

The Nation's employment situation worsens in the first half of 1982

The continued economic slide pushed the U.S. unemployment rate to a postwar high in the second quarter; construction and durable goods industries were hardest hit

MARILLYN A. HEWSON AND MICHAEL A. URQUHART

The economy entered 1982 deeply mired in its eighth post-World War II recession, following an unusually brief and weak recovery. The employment situation of some worker groups, particularly blacks and teenagers, had simply not shown improvement from the 1980 recession. Labor market conditions, which had been deteriorating rapidly since mid-1981, worsened substantially in the fourth quarter and continued to weaken through the first quarter of 1982. Employment dropped sharply and unemployment soared to the highest level recorded in the postwar era. However, there was evidence of moderation by the end of the second quarter.

Persistently high interest rates, which aborted the recovery from the 1980 recession, were a major cause of the 1981-82 economic reversal. The interest-rate sensitive construction and automobile manufacturing industries have experienced an economic slump spanning the two recessions. By late 1981, the weakness had clearly spread to much of the rest of the economy, including the services sector. The deterioration in the labor market became more pervasive as slackening sales and growing inventories forced firms to sharply curtail new orders, cut back production, and lay off workers. Although labor market conditions appeared to be improv-

ing by late spring, recessionary forces clearly dominated the first half of 1982.

This article continues the *Monthly Labor Review* practice of examining the Nation's employment situation at mid-year. It traces developments in employment and unemployment during the current recession, concentrating particularly on the first 6 months of 1982.

Job cutbacks

The renewed deterioration in economic activity worsened in the final quarter of 1981 and continued to accelerate during early 1982. However, signs that the rapid contraction in economic activity was losing momentum were evident by late spring, as the rate of decline in nonfarm employment slowed significantly in the second quarter. By midyear, nonfarm payroll jobs had declined by 1.4 million from the July 1981 high of 91.4 million.

To put the current labor market situation into perspective, it is useful to assess and compare the severity and extent of recent job cutbacks with those of the past. Table 1 presents measures of the duration, depth, and diffusion of declines in nonfarm payroll employment (based on data from the BLS survey of establishments) during each of the seven complete postwar recessions plus the current period.¹ April 1982 was used as the month that nonfarm payroll employment reached its trough for the 1981-82 recessionary period. Of course, data for subsequent months may prove otherwise, but it is still useful analytically to compare the de-

Marillyn A. Hewson is an economist in the Division of Monthly Industry Employment Statistics, and Michael A. Urquhart is an economist in the Division of Employment and Unemployment Analysis, Bureau of Labor Statistics.

cline in nonfarm payroll employment as of this point in the recession with past downturns.

As the table illustrates, the length of the contraction in nonfarm employment for the 1981-82 recession was longer than the declines for the three previous postwar recessions, spanning 9 months. Moreover, the pervasiveness of the 1981-82 decline, as measured by the 186-industries diffusion index which covers all employment on private nonagricultural payrolls,² was greater than for the 1980 downturn. While the 1980 contraction had been largely confined to construction and automobile manufacturing, and their supplying industries, the 1981-82 downturn was visibly more widespread, with employment declines witnessed in virtually all of the goods-producing industries, as well as in a large number of the service-producing industries.

Despite the longer and more pervasive nature of the recent nonfarm payroll job losses, the relative employment decline—1.4 percent—matched that of the 1980 downturn. Thus, the job loss total for each of the last two recessions was less than those that occurred in the 1973-75 and earlier postwar recessions.

It has been argued that the continuing shift in jobs from the goods to services sector has moderated the effects of business contractions on employment in the U.S. economy.³ That is, as the service-producing sector's share of nonfarm jobs increases, this, in turn, serves to cushion a slowdown in the economy as a whole, because employment in the service-producing sector has historically been less affected by economic contractions

than in the goods sector. Business downturns typically reduce the services sector's rate of growth but do not usually result in overall employment declines in services. This phenomenon was observed once again in the 1981-82 recession. Employment continued to expand in the services sector during the downturn as it has for most of the postwar recessions, although at a much slower pace than the roughly 4-percent growth rate experienced in nonrecessionary periods.

The data in table 1 clearly show the moderation in recessionary employment cutbacks during the postwar period. In contrast to the employment effects of earlier recessions, job cutbacks during recent downturns have been generally shorter in duration and considerably less severe in magnitude. In fact, during the 1973-75 recession, which is generally regarded as the most severe postwar business downturn, the percentage decline in employment was significantly less than during postwar recessions prior to 1960, as well as noticeably shorter.

Although when examined as a separate entity the 1981-82 recession does not appear at this point to have resulted in employment declines any more severe than in previous downturns, it is worth noting two important factors which set it apart from other postwar recessions. The most significant atypical development was that this contraction was preceded by the shortest and weakest recovery in the postwar period, a recovery which halted before many industries had rebounded fully. As a result, some industries have experienced what may be regarded as a "double-dip" recession, a downturn more severe and spanning a much longer period than the cyclical decline for the economy in the aggregate. In fact, employment in some industries, such as primary metals and stone, clay, and glass, has fallen to levels below those experienced during the 1973-75 recession.

The second dominant feature was the failure of interest rates to recede as in previous postwar downturns. This caused a continued slump in the housing, automotive, and other credit-sensitive industries, and inhibited growth in all industries by reducing orders for suppliers, inflating inventory carrying costs, and dampening spending on consumer and capital goods.

