

Employment and unemployment in the first half of 1981

Employment displayed sluggish growth as auto manufacturing failed to keep pace with other industries and homebuilding remained depressed; unemployment held close to the late 1980 levels

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Labor market signals became mixed as 1981 unfolded. During the first half of the year, total employment continued to show some signs of improvement from the recessionary declines of 1980. However, unemployment was reasonably stable, with the overall jobless rate at 7.4 percent in each of the first two quarters of 1981, not much different from the 7.5-percent rate in the last half of 1980. Although both the household and payroll employment series¹ were moving upward, the pace of the payroll series slowed to almost a trickle by the end of the second quarter.

Employment in 1980 had been curtailed largely as a result of job losses in manufacturing and construction—particularly in two key industries, automobile manufacturing and housing construction. Although total payroll employment expanded during the first half of the year, construction and manufacturing did not. The job count has been at a virtual standstill in these two industries since the fourth quarter 1980.

Employment in the domestic automobile industry, however, was up somewhat by the second quarter. This can be attributed, in part, to the spurt in auto sales which resulted from the rebates offered by U.S. auto manufacturers early in 1981 and from the subsequent

rebuilding of inventories of 1981 models before the close of the model year. It is questionable, though, whether this increase in U.S. auto sales will be sustained; the cost of borrowing remains high and the manufacturers' rebate program has ended.

The housing industry remained depressed in the first half. Mortgage interest rates were consistently high, and the new forms of financing by lending institutions to make borrowing more feasible did little to reassure buyers and home builders. Although interest rates have climbed to new heights, thus far, only the housing industry seems to have suffered unduly.

Homebuilding, auto manufacturing still struggling

During the first half of 1981 nonfarm payroll employment continued the gains begun in the second half of 1980. From the third quarter low of 90.2 million, the payroll job count rose to 91.5 million by the second quarter of 1981; however, the rate of growth has slowed considerably since the beginning of the year. (See table 1.) Of the 172 private nonagricultural industries in the Bureau of Labor Statistics' diffusion index, only 56 percent registered gains in the first quarter, compared with 62 percent in the last quarter of 1980.

Jobs in the service-producing sector, which have traditionally been relatively immune from recession compared with the goods sector, increased throughout 1980

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and in the first half of 1981, but at a considerably slower pace than in the few years immediately preceding the recession. At midyear, employment totaled 65.8 million in this sector, up 1.3 million from the first quarter of 1980. This overall pattern masked some important differences among the industries that constitute this group. Most of the increase in the first half 1981 was in services and retail trade; transportation and public utilities and government exhibited almost no growth or actually declined.

Job expansion in the goods-producing industries was rather limited in the first 6 months of the year; consequently, employment had not yet returned to prerecession levels. Employment in construction not only did not pick up during the first half, but actually experienced further decline. At 4.3 million in the second quarter, total jobs equaled the third quarter 1980 recessionary low. While most of the economy was able to adjust to the high interest rates, the housing market remained sharply curtailed. The rate of housing starts, for example, had declined steadily and sharply from the third quarter of 1979, when it averaged 1.8 million, to below 1 million by the second quarter 1980. A year later housing starts were still low. Construction employment, which had dropped sharply in early 1980, was on the rise by yearend as mortgage interest rates declined temporarily and the Federal Government made funds available for the construction of multifamily dwellings. However, the start of 1981 saw a resumption of increasing interest rates and a corresponding decline in construction employment, especially in the residential and office building sectors. This was also reflected in the movement of the unemployment rate for workers in construction, which had declined from its high of 16.3 percent in the third quarter of 1980 to 13.8 percent in the first quarter of 1981, only to rise again in the second quarter. The following tabulation shows employment (from payroll series) in the construction and related industries and the unemployment rate (from the household series) for the construction industry, 1980-81 quarterly averages (second quarter 1981 data are preliminary):

	1980				1981	
	I	II	III	IV	I	II
Employment (in thousands):						
Construction, general						
building contractors	1,261	1,207	1,183	1,208	1,215	1,176
Manufacturing:						
Lumber and wood						
products	737	672	671	683	691	704
Furniture and fixtures	487	471	455	463	466	483
Stone, clay, and glass	694	663	651	656	653	657
Unemployment rate:						
Construction	11.8	15.6	16.3	14.4	13.8	15.8

Along with construction, manufacturing, particularly

the durable goods sector, bore the brunt of the business reversals in 1980. Nondurables, although not as severely cut back, experienced no growth over the year. The first half of 1981, however, saw limited job expansion in both the durable and nondurable goods sectors. By mid-1981, manufacturing employment totaled 20.4 million, only 400,000 above its third quarter 1980 low. The manufacturing layoff rate (often used as an advance indicator of cyclical changes) remained at a relatively high level throughout 1980 and 1981, reflecting curtailed job opportunities in this sector. Likewise, the quit rate, which indicates how workers assess the strength of the demand for labor, fell throughout 1980 and showed no improvement during the first 6 months of this year.

