in mid-1983. (Oil and gas extraction account for 6 of 10 mining jobs.) U.S. mining employment increased only slightly over the past 2 years, as the demand for oil remained weak. Similarly, world copper prices plummeted in the early 1980's, and U.S. copper ore mining employment fell by more than 50 percent between 1981 and 1985.

Unemployment

The civilian worker unemployment rate held steady at 7.3 percent in the first half of 1985, about the same as in late 1984, but was down sharply from the recession high of 10.7 percent in November-December 1982. From mid-1984 to mid-1985, employment increases just about kept pace with labor force growth, leaving both the level and rate of unemployment about unchanged. There were also

Table 2. Employees on nonagricultural payrolls by industry, selected seasonally adjusted quarterly averages, 1981-85

[In thousands]

Industry	Peak III 1981	Trough IV 1982	1984				1985	
			I	II	III	IV	I	II
Total	91,412	88,721	93,035	94,013	94,915	95,849	96,640	97,324
Goods producing	25,642	22,982	24,402	24,680	24,681	24,973	25,077	25,053
Mining	1,189	1,029	965	973	983	977	976	980
Construction	4,159	3,836	4,255	4,313	4,368	4,432	4,537	4,648
Manufacturing	20,294	18,117	19,182	19,394	19,509	19,564	19,564	19,425
Durable goods	12,194	10,485	11,315	11,487	11,613	11,673	11,676	11,581
Nondurable goods	8,099	7,631	7,867	7,907	7,897	7,891	7,888	7,844
Service producing	65,770	65,740	68,633	69,333	70,055	70,876	71,563	72,271
Transportation and public utilities	5,183	5,023	5,108	5,148	5,193	5,233	5,267	5,300
Wholesale trade	5,374	5,214	5,453	5,516	5,580	5,649	5,699	5,748
Retail trade	15,250	15,183	16,224	16,454	16,682	16,960	17,166	17,369
Finance, insurance, and real estate	5,316	5,356	5,607	5,657	5,706	5,756	5,811	5,886
Services	18,691	19,133	20,360	20,627	20,876	21,174	21,502	21,807
Government	15,957	15,831	15,882	15,931	16,017	16,104	16,118	16,160

no significant changes in jobless rates for major worker groups in the first two quarters of 1985. The rate for adult men (6.3 percent) remained below that for adult women (6.8 percent). For teenagers, the unemployment rate has fluctuated around 18.5 percent for the past year. Jobless rates for whites (6.3 percent), blacks (15.0 percent), and persons of Hispanic origin (10.5 percent) were all virtually unchanged from late 1984 through the first half of 1985.

Industry and occupation. While the overall unemployment rate was about the same in late 1984 and the first half of 1985, the rate for workers in manufacturing industries increased.⁴ During the first 2 years of this recovery, the factory jobless rate was cut in half—to 7.2 percent by the fourth quarter of 1984. However, as employment growth slowed and then halted in 1985, the rate rose to 7.6 percent in the first quarter of 1985 and to 7.8 percent in the second quarter, with most of the increase coming in the durable goods industries. By contrast, in construction, where job growth remained strong, the unemployment rate in second-quarter 1985 was down from fourth-quarter 1984 (12½ versus 14 percent).

Employment rose and unemployment rates decreased for most major occupational groups over the last year. (Unadjusted data for the first halves of 1984 and 1985 are compared because there has been insufficient time to develop seasonally adjusted data based on the 1980-census occupational classification system.⁵) Executive, administrative, and managerial workers recorded the largest employment gains from 1984 to 1985, and their jobless rate decreased from 2.9 to 2.7 percent. In contrast, employment actually declined over the past year for machine operators, assemblers, and inspectors (most of whom are in manufacturing). At the same time, the jobless rate for this occupation edged

up, following a very large drop between the first halves of 1983 and 1984.