As indicated above, the bulk of the employment declines in the first half of 1982 was centered in the goods-producing sector, notably in manufacturing and construction. (See table 2.) Continuing the losses begun in the second half of 1981, virtually every manufacturing industry registered some decline. The job losses took place largely in the more cyclically sensitive durable goods industries, where the job count fell by more than 900,000 between the second quarters of 1981 and 1982, principally the result of the depressed housing and automobile markets.

Housing demand both for new residential construction and for existing homes was kept low by high mort-

Table 1. Measures of duration, depth, and diffusion in peak-to-trough changes in nonfarm payroll employment, selected periods, 1948-82

Peak to trough ¹	Duration (in months)	Depth ² (in percent)	Diffusion ³ (in percent)	
			30 industries ⁴	186 industries
Sept. 1948 to Oct. 1949 . . .	13	-5.2	90	(⁵)
June 1953 to Aug. 1954 . . .	14	-3.5	87	(⁵)
July 1957 to May 1958 . . .	10	-4.2	88	(⁵)
Apr. 1960 to Feb. 1961 . . .	10	-2.2	82	(⁵)
Mar. 1970 to Nov. 1970 . . .	8	-1.5	77	(⁵)
Oct. 1974 to Apr. 1975 . . .	6	-2.9	88	88
Mar. 1980 to July 1980 . . .	4	-1.4	76	77
July 1981 to Apr. 1982 ⁶ . . .	9	-1.4	93	78

¹ Peak-to-trough dates in nonfarm payroll employment near the following National Bureau of Economic Research designated postwar recessionary periods: November 1948 to October 1949, July 1953 to May 1954, August 1957 to April 1958, April 1960 to February 1961, December 1969 to November 1970, November 1973 to March 1975, January 1980 to July 1980, July 1981 to -; the 1982 trough has not yet been designated by the National Bureau of Economic Research.

² Percent decline in employment level over the period.

³ Percent of industries in which employment declined over a 6-month span, centered on the fourth month of the span: February 1949, March 1954, September 1957, August 1960, June 1970, January 1975, April 1980, and January 1982.

⁴ Indexes of diffusion, 30 industries, 6-month span for April 1947 to May 1974 are published in John F. Early, "Introduction to Diffusion Indexes," *Employment and Earnings*, December 1974, p. 11, table 8. Indexes of diffusion for subsequent periods under study are for 29 industries due to the 1972 SIC revision which divided the industry category for Ordnance and accessories among the remaining manufacturing industries. These indexes were calculated specifically for this report.

⁵ Data are not available.

⁶ As of this writing, April was the month in which nonfarm payroll employment appeared to have reached its 1982 low.

Table 2. Selected employment indicators, seasonally adjusted quarterly averages, 1981-82

(in thousands)

Selected categories	1981				1982	
	I	II	III	IV	I	II
Employed	100,125	100,784	100,654	100,043	99,554	99,740
Both sexes, 16 to 19 years	7,476	7,341	7,176	6,914	6,733	6,616
Men, 20 years and over	53,448	53,767	53,786	53,327	53,050	53,078
Women, 20 years and over	39,202	39,667	39,692	39,802	39,772	40,047
White	88,381	89,039	89,006	88,414	87,967	82,204
Black	9,387	9,419	9,308	9,304	9,259	9,167
Hispanic origin	5,277	5,336	5,349	5,431	5,296	5,163
White-collar workers	52,754	52,943	52,985	53,123	52,813	53,489
Blue-collar workers	31,211	31,673	31,486	30,660	30,309	29,855
Service workers	13,358	13,384	13,400	13,611	13,616	13,695
Farmworkers	2,748	2,761	2,741	2,744	2,771	2,671
Nonfarm payroll employment	90,945	91,172	91,360	90,954	90,408	90,081
Goods-producing industries	25,559	25,577	25,646	25,159	24,588	24,201
Mining	1,113	1,033	1,179	1,201	1,200	1,155
Construction	4,274	4,230	4,148	4,066	3,958	3,961
Manufacturing	20,172	20,314	20,319	19,892	19,430	19,085
Durable goods	12,120	12,228	12,226	11,895	11,562	11,322
Nondurable goods	8,052	8,086	8,093	7,997	7,868	7,763
Service-producing industries	65,386	65,595	65,714	65,795	65,819	65,880
Transportation and public utilities	5,146	5,161	5,172	5,147	5,113	5,090
Wholesale and retail trade	20,413	20,547	20,643	20,600	20,652	20,628
Wholesale trade	5,327	5,359	5,382	5,371	5,342	5,317
Retail trade	15,087	15,188	15,262	15,230	15,310	15,311
Finance, insurance, and real estate	5,262	5,294	5,319	5,327	5,329	5,341
Services	18,383	18,518	18,659	18,807	18,867	18,950
Government	16,183	16,075	15,921	15,914	15,858	15,870
Federal	2,789	2,776	2,769	2,754	2,738	2,729
State and local	13,394	13,300	13,151	13,160	13,120	13,141

gage rates which prevailed throughout the period. Employment declines in the construction industry accelerated sharply in the last half of 1981 and first two quarters of 1982. Job cutbacks totaled more than 100,000 in the first 6 months of 1982, following a loss of almost 165,000 in the second half of 1981. With record inventories of unsold homes, the housing industry remained in its longest and deepest slump in postwar history.

The housing slump was also reflected in the dismal performance of industries producing household durables such as major appliances and household furniture. Likewise, lumber and wood products and stone, clay, and glass, which are also closely tied to the construction industry, were hard hit by the almost 3-year depression in the housing market.