The economic reversal of 1980 was devastating in the auto industry, where one-third of the total jobs, or 320,000 workers, were cut between the first quarter of 1979 and the third quarter of 1980. Unemployment in this industry reached a record 24.7 percent in the second quarter of 1980, receded to 17.2 percent by yearend, and fell to 11.6 percent by the second quarter 1981, as some of the unemployed auto workers were recalled, while others probably found work elsewhere.

Employment in the auto industry, spurred by an extensive rebate program, showed some improvement over the first 6 months of 1981, rising by 30,000. However, by the end of the first half, manufacturers' rebates were no longer in effect and interest rates were up again leaving the continued expansion of the auto industry in doubt. The following tabulation shows employment (from payroll series) in the auto and related industries and the unemployment rate (from the household survey) in the auto industry, 1980-81 quarterly averages (second quarter 1981 data are preliminary):

	1980				1981	
	I	II	III	IV	I	II
Employment (in thousands):						
Motor vehicles and						
equipment	851	739	721	739	722	752
Other manufacturing:						
Primary metals	1,217	1,156	1,080	1,123	1,139	1,142
Fabricated metals	1,682	1,612	1,562	1,580	1,579	1,601
Rubber and miscellaneous plastics	761	731	706	725	732	751
Unemployment rate:						
Auto manufacturing	16.7	24.7	22.4	17.2	17.9	11.6

Employment changes in both the housing construction and auto manufacturing industries are generally thought to be key indicators of the general health and pace of the economy because of their strong ties to other industries. With the tightness in the money market, there were sizable cutbacks in industries related to home building—such as lumber, furniture, stone, clay and glass, and appliances—during 1980, and although they recovered somewhat by yearend, their employment gains were unimpressive during the first half of the year.

Table 1. Highlights of the employment situation, seasonally adjusted quarterly averages, 1980-81

Selected categories	1979	1980				1981	
	IV	I	II	III	IV	I	II
Civilian labor force	103,741	104,217	104,693	104,982	105,173	105,800	106,768
Employed	97,572	97,718	97,040	97,061	97,276	98,012	98,868
Men, 20 years and over	52,360	52,310	51,810	51,776	52,005	52,245	52,683
Women, 20 years and over	37,260	37,549	37,603	37,807	37,828	38,389	38,929
Both sexes, 16 to 19 years	7,952	7,859	7,627	7,477	7,443	7,377	7,256
Unemployed	6,169	6,499	7,652	7,921	7,897	7,788	7,900
Unemployment rates:							
All workers	5.9	6.2	7.3	7.5	7.5	7.4	7.4
Men, 20 years and over	4.4	4.8	6.2	6.6	6.3	6.0	6.1
Women, 20 years and over	5.7	5.8	6.4	6.4	6.7	6.6	6.6
Both sexes, 16 to 19 years	16.2	16.4	17.9	18.4	18.3	19.1	19.2
White	5.2	5.5	6.5	6.7	6.6	6.6	6.5
Black	12.1	12.6	14.1	14.9	15.2	14.4	14.9
Hispanic	9.0	9.3	10.1	10.8	10.2	11.3	9.8
White-collar workers	3.3	3.4	3.7	3.8	3.9	3.9	4.0
Blue-collar workers	7.5	8.1	10.5	11.1	10.7	10.0	9.8
Service workers	6.8	7.0	8.0	8.3	8.1	8.3	9.0
Farm workers	4.3	4.2	4.7	4.8	4.1	5.0	5.0
Full-time workers	5.5	5.8	7.0	7.3	7.3	7.1	7.1
Part-time workers	8.6	8.7	8.9	8.7	8.6	9.1	9.3
Nonfarm payroll employment	90,460	90,808	90,450	90,213	90,820	91,232	^p 91,501
Goods producing	26,424	26,329	25,678	25,306	25,594	25,670	^p 25,721
Mining	983	999	1,017	1,012	1,051	1,091	^p 1,004
Construction	4,513	4,527	4,381	4,319	4,385	4,398	^p 4,334
Manufacturing	20,928	20,803	20,280	19,976	20,158	20,181	^p 20,383
Durables	12,675	12,603	12,165	11,911	12,060	12,086	^p 12,239
Nondurables	8,253	8,201	8,115	8,064	8,098	8,095	^p 8,145
Service producing	64,036	64,479	64,772	64,907	65,227	65,562	^p 65,780
Transportation and public utilities	5,194	5,178	5,153	5,123	5,120	5,133	^p 5,156
Finance, insurance and real estate	5,052	5,104	5,142	5,189	5,237	5,281	^p 5,322
Wholesale and retail trade	20,324	20,370	20,303	20,406	20,465	20,588	^p 20,677
Retail trade	15,071	15,085	15,034	15,131	15,168	15,277	^p 15,335
Services	17,409	17,656	17,796	17,988	18,162	18,338	^p 18,520
Government	16,056	16,170	16,377	16,201	16,242	16,222	^p 16,105
Average weekly hours:							
Total private	35.6	35.4	35.2	35.2	35.3	35.3	^p 35.4
Manufacturing	40.0	39.9	39.5	39.4	39.8	39.9	^p 40.2