Duration. Although there was little change in the total jobless level, the mean duration of unemployment declined to 15½ weeks in 1985 from 17 weeks in the fourth quarter of 1984. This measure, which normally lags changes in the total unemployment rate, did not start to decrease until the fourth quarter of 1983 (a full year after the trough) and, in the first half of 1985, remained well above the pre-recession low. The weight given to the very long-term jobless in calculating the mean duration of unemployment causes this delayed response to cyclical swings. The number of persons jobless for 27 weeks or more fell rapidly between mid-1983 and late 1984 (from 2.8 million to 1.4 million), but then declined more moderately—to 1.3 million by the second quarter of 1985. However, the median duration of unemployment, which is much less affected than the mean by the very long-term jobless,⁶ continued to fall and, at 6.5 weeks in the second quarter of 1985, reached its lowest level since mid-1980.

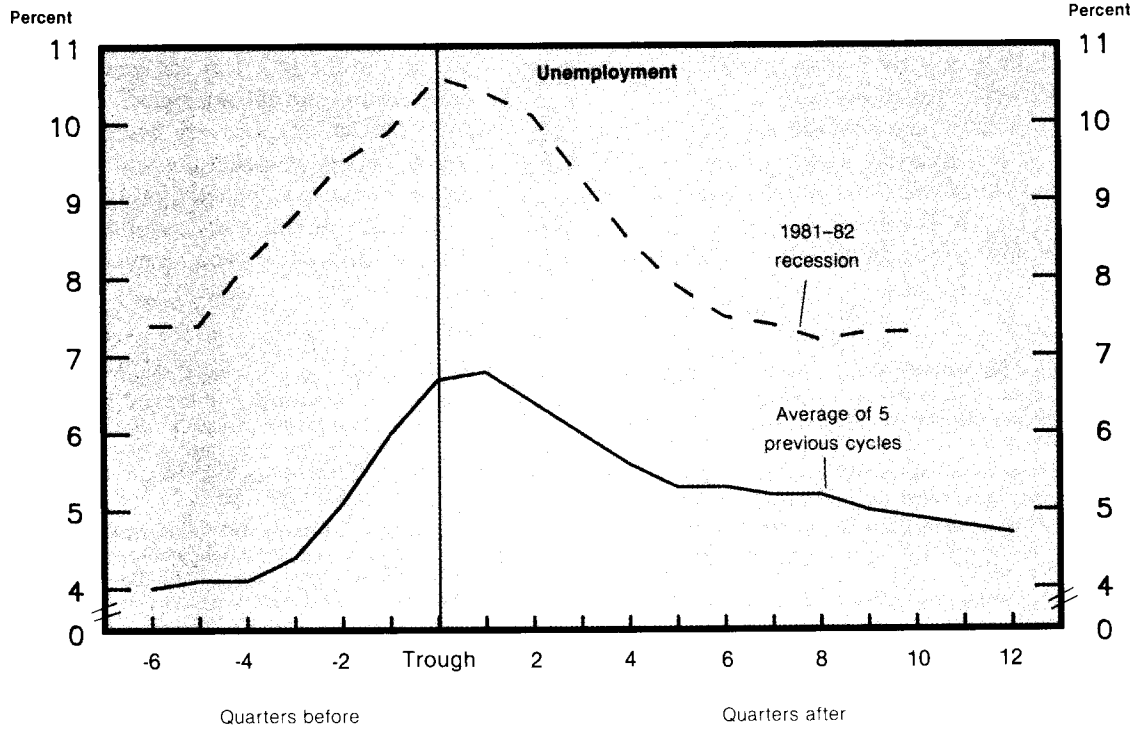
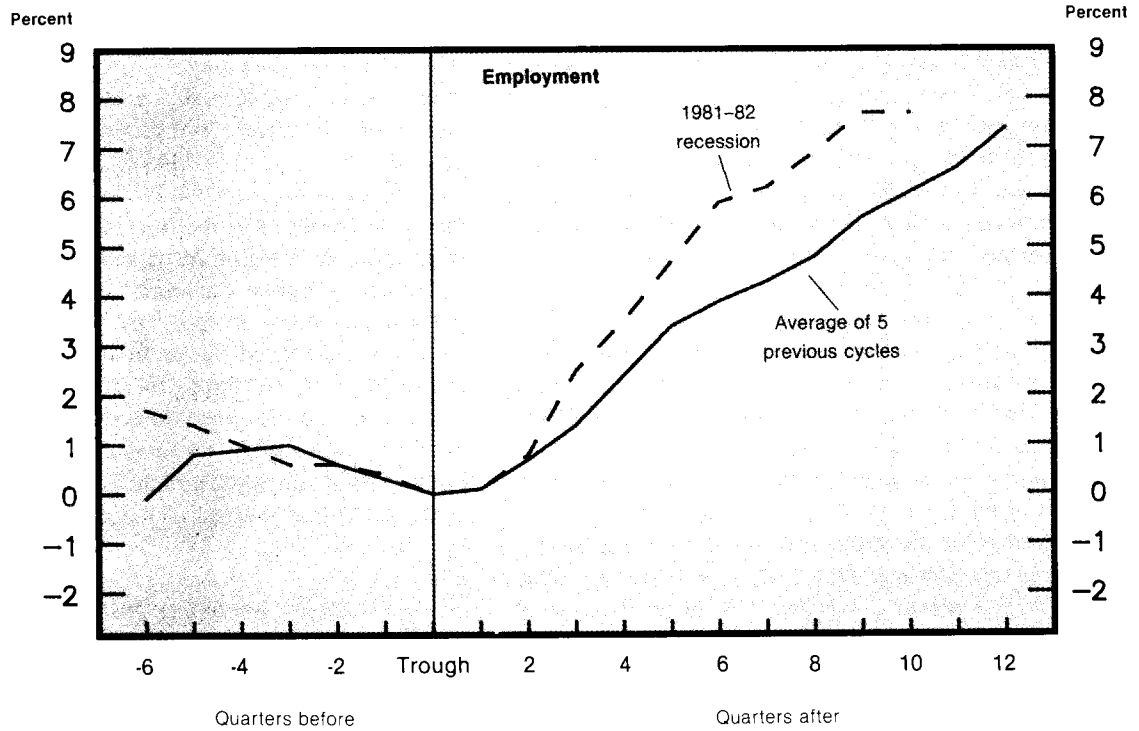
Discouraged workers and short workweeks. Despite continued employment growth, the number of discouraged workers—persons who report that they want to work but have not actively looked for jobs because they believe they could not find any—has improved only moderately since the second quarter of 1984. As was the case with total unemployment, the number of discouraged workers fell sharply in the first 6 quarters of the recovery (from 1.8 million to 1.3 million). It fluctuated between 1.2 million and 1.3 million for the next three quarters and then decreased to 1,150,000 in the second quarter of 1985. All of the recent decline occurred among women, who continue to comprise a large share of the discouraged total.