The general economic malaise, coupled with high interest rates, prolonged the deep recessionary environment in the automotive industry. Reflecting the persistent weakness in the demand for autos, job curtailments in the transportation equipment industry approached 185,000 between the second quarters of 1981 and 1982. However, by mid-1982, automobile inventories appeared to have been worked down to minimal levels, and job cutbacks had slowed significantly.

The primary metals industry was another source of weakness in the durable goods sector. The recession-induced slowdown in demand and production prompted a widespread reduction in steel inventories by users con-

cerned with the high cost of holding stocks. Moreover, a surge in steel imports also played havoc with the industry's already deteriorating operating environment. As a result, employment in primary metals dropped almost 190,000 over the year ended second-quarter 1982 to a level more than 160,000 below its 1973-75 recession low.

Sizable cutbacks were posted among the other durable metals industries—particularly fabricated metals, nonelectrical machinery, and electric and electronic equipment—affected by low capacity utilization, declining orders, and scaled-back capital spending plans. The pronounced slump in the automobile industry was a key contributor to the declines in nonelectrical machinery, particularly in the machine tools industry where scheduled major retooling programs were canceled or postponed when auto sales remained at depressed levels. High borrowing costs and the recession took their toll on nonelectrical farm and construction machinery, while softening crude oil prices dampened the demand for oil drilling equipment.

The adverse effects of the prolonged slump in the housing and automotive industries also spilled over into the nondurable goods sector. Particularly sharp employment declines were registered in the housing- and auto-related textiles and rubber and plastics products industries. The apparel industry, hurt by weak consumer spending and strong international competition, witnessed the largest curtailments, losing more than 90,000

jobs between the second quarters of 1981 and 1982. Both the apparel and textile industries have fallen to more depressed employment levels than those experienced during the 1973-75 recession.

Even the mining industry, which has generally been less affected by economic downturns subsequent to the 1973-74 oil embargo, witnessed employment declines in the first half of the year. Job losses in the metal mining and nonmetallic minerals industries were not offset, as in past recessions, by gains in the usually robust oil and gas extraction industry. The drop in world crude-oil prices was reflected in the job losses in oil and gas exploration and drilling activity in early 1982, where a 20,000 drop in employment in oil and gas field services in the second quarter contrasted sharply to the prior 8 years of steady growth. As a result, mining experienced a decline of 45,000 jobs in the first half of 1982.

Although the recessionary impact was primarily focused in the goods-producing sector of the economy, employment growth in the service-producing sector moderated significantly with the onset of the recession, and some of the industry divisions that were heretofore relatively recession-immune actually registered sizable job losses.

In government, employment continued the declines that began in mid-1980. State and local government employment, which historically has shown growth during periods of economic downturn, posted declines during the two latest business contractions. Conversely, Federal government employment has not been historically buoyant during recessions. For example, during the postwar recessions prior to 1980, Federal government employment declined, on average, by about 50,000, in contrast to an average increase of 300,000 jobs in State and local government. During the current downtrend, job losses in Federal government totaled 45,000 between July 1981 and April 1982, while State and local government employment fell 65,000.

Employment declines were witnessed in wholesale and retail trade by the end of 1981, due primarily to the lackluster performance of retail sales. Despite the appreciable abatement in inflation and consequent increased purchasing power, the general weakness in retail spending reflected consumer caution in light of the economic slump and uncertain job outlook. Thus, although trade employment turned up slightly in the first quarter of 1982, offsetting earlier declines, it registered little growth for the first half of 1982 as a whole.

The number of jobs in transportation and public utilities also displayed a noticeable decline, beginning in the final quarter of 1981. Employment dropped more than 55,000 by mid-1982, with job losses centered in transportation, primarily in railroads and trucking and warehousing. Transportation is the most cyclically sensitive of the service-producing industries, no doubt be-

cause of its strong dependence on activity in the goods-producing sector.

Countering the job losses in transportation, trade, and government, employment growth was sustained elsewhere in the service-producing sector, led by the services division. This includes industries ranging from hotels, amusement and recreation, and auto repair to legal, health, business, personal, and educational services. While increasing more than 400,000 between the second quarters of 1981 and 1982, the rate of job growth had slowed markedly from that experienced prior to the economic slowdown. Employment growth continued in the finance, insurance, and real estate industry but was also visibly affected by the recession, as it slowed to a trickle in the first half of 1982.

Worker groups

The impact of the recession is also clearly evident from recent movements in total employment as measured by the monthly Current Population Survey of households. (See table 2.) At 99.6 million in the first quarter of 1982, total employment was down 1.2 million from its pre-recession peak in the second quarter of 1981. However, the pace of the decline, quite rapid in the fourth quarter of 1981, had slowed in 1982, with employment increasing 200,000 in the second quarter.

The employment-population ratio, which measures the proportion of the population that is employed, is a useful statistic for placing these declines in perspective.⁴ This ratio is sensitive to changes in both the number of jobholders and the number of persons in the working-age population. As such, it is an indicator of the economy's ability to provide jobs for its growing population. The following tabulation provides seasonally adjusted quarterly average employment-population ratios for the major age-sex groups for 1981 and 1982:

	1981				1982	
	I	II	III	IV	I	II
Total	58.4	58.6	58.3	57.8	57.3	57.3
Both sexes, 16 to 19 years	44.8	44.3	43.6	42.3	41.5	41.1
Men, 20 years and over	72.6	72.7	72.4	71.5	70.8	70.6
Women, 20 years and over	48.3	48.7	48.5	48.4	48.2	48.3

After reaching a high of 59.3 percent in the fourth quarter of 1979, two recessions in consecutive years reduced the overall ratio 2 points to 57.3 percent by the second quarter of 1982, a 5-year low. Although all three major age-sex groups registered employment-population ratio declines in the current recession, each drop depicts a slightly different predicament. For example, while employment among adult men fell by almost 700,000 to 53 million between the second quarters of

1981 and 1982, their population rose. Both of these factors would act to depress their employment-population ratio, which, in fact, fell to an alltime low of 70.6 percent in second-quarter 1982.