p=preliminary.

Likewise, automaking is linked to the production of steel and other metals and rubber and plastics. These industries followed essentially the same pattern, exhibiting substantial declines in early 1980, a brief pick-up at yearend, and limited growth in the first half of 1981. (However, the growth in steel and other metals was largely being spurred by the demand for pipes to be used in drilling equipment, and to only a limited extent by the increase in auto production.)

By mid-1981, there were other signs that economic conditions were becoming troublesome. The average workweek in manufacturing, which usually lengthens before employment expands, moved up in the fourth quarter of 1980 but held about steady during the first half of 1981. And the index of aggregate weekly hours of production or nonsupervisory workers on private nonagricultural payrolls held steady throughout the first half of 1981, after rising from a low reached during the summer of 1980. This index is perhaps the most comprehensive measure of employment activity because it reflects both the number of production worker jobs and paid hours on these jobs.

Adult men—hardest hit, but improving

Total employment from the household survey, at 99 million in the second quarter of 1981, had grown by 1.8 million from its 1980 low. The number of employed adult men (20 years and over), which had dropped substantially during the 1980 downturn, exhibited solid growth in the first half of 1981, reaching 52.7 million by midyear. (See table 1.) Employment of adult women, which was less adversely affected by the recent cut-backs, continued on its historical upward trend, accounting for about two-thirds of the employment increase between the second quarters of 1980 and 1981. Nevertheless, the employment rise among women was not as rapid as during the previous several years.

Employment of teenagers, which declined in 1980, showed little change in the first half of 1981. The employment drop during last year was not unexpected because the effect of the postwar baby boom on the expansion of the population has run its course and the percentage of youth in the labor force has begun to decline. By the second quarter of 1981, teenage employ-

ment had dropped 700,000 from its prerecession level.

The different employment trends in 1980 and 1981 for men and women are attributable, in part, to the nature of their occupational and industrial attachment. Cyclical slowdowns in employment are generally concentrated among blue-collar workers, a factor that is heavily reflected in the situation of men. Total blue-collar employment had been declining steadily since the latter half of 1979 and had only begun to edge up during the first half of 1981. As indicated earlier, the recent recession was felt most strongly in the construction and durable goods manufacturing industries, in which men account for more than three-fourths of the employed. Consequently, employment declines among men were greater than among women. Furthermore, by the end of the first half of 1981 these industries had still not fully recovered earlier losses.

A look at the employment-population ratio provides additional information on the performance of the economy. Unlike the labor force participation rate, which measures the proportion of the population offering services in the labor market, the employment ratio measures the portion of the population whose labor is actually being used in the economy. Thus, the ratio responds primarily to a change in the number of jobholders.