Another measure of underutilized resources, persons working part-time for economic reasons—principally, those whose hours had been cut back and those who could only find part-time jobs—displayed a similar pattern in the current recovery. The number of involuntary part-time workers decreased from the recession high of 6.7 million to 5.7 million in the second quarter of 1984, and then fluctuated around the latter figure for the following year.

Cyclical perspectives

Many economic indicators flashed signals of weakness in late 1984 and the early months of 1985. The low growth of real gross national product in the first quarter of 1985 (0.3 percent at an annual rate) and the leveling off in the index of industrial production after mid-1984 were significant changes from figures posted earlier in the recovery. In addition, the index of leading economic indicators declined in 3 of the 6 months since December 1984. However, a slowing or even a pause in the pace of economic growth is not unusual during the third year of a recovery. In fact,

Chart 1. Civilian employment percent changes and the unemployment rate during the 1981-82 recession and the average of five previous business cycles, in selected quarters, before and after cyclical trough'



¹ The National Bureau of Economic Research designates business cyclical troughs.

NOTE: The most recent values plotted for 1981-85 are for the second quarter of 1985.

the recent moderation in key labor market indicators is characteristic of other postwar recoveries at similar points in time. The sharpest employment rebound and unemployment drop normally occur in the first 1½ years of a recovery. (See chart 1.)