The situation for teenagers was also severe, as employment declines of 700,000 in the past year dropped their ratio 3 percentage points to 41.1 percent. This happened even though their population also decreased over the same period. That is, employment declines exceeded population declines. Unlike the case for men and teenagers, employment among women actually increased 370,000 over the year to 40 million in second-quarter 1982. However, because the number of women grew even faster, their employment-population ratio declined from a high of 48.7 percent in the second quarter of 1981 to 48.3 percent a year later.

The contrasting employment trends for men and women are attributable, in large part, to the nature of their occupational and industrial attachment. Cyclical downturns in employment are heavily concentrated in the goods-producing sector and thus among blue-collar workers, where the work force is predominantly male. Employment among blue-collar workers declined by 1.0 million in the last half of 1981, followed by an additional 800,000 drop in the first two quarters of 1982. Blue-collar employment was down to 29.9 million in the second quarter, the lowest in more than 5 years. While all major blue-collar occupations were affected, the operatives group, excluding transport, was the hardest hit, losing more than a million jobs. White-collar employment, on the other hand, actually increased by 500,000 between the second quarters of 1981 and 1982, with most of the increase occurring in 1982. Increases among professional and technical workers and salesworkers more than offset declines among clerical workers. Employment of service workers also increased slightly, but this was limited to the last half of 1981.

Divergent patterns of employment decline were observed among the different race-ethnic groups. White employment, which averaged 88.2 million in the second quarter of 1982, was off almost 1 million over the year. However, this decline occurred entirely in the latter half of 1981. Since December, their employment has increased slightly, although their employment-population ratio had slipped to 58.4 percent by the second quarter of 1982. In contrast, employment losses among blacks⁵ and Hispanics have been greater in 1982 than during 1981. At 9.1 million in second-quarter 1982, black employment was 250,000 below the year-earlier level, and their employment ratio was at a record low. As in previous recessions, blacks have suffered proportionately larger employment declines than whites. Representing only 10 percent of the labor force, blacks have accounted for 24 percent of the total employment cutbacks. Hispanic employment actually increased during the ear-

ly part of the recession, before declining 270,000 in 1982 to 5.2 million in the second quarter.

Record jobless rates reached

The continued economic slide in 1982 pushed the Nation's unemployment rate to a record high for the post-World War II period. Total unemployment reached 10.5 million, or 9.5 percent of the labor force, in May. This was an increase of 0.7 percentage point since December, and was 2.3 percentage points above the prerecession low of 7.2 percent recorded last July. Although less than the postwar average for peak-to-trough changes in the jobless rate of 3.3 percentage points, the current rate reflects, in part, the relatively brief and weak recovery that separated downturns in 2 consecutive years, an unprecedented economic occurrence. Unemployment had risen by 3.8 percentage points over these two recessionary periods, close to the 4.4 rise of the 1973-75 recession. The unemployment rate was unchanged in June.

After a surge in the last quarter of 1981 which added more than a million people to the jobless total, unemployment increased by less than half as much in the first quarter of 1982. However, while employment increased in the second quarter, the unemployment level jumped by another 850,000 persons, pushing virtually all major unemployment series to record rates. Following are the most recent and previous high monthly jobless rates, seasonally adjusted, for major demographic groups:

	1975	1982
Total	9.0 (May)	9.5 (May)
Both sexes, 16-19 years	20.9 (June)	23.1 (May)
Men, 20 years and over	7.3 (May)	8.7 (June)
Women, 20 years and over	8.5 (April)	8.3 (May)
Whites	8.4 (May)	8.5 (May)
Blacks	15.4 (Sept.)	18.7 (May)

Unemployment increased more rapidly for adult men than for women early in the recession; men's jobless rate, which typically is lower than that for women, actually exceeded the women's rate in the first and second quarters of 1982. (See table 3.) Overall, men have contributed about 65 percent of the total increase in unemployment since July 1981, and women, less than 30 percent. (Their respective shares of the labor force are 53 and 40 percent.)

The situation for teenagers was also quite severe. Their jobless rate showed no recovery during 1981 or 1982, rising almost 4.4 points from July 1981 to an alltime high of 23.1 percent in May 1982. Although teenagers accounted for only 8 percent of the labor force, their share of total unemployment was more than 19 percent. Black teenage unemployment was 50.1 percent in the second quarter of 1982, up more than 10 percent-

age points over the year. In contrast, white teenage unemployment increased about 3 points over the same period to 20.2 percent. Both rates surpassed those that occurred in the second quarter of 1975, the peak quarter in overall unemployment during the 1973-75 recession.

From a metropolitan-nonmetropolitan standpoint, it was apparent that black teenagers residing in the Nation's central cities and nonmetropolitan areas had been particularly hard hit in the current recession. This is illustrated in the tabulation below, which presents second-quarter 1975 and 1982 jobless rates (not seasonally adjusted) for metropolitan central cities and suburbs and for nonmetropolitan areas, by age and race:

	Central cities		Suburbs		Nonmetropolitan areas	
	1975	1982	1975	1982	1975	1982
	II	II	II	II	II	II

White:

16 to 19 years	21.2	21.5	18.4	18.7	16.6	22.0
20 years and over	7.7	7.3	6.5	6.5	6.6	7.9

Black:

16 to 19 years	43.1	54.1	43.4	47.1	39.6	51.5
20 years and over	12.1	17.1	12.3	13.5	12.9	15.9

There was little change in the unemployment rate of black teenagers living in the suburbs over the same period. In contrast, all of the increase in unemployment among white teenagers occurred in nonmetropolitan areas.