Although the overall employment-population ratio moved upward in the first half of 1981, the degree varied by age-sex groups, as shown in the following tabulation of seasonally adjusted data:

	1980				1981	
	I	II	III	IV	I	II
Total	59.1	58.5	58.3	58.2	58.4	58.8
Teenagers	47.3	46.0	45.2	45.2	45.1	44.6
Adult men	73.9	72.9	72.5	72.5	72.5	72.8
Adult women	48.2	48.1	48.1	47.9	48.4	48.9

For adult men, the employment ratio had held constant at 72.5 percent during the latter half of 1980 and the first quarter of 1981 before increasing to 72.8 percent in the second quarter. The ratio for adult women has been rising steadily for over two decades, pausing only during recessions. The first half of 1981 saw a resumption in its growth, as the ratio moved steadily from its 1980 low to a record 48.9 percent by the second quarter 1981. The teenage ratio (like the teenage unemployment rate), which moves more sharply and less consistently than that of adults, was 44.6 percent in the second quarter, 3 percentage points below its prerecession level.²

Almost all of the growth in employment since last year was accounted for by persons working full time (35 hours per week or more). The number of persons at work on full-time schedules in nonagricultural industries was 73.1 million in the second quarter of 1981, up 1.6 million from 1980. But, while full-time employment

grew during the first half of 1981, the number of persons on part-time schedules for economic reasons did not begin to recede until the second quarter and had yet to return to prerecession levels, as reflected in the following tabulation of quarterly averages for non-agricultural workers (seasonally adjusted data in thousands):

	1980				1981	
	I	II	III	IV	I	II
Full-time schedules	72,839	71,647	71,427	72,156	72,876	73,083
Part time for economic reasons	3,491	4,016	4,137	4,205	4,282	3,994
Voluntary part time	12,484	12,340	12,393	12,190	12,350	12,448

In recovery periods, the number of persons working involuntarily on shortened work schedules (those who want full-time work but are working part time because employers have reduced their hours or because no full-time job was available) usually turns downward a few months prior to unemployment. That is, employers tend to restore hours before recalling those on layoff or hiring new workers. The fact that the number of involuntary part-timers had declined only slightly by midyear suggests a continued sluggishness in the job market.

Unemployment stable

The unemployment situation was little changed during the first half of 1981; the overall unemployment rate, at 7.4 percent in each of the first two quarters, was not unlike the latter half of 1981. Likewise, the level of unemployment, at 7.9 million in the second quarter, had been relatively stable since mid-1980.

There was considerable deviation from this pattern among the various groups. Adult men, who had accounted for most of the increase in unemployment during 1980, showed strong improvement in early 1981, as their unemployment rate fell from 6.6 percent in the third quarter of last year to 6.0 percent, before edging up in the second quarter. In contrast, the unemployment rate for teenagers, at 19.2 percent at midyear was higher than anytime during 1980, while the rate for adult women, which had risen to 6.7 percent by the end of last year, held near that rate in the first half of 1981. (See table 1.)

For white workers, the only improvement was among men; as their unemployment rate dropped from 5.8 percent in the third quarter of 1980 to 5.4 percent in the first quarter of 1981 and held there in the second quarter. In contrast, the rate for white women rose much more slowly during the recession reaching 5.8 percent in the third quarter 1980 and holding there in the first half 1981. The rate for black men,³ 11.5 percent in the first quarter, was down somewhat from 1980, but had edged upward in the second quarter. Black women, at 12.9 percent, had no improvement in their unemployment situation during the first half of the year.

In the second quarter, the Hispanic unemployment rate was 9.8 percent, down from its recessionary high of 11.3 percent in the previous quarter. As usual, the jobless rate for Hispanics was between the higher rate of 14.9 percent among blacks and the lower rate of 6.5 percent among whites.

Blue-collar workers, especially operatives and non-farm laborers, were the hardest hit during the 1980 cut-backs. By mid-1981 the unemployment rate for blue-collar workers was 9.8 percent, down from its high of 11.1 percent last year. In marked contrast, unemployment among white-collar workers was not as affected by the recession. However, the rate for white-collar workers had continued to edge upward in 1980 and 1981, and in the second quarter, was at its highest point (4.0 percent) since late 1977. The unemployment rate for service workers also rose during the first half of 1981 and stood at 9.0 percent at midyear.

The duration of unemployment continued rising throughout 1980; the median turned around in the fourth quarter of last year while the mean reached a high of 14.3 weeks in the first quarter of 1981. Modest improvements in both were visible by midyear. Typically, movements in the average (mean) length of time workers remain unemployed lag behind changes in the unemployment rate. When conditions first begin to improve, some of the workers recently laid off or terminated from jobs are rehired, while those with longer durations of joblessness continue without work. Thus, for a while, the average duration actually lengthens. Only after the improvement is sustained are the long-term unemployed rehired and the average duration reduced.⁴

The deterioration of the economy was reflected in the increased number of job losers (persons on layoff and those permanently separated) in 1980; job losers accounted for 55 percent of total unemployment by the third quarter. At the beginning of 1981, the share of the unemployed who were job losers dropped a bit to 50 percent and held about steady over the next 6 months. By the second quarter, the proportion of the unem-

ployed who had lost their last job was still well above the prerecession level of 43 percent during 1979.