The current recovery-expansion has followed the postwar pattern, that is, it was much stronger in the earlier than later stages. The growth in total employment slowed to an average of 0.4 percent per quarter over the most recent four quarters from a very strong 1.2 percent in the previous four quarters. Overall, total employment increased substantially more in the first 2½ years of the current recovery than in comparable periods of earlier recoveries (7.7 versus 6.1 percent). Most of this difference stemmed from the extremely strong employment gains from mid-1983 to mid-1984, as growth over the subsequent year has been very similar to that experienced from the seventh through the tenth quarters of other postwar recoveries.

The employment-population ratio, which equaled the previous high of 60.1 percent in the first half of this year, is another measure of the strength of the current expansion. In the 10 quarters following the 1982 recession trough, the ratio rose by 2.7 points, about twice the increase recorded in similar periods of the five earlier recoveries. All major worker groups experienced healthy employment-population ratio rebounds during the current recovery, but the largest increases occurred for blacks and teenagers, two groups that had experienced very substantial drops in their ratios during the 1980 and 1981–82 recessions. Reflecting the moderation in employment growth, the overall ratio increased 0.4 point from mid-1984 to mid-1985, after jumping 2.3 points in the first six quarters of the recovery.

The pickup in private nonfarm payroll jobs in the first 2½ years of this recovery also compares very favorably with previous recoveries—10 percent this time, compared with an average of 9 percent. Job gains in construction, retail trade, and services in this recovery all set records for

the first 10 quarters of a postwar recovery. In contrast, the manufacturing employment increase over the last 10 quarters (7.2 percent) was below the average gain in the previous five recoveries (9.5 percent). However, changes in manufacturing employment have much less impact on total employment today than they did in the early postwar business cycles. As the long-term shift to the service-producing sector has continued, factory jobs dropped from 40 percent of the private nonfarm total in 1948 to 25 percent in 1984.

Total unemployment fell by 3.4 million or 28 percent in the first 10 quarters of the current recovery, compared with an average decrease of 24 percent for similar time periods in the five previous recoveries. However, in 5 of the 6 postwar recoveries studied,⁷ the unemployment drop was heavily concentrated in the first 1 to 1½ years after the trough. The total unemployment rate typically displayed a similar sharp initial improvement and then leveled off or even increased slightly for several quarters. The virtual stability in the unemployment rate from late 1984 to mid-1985 conforms to this pattern.

AS THE CURRENT RECOVERY has moved into its third year in 1985, the economy continued to create jobs, but at a slower pace than earlier in the recovery. Also, employment growth since late 1984 was just sufficient to accommodate the labor force, as both the number unemployed and the rate leveled off. These developments are typical of this stage in post-World War II economic recoveries, in which employment gains and unemployment reductions have been sharpest in the first 1 to 1½ years of recovery. The total employment gain and unemployment decrease over the first 2½ years of this recovery compare very favorably with similar periods in earlier postwar recoveries. However, the recent weakness in manufacturing indicates that the strong U.S. dollar and the deteriorating trade balance have had an adverse effect on industrial employment. □

—FOOTNOTES—

¹The National Bureau of Economic Research designates business cycle peaks and troughs. Two of the eight postwar recoveries did not last for 10 quarters (those following the 1958 and 1980 recessions) and therefore are excluded from the analysis in this article.

²The trade weighted exchange value of the U.S. dollar in the first quarter of 1985 was 40 percent above the 1980 average.

³*Trade and Employment, Years Ending Third Quarter 1983 and 1984*, Publication No. TM-4-84, (U.S. Bureau of the Census and Bureau of Labor Statistics, 1985).

⁴Unemployed persons are classified according to the industry and occupation of their last full-time job lasting 2 weeks or more.

⁵Beginning 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 5 years of data are available. For further information on the change in occupation classification, see "Revisions in the Current Population Survey Beginning in January 1983," *Employment and Earnings*, February 1983, pp. 7–15.

⁶The mean or average duration of unemployment is calculated by summing weeks of continuous joblessness for all unemployed persons and dividing by the number unemployed. The median duration simply divides the distribution of unemployed persons into two equal groups—those jobless for periods of time shorter than the median and those jobless for longer.

⁷Both the level and rate of unemployment were about unchanged for four quarters following the trough of the 1969–70 recession.