Overall, unemployment among major race-ethnic groups increased substantially during the 1981-82 recession, with rates for whites and blacks at record levels in May 1982, while the rate for Hispanics was still slightly below its 1975 high. From July 1981 to May 1982, white unemployment was up 2.2 points to 8.5 percent. Blacks had a very limited recovery from the 1980 recession and began to experience record rates of unemployment almost from the beginning of the current downturn. Their rate was 18.7 percent in May 1982, up from 14.9 percent the previous July. Over the same period, Hispanic unemployment increased from 10.0 to 13.9 percent.

As indicated earlier, blue-collar workers have been hardest hit during the current recession. Unlike the total jobless rate, the blue-collar unemployment rate rose in June to 13.9 percent, up more than 4 points since July 1981. Operatives, excluding transport, and nonfarm laborers were most affected, with rates of 16.7 and 17.9 percent in June.

In contrast, white-collar workers showed only a moderate increase in unemployment over the year ended June 1982. Their rate of 5.0 percent in June was still below the highs of the 1975 recession. While unemployment increased for all major white-collar occupations, that for clerical workers showed the largest increase, rising 1.5 points to a high of 7.2 percent in April. Both service workers and farmworkers reached record rates in May of 11.3 percent and 8.3 percent, respectively.

Job losers, leavers, and entrants. During economic downturns, the number of persons who lose their jobs increases as firms cut back production and reduce their work forces through layoffs or permanent separations. At 58.0 percent in the second quarter of 1982, the job-loser share of unemployment was up about 7.5 percentage points over the year and surpassed the highs reached in both the 1975 and 1980 recessions. At about 19 percent during the first two quarters of 1982, the layoff component of the job-loser total was down slightly from the fourth quarter of 1981 and still below rates reached in the previous two recessions.

In contrast, the share of total unemployment that results from individuals voluntarily leaving their last jobs (to look for new jobs) tends to decline, as one would expect, during periods of high unemployment. The job leavers' share has declined throughout the current recession, reaching an alltime low of 8.4 percent in the second quarter of 1982. Both new entrants' and reentrants' shares of total unemployment were down slightly in the first 6 months of 1982.

Duration of unemployment. The substantial increase in unemployment during the fourth quarter of 1981 raised the short-term jobless share and reduced the two mea-

Table 3. Major unemployment indicators, seasonally adjusted quarterly averages, 1981-82

[Unemployment rates]

Category	1981				1982	
	I	II	III	IV	I	II
Characteristic						
Total (all civilian workers)	7.4	7.4	7.4	8.3	8.8	9.5
Both sexes, 16-19 years	19.1	19.2	19.1	21.1	21.9	22.8
Males, 20 years and over	6.0	6.1	6.0	7.2	7.7	8.4
Females, 20 years and over	6.6	6.7	6.7	7.2	7.6	8.2
White	6.5	6.5	6.4	7.3	7.7	8.4
Black	14.6	15.1	15.8	17.0	17.4	18.4
Hispanic	11.0	9.8	9.8	11.1	12.4	12.5
Occupation						
White-collar workers	3.9	4.0	4.0	4.3	4.5	4.9
Professional and technical	2.7	2.9	2.7	2.9	3.1	3.3
Managers and administrators, except farm	2.5	2.6	2.7	2.9	2.9	3.5
Salesworkers	4.2	4.4	4.9	4.9	5.0	5.6
Clerical workers	5.6	5.6	5.7	6.1	6.6	6.9
Blue-collar workers	10.1	9.8	9.7	11.8	12.6	13.7
Craft and kindred workers	7.1	7.1	7.2	8.7	8.8	9.7
Operatives, except transport	12.0	11.5	11.3	14.1	15.6	16.7
Transport equipment operatives	8.9	8.1	8.0	9.6	10.3	11.8
Nonfarm laborers	14.7	14.1	14.0	16.2	17.6	18.5
Service workers	8.4	9.0	8.6	9.5	9.7	10.8
Farmworkers	5.0	5.1	4.7	6.3	5.8	7.1

asures of duration of unemployment—the mean and the median. Since then both measures have lengthened as the proportion unemployed 15 weeks or longer exceeded 30 percent at midyear. The median duration of unemployment rose from 6.8 weeks in the fourth quarter of 1981 to a record 9.1 weeks in the second quarter of 1982. Over the same period, the mean duration increased from 13.2 to 15.1 weeks, surpassing the high reached during the 1980 recession but are still considerably below that reached in 1975. Because measures of duration typically lag cyclical changes in economic activity, both measures can be expected to continue rising for the balance of the year, even if an improvement in the labor market begins soon.