Coincident with the rise in job-loser unemployment, the percentage of unemployed who voluntarily left their jobs declined steadily in 1979 and 1980. But as economic conditions began to improve somewhat, the job-leaver share of total joblessness once again began to rise in 1981.

Participation of women continues upward

Labor force growth had slowed considerably during 1980, in response to changes in economic conditions. During the first half of 1981, however, the civilian labor force rose by 1.6 million, with sustained growth in employment. Both men and women contributed to the rise in the labor force.

After falling during the latter half of 1980, the overall labor force participation rate jumped up in the second quarter of 1981, rising to 64.3 percent. However, patterns differed substantially among major age-sex groups. The first half of 1981 saw a rise in the participation rate of adult women, from 51.4 percent in the fourth quarter of 1980 to 52.4 percent by the second quarter 1981. In contrast, the second quarter rates for men and teenagers had yet to return to prerecession levels.

As the labor force participation rate for all workers increased during the first half of 1981, the number of persons outside the labor force registered a decline of about 530,000 over this period. Most of these non-participants had no current interest in the job market. Nevertheless, the number who reported "wanting a job now" (even though not looking for one) was still sizable at 5.6 million—3.8 million women and 1.8 million men. (See table 2.) While most of these persons were not looking for work because of school attendance, home responsibilities, or ill health, more than a million reported that they were not seeking work because they thought that their search would be in vain. Changes in the number of these so-called "discouraged workers" have been consistent with cyclical changes in the demand for labor and are positively related to changes in

Table 2. Persons not in the labor force by reason, seasonally adjusted quarterly averages, 1980-81

[In thousands]

Reason	1979	1980				1981	
	IV	I	II	III	IV	I	II
Not in labor force	58,850	58,999	59,111	59,493	59,906	59,820	59,377
Do not want a job now	53,574	53,573	54,851	54,231	54,521	53,998	54,320
Want a job now	5,333	5,548	5,431	5,605	5,586	5,905	5,568
Reason not looking:							
School attendance	1,478	1,453	1,461	1,517	1,466	1,521	1,502
Ill health, disability	785	771	728	759	710	817	742
Home responsibilities	1,245	1,335	1,195	1,235	1,179	1,290	1,246
Think cannot get job	766	949	921	961	1,055	1,115	1,018
Job market factors	465	603	626	669	697	876	703
Personal factors	301	345	294	292	358	239	316
All other reasons	1,058	1,040	1,127	1,133	1,176	1,162	1,059

the level and rate of unemployment.⁵ Thus, as the economy turned downward in 1980, unemployment increased and the number of discouraged workers rose from 770,000 at the end of 1979 to 1.1 million in the first quarter of 1981. The level did recede somewhat in the second quarter, however. Reflecting the serious economic situation, the cyclical increase in the number of discouraged workers was due entirely to job market fac-

tors. That is, workers became discouraged after having tried unsuccessfully to find a job or after realizing that suitable jobs were not available. There was essentially no change in the number of workers who were discouraged because of personal factors, such as perceiving themselves as too young or too old, lacking sufficient education or training, or having some other personal handicap. □

— FOOTNOTES —

¹ Statistics on nonagricultural payroll employment and hours from the Current Employment Statistics Program (CES) 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 the 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 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.

³ The term black in this article refers only to the black population and not to the "black and other" category, which includes blacks, American Indians, Alaskan Natives, and Asian and Pacific Islanders.

⁴ For a more detailed discussion of unemployment by reason, see Curtis L. Gilroy, "Job losers, leavers, and entrants: traits and trends," *Monthly Labor Review*, August 1973, pp. 3-15, and Curtis L. Gilroy and Robert J. McIntyre, "Job losers, leavers, and entrants: a cyclical analysis," *Monthly Labor Review*, November 1974, pp. 35-39.

⁵ For further detail on this subject, see Paul O. Flaim, "Discouraged workers and changes in unemployment," *Monthly Labor Review*, March 1973, pp. 8-16 and Carol M. Ondeck, "Discouraged workers' link to jobless rate reaffirmed," *Monthly Labor Review*, October 1978, pp. 40-42.