Other recessionary impacts

Shortened workweeks and discouraged workers. The poor performance of the economy over the past year has increased both the number of persons involuntarily working part time, either as a result of slack work or the inability to find full-time work, and the number reporting they want a job but are not looking for work because they believe no work is available—so-called “discouraged workers.” Neither group is reflected in the official unemployment counts, although information on them is published on a regular basis. Measurement of both groups is vital to a fuller understanding of the nature and magnitude of the overall underutilization of our human resources. The following tabulation provides seasonally adjusted quarterly averages (in thousands) for nonagricultural workers involuntarily on shortened workweeks and for discouraged workers during 1981 and 1982:

	1981				1982	
	I	II	III	IV	I	II
Involuntary						
part-timers	4,323	4,166	4,460	5,108	5,450	5,680
As a percent of						
total at work	4.7	4.6	4.9	5.6	6.0	6.2
Discouraged	1,093	1,043	1,094	1,119	1,339	1,597

After declining in the second quarter of 1981, the number of nonagricultural workers involuntarily on part-time schedules increased steadily, reaching 5.7 million, or 6.2 percent of those “at work” in nonagricultural industries, in the second quarter of 1982; both figures are record highs since collection of the data began in 1955. While employers often reduce hours before laying off employees in economic downturns, the current high number of workers on shortened workweeks may also reflect a growing tendency among employers to keep workers on short workweeks for longer periods,⁶ and the growing number of would-be full-time workers who obtain part-time jobs rather than remain unemployed.

The number of discouraged workers has risen nearly continuously for more than 3 years. The discouraged total reached a high of 1.5 million in the second quarter of 1982, up 375,000 since the end of 1981; about 70 percent of the discouraged cited job-market, rather than personal, factors as reasons for their discouragement.

Women and black and other minorities continued to be overrepresented among the discouraged in 1982. Women accounted for about 60 percent in the second quarter, whereas they comprised only 43 percent of the civilian labor force. While women’s share of discouragement was the same as last year, the black and other minorities share has become even more disproportionate. Some 500,000 discouraged workers were blacks or members of other racial minority groups, 33 percent of the second quarter total and up from 31 percent a year earlier. (Their share of the civilian labor force was 13 percent.)

Alternative measures. While persons involuntarily working part time or discouraged are not included in the official measures of unemployment, the Bureau of Labor Statistics does provide a measure which includes these categories along with the unemployed. Designated as U-7, it is one of six alternative measures of unemployment regularly published by the Bureau; this has been done in recognition of the fact that no single measure of unemployment can satisfy the diverse needs of data users. The definitions for all seven measures are provided below, and their trends during the past decade are presented in chart 1.

- U-1 Persons unemployed 15 weeks or longer as a percent of the civilian labor force.
- U-2 Job losers as a percent of the civilian labor force.
- U-3 Unemployed persons 25 years and over as a percent of the civilian labor force 25 years and over.
- U-4 Unemployed full-time jobseekers as a percent of the full-time labor force.
- U-5 Total unemployed as a percent of the civilian labor force (official measure).
- U-6 Total full-time jobseekers plus half part-time jobseekers plus half total on part time for economic reasons, as a percent of the civilian labor force less half of the part-time labor force.
- U-7 Total full-time jobseekers plus half part-time jobseekers plus half total on part time for economic reasons plus discouraged workers, as a percent of the civilian labor force plus discouraged workers less half of the part-time labor force.

Each measure is representative of a different body of opinion about the meaning and measurement of unemployment. The rationale for U-7 is that involuntary part-time workers should be counted as at least "partially" unemployed and that the situation of discouraged workers is essentially the same as that of the unemployed. In this measure, those seeking only part-time work or voluntarily employed part time are given weight of one-half because the latter only work about half a full-time schedule. As can be seen from chart 1, U-7 has consistently been several points higher than U-5, the official measure. From a high of 12.0 percent in the second quarter of 1975, U-7 declined to 8.0 percent in the second quarter of 1979 before rising under the impact of the last two recessions to a new high of 13.4 percent in the second quarter of 1982.

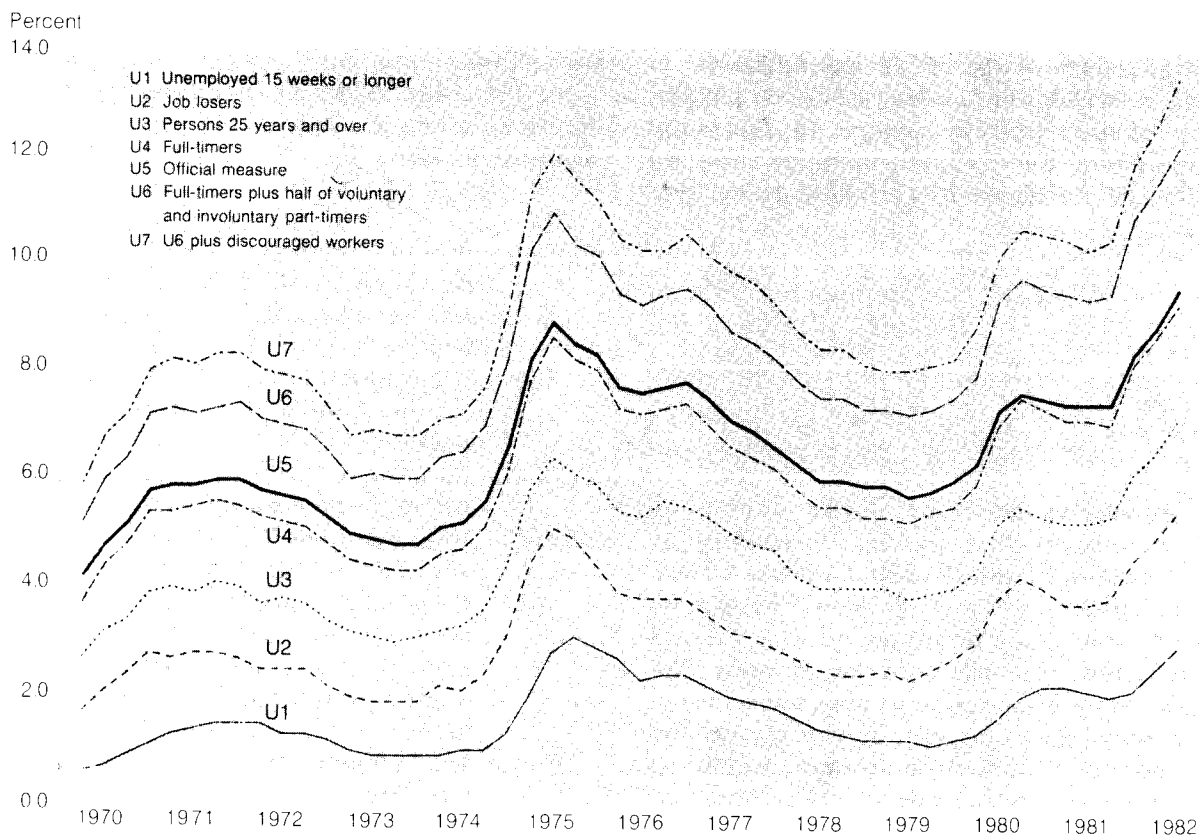
In contrast, several measures are much more restrictive than the official measure. For instance, U-1 includes only those unemployed 15 weeks or longer, while U-2 counts only job losers. The rationale behind U-1 is that joblessness is a problem only when it has con-

tinued long enough to cause substantial hardship, while proponents of U-2 argue that only persons who lose their jobs merit concern because this is what leads to significantly lower income. In second-quarter 1982, U-1 was 3.0 percent, almost matching its high reached in 1975, while U-2 was at an alltime high of 5.5 percent.

Chart 1 shows how consistent the trend in unemployment has been, regardless of the measure one might choose. For example, all measures, with the single exception of U-1 which tends to lag the others by one or more quarters, reached cyclical highs in the second quarter of 1975 and lows in the second quarter of 1979. The magnitude of the impact of back-to-back recessions in 1980 and 1981-82 is evidenced by the fact that every measure reached a record high by the second quarter of 1982, with the exception of U-1.

Joblessness among States. There is considerable variation in unemployment rates at the State level as well as at other subnational levels. The reasons for such differ-

Chart 1. Unemployment indicators, seasonally adjusted quarterly averages, 1970-82



NOTE: Second-quarter 1982 data are April-May averages

ences are numerous; those often cited include area differences in the composition of industry and the local work forces and a given area's competitive strength and growth rate.⁷ The purpose here is not to examine why the incidence of unemployment varies across areas, but to present an overview of the States most or least affected by the recent downturn in economic activity. The uneven impact of the recent recession is reflected in the following list of States with the largest and smallest changes in jobless rates between the first quarters of 1981 and 1982; during that period, the Nation's unemployment rate increased 1.4 percentage points. (Data on the 10 most populous States come directly from the household survey, while data for the remaining States are based upon estimation procedures provided by the BLS to the States, taking into account data from the household survey, unemployment insurance records, and other sources.⁸)

<u>Increased substantially</u>		<u>Little changed</u>	
<i>State</i>	<i>Percentage point change</i>	<i>State</i>	<i>Percentage point change</i>
Alabama	3.5	North Dakota . . .	-0.9
Idaho	3.2	South Dakota . . .	-0.4
Washington	3.1	New Mexico	0.2
South Carolina . .	3.0	Wyoming	0.2
Iowa	3.0	Alaska	0.3
Indiana	2.7	New York	0.3
Michigan	2.6	West Virginia . . .	0.3
Pennsylvania	2.6	Maine	0.4
		Nevada	0.4

In general, States with a heavy reliance on durable goods manufacturing such as auto, steel, and logging suffered the largest increases in unemployment, while mineral-rich States were less affected.

The following list of States with extremely high or low jobless rates (not seasonally adjusted) during the first quarter of 1982, when the overall rate was 9.5 percent, provides a slightly different picture:

<u>Above 12 percent</u>		<u>Below 6 percent</u>	
<i>State</i>	<i>Unemployment rate</i>	<i>State</i>	<i>Unemployment rate</i>
Michigan	16.4	Oklahoma	4.9
Alabama	14.3	Wyoming	4.9
Indiana	13.3	Kansas	5.4
Washington	12.7	Hawaii	5.7
Oregon	12.5	South Dakota . . .	5.8
West Virginia . . .	12.2	North Dakota . . .	5.8
Ohio	12.1	Texas	5.8
Tennessee	12.1		

A comparison of the two tabulations shows that the four States with the highest jobless rates also posted substantial over-the-year unemployment gains. (The 12-percent cutoff point was chosen only to highlight the

situation and is not meant to imply that any State does not necessarily have an unemployment problem.) Overall, the unemployment situation appears to be most severe in the industrial North and South Central States and in the Pacific Northwest, and least severe in the Plains and Mountain States.

Labor force growth

Growth in the civilian labor force has slowed considerably in recent years, in part because of the smaller number of persons reaching labor force age, but also because of the poor performance of the economy. At 110.2 million in the second quarter of 1982, the labor force had grown only 1.3 million over the year, far below the 2.1-million increase of the previous year. (Labor force movements within the second quarter were unusually large on a seasonally adjusted basis, as the total increased by a million in May and then declined by a similar amount in June.) The following tabulation provides seasonally adjusted labor force levels (in thousands) and participation rates (percent of a group's population that is either employed or unemployed) for the second quarters of 1981 and 1982 for major age-sex groups:

	<u>Second quarter 1981</u>		<u>Second quarter 1982</u>	
	<i>Labor force</i>	<i>Participation rate</i>	<i>Labor force</i>	<i>Participation rate</i>
Total	108,835	64.1	110,168	64.0
Both sexes, 16 to 19 years . .	9,084	55.8	8,569	54.1
Men, 20 years and over . . .	57,243	79.2	57,920	78.9
Women, 20 years and over	42,507	52.3	43,629	52.8

Adult women continued to experience the strongest labor force growth—1.1 million over the year. In contrast, adult men posted an increase of only 500,000, while the teenage labor force declined by 500,000. Most of the teenage decline reflected the drop in their total population.

The overall labor force participation rate was 64.0 percent in the second quarter of 1982, about the same as the record 64.1 percent reached in the second quarter of 1981. The percentage of the population active in the labor force has been rising throughout the last two decades, as increases among adult women and, until recently, teenagers have more than offset declines among adult men.

In spite of the recession, the participation rate for adult women continued to increase, rising one-half of a point over the year to 52.8 percent. However, this was far below increases registered in previous years. At 78.9 percent in the second quarter of 1982, the participation

rate for adult men continued its secular decline, while the rate for teenagers fell 1.7 points over the past year to 54.1 percent, its lowest level in more than 8 years.

BY MIDYEAR, there were some signs that the labor market was improving. Industry job cutbacks had slowed and unemployment appeared to be leveling.

Whether the economy was actually on the road to recovery or merely pausing before further deterioration was still unclear, as economic signals overall were mixed. The behavior of interest rates, the factor that deepened and prolonged the current recession, will undoubtedly play the key role in the timing and degree of a subsequent recovery. □

— FOOTNOTES —

¹ Statistics on nonagricultural payroll employment from the Current Employment Statistics (CES) program are collected by State agencies from employer reports of payroll records and are tabulated by the Bureau of Labor Statistics. Data on labor force, total employment, and unemployment are derived from the Current Population Survey (CPS), a sample survey of households conducted and tabulated by the Bureau of Census for the Bureau of Labor Statistics. A description of the two surveys appears in the Bureau of Labor Statistics monthly publication, *Employment and Earnings*.

² With the release of benchmarked employment data for the payroll series in May 1982, the BLS converted coverage of the Indexes of Diffusion from 172 to 186 industries, incorporating industry series added with the 1972 SIC revision. For comparability, the 172-industries diffusion indexes for the recessionary periods in table 1 are available beginning with the 1960-61 period. The indexes showing the percent of industries in which employment declined over a 6-month span are as follows: August 1960, 76; June 1970, 76; January 1975, 88; April 1980, 78; and January 1982, 79. The 186-industries indexes were not much different from the 172-industries indexes for the same time periods. For a detailed discussion of indexes of diffusion of changes in the number of employees on private nonagricultural payrolls, see John F. Early, "Introduction of Diffusion Indexes," *Employment and Earnings*, December 1974, pp. 7-11.

³ See, for example, Geoffrey H. Moore, "Lessons of the 1973-1976 Recession and Recovery" in William Felner, ed., *Contemporary Economic Problems 1977* (Washington, D.C., American Enterprise Institute for Public Policy Research, 1977), pp. 117-58; Norman Bowers, "Have employment patterns in recessions changed," *Monthly Labor Review*, February 1981, pp. 15-28; and Michael A. Urquhart, "The services industry: is it recession-proof?" *Monthly Labor Review*, October 1981, pp. 12-18.

⁴ For a discussion of the employment-population ratio as a cyclical indicator, see Carol Boyd Leon, "The employment-population ratio: its value in labor force analysis," *Monthly Labor Review*, February

1981, pp. 36-45; and Julius Shiskin, "Employment and unemployment: the doughnut or the hole?" *Monthly Labor Review*, February 1976, pp. 3-10.

⁵ The proportion of blacks in the "black and other" group has been declining; it was 83 percent in 1980. This has resulted from a gradual influx of Asians, particularly Vietnamese, into the U.S. labor force in the 1970's. For this reason, and because of the availability and increased reliability of data for blacks, it is not as necessary as in the past to use data for "black and other" when discussing black workers. Thus, unless otherwise stated, the term black in this article refers exclusively to the "black only" population and not to the "black and other" category, which, in addition to blacks, includes American Indians, Alaskan Natives, and Asian and Pacific Islanders.

⁶ See Robert W. Bednarzik, "Work-sharing in the U.S.: its prevalence and duration," *Monthly Labor Review*, July 1980, pp. 3-12.

⁷ See, for example, Lynn E. Browne, "Regional Industry Mix and the Business Cycle," *New England Economic Review*, November/December, 1978, pp. 35-53; Lynn E. Browne, "Regional Unemployment Rates - Why Are They So Different?" *New England Economic Review*, July/August 1978, pp. 5-26; and Thomas Hyclak and David Lynch, "An Empirical Analysis of State Unemployment Rates in the 1970's," *Journal of Regional Science*, Vol. 20, No. 3, 1980, pp. 377-86.

⁸ Labor force and unemployment estimates for States are part of a cooperative program between the Bureau and State employment security agencies where estimates are prepared under concepts, definitions, and technical procedures established by the Bureau. A fuller explanation of the technical procedures used to develop these estimates appears monthly in the Explanatory Note on State and Area Unemployment Data in the BLS periodical, *Employment and Earnings*. The 10 most populous States (as of the 1970 census) for which estimates come directly from the Current Population Survey are: New York, California, Illinois, Ohio, New Jersey, Pennsylvania, Michigan, Texas, Massachusetts, and Florida.