

# Strong employment growth highlights first half of 1987

*With employment gains larger than the labor force expansion, the level and rate of unemployment showed marked improvements; job growth was concentrated in the service-producing sector*

WAYNE J. HOWE

Employment rose markedly during the first half of 1987. The number of unemployed workers dropped by 700,000 to 7.4 million, and the civilian unemployment rate fell more than half a point to 6.2 percent.<sup>1</sup> This brought the rate to its lowest level since the first quarter of 1980.

The employment gains in the first half continued to be concentrated in the service-producing sector. In the goods-producing sector, there was an overall increase in construction and manufacturing jobs, and employment in mining began to show a recovery from recent job losses.<sup>2</sup>

## **Unemployment and other labor market problems**

The civilian unemployment rate, which had exhibited a pattern of slow improvement since the second quarter of 1984, dipped 0.7 percentage point to 6.2 percent in the second quarter of 1987, as unemployment dropped to 7.4 million persons. (See table 1.) There were improvements for almost all worker groups.

*Demographic groups.* Recently, there has been a shift away from the historical pattern of a higher unemployment rate for women than for men. At 5.5 and 5.4 percent in the second quarter of 1987, the unemployment rates for adult men and women declined 0.6 percentage point from the last quarter of 1986. The similarity of jobless rates for these two groups at this point of an expansionary period is unprecedented. For example, during the late 1970's, the rate for women generally exceeded the rate for men by  $1\frac{1}{2}$  to 2

percentage points. (See chart 1.) In the 1980's, however, the male unemployment rate rose much more steeply than that for women during the two recessions and, reflecting the industrial restructuring that has occurred, has not returned to the 4-percent level recorded in 1979. By contrast, the unemployment rate for adult women returned to 1979 levels.

Women have traditionally been more concentrated than men in the relatively fast-growing service-producing industries. Thus, they were apparently more insulated from the effects of industrial restructuring. Other factors that may have served to improve the unemployment situation of women include a sharp rise in their educational attainment, a shift into more full-time, career-oriented employment, and a more firm attachment to the labor force even during their childbearing years.

The unemployment rate for teenagers, at 17.0 percent in the second quarter of 1987, was lower than during all of 1986. Unemployment rates for whites, blacks, and Hispanics declined to their lowest levels of the current expansionary period. The rate for blacks, at 13.2 percent in the second quarter, remained about  $2\frac{1}{2}$  times the 5.3-percent rate for whites, while the rate for Hispanics, at 8.8 percent, remained in an intermediate position.

*Reasons and duration.* The number of unemployed job losers, job leavers, reentrants, and new entrants all declined from late 1986. With the exception of job leavers—persons who quit or otherwise voluntarily terminate their employment—all other reasons-for-unemployment measures have declined significantly during the last 2 years.

Although there was a dip in the number of unemployed

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**Table 1. Selected labor force indicators by sex, age, race, and Hispanic origin, seasonally adjusted quarterly averages, 1982-87**

[Numbers in thousands]

Characteristic	1982	1984	1986				1987	
	IV	IV	I	II	III	IV	I	II
<b>Total</b>								
Civilian labor force .....	110,959	114,259	117,008	117,628	118,171	118,558	119,202	119,615
Percent of population .....	64.1	64.5	65.1	65.2	65.3	65.4	65.5	65.5
Employed .....	99,120	105,938	108,752	109,249	109,980	110,420	111,254	112,180
Agriculture .....	3,471	3,323	3,212	3,171	3,108	3,179	3,222	3,268
Nonagriculture .....	95,649	102,615	105,540	106,078	106,873	107,241	108,032	108,912
Employment-population ratio .....	57.3	59.8	60.5	60.6	60.8	60.9	61.1	61.5
Unemployed .....	11,839	8,321	8,256	8,379	8,191	8,138	7,948	7,435
Unemployment rate .....	10.7	7.3	7.1	7.1	6.9	6.9	6.7	6.2
<b>Men, 20 years and over</b>								
Civilian labor force .....	58,375	60,014	61,137	61,189	61,329	61,646	61,968	62,063
Percent of population .....	78.8	78.3	78.2	78.1	78.0	78.1	78.2	78.1
Employed .....	52,553	56,249	57,428	57,417	57,579	57,860	58,320	58,636
Employment-population ratio .....	70.9	73.4	73.5	73.2	73.2	73.3	73.6	73.8
Unemployed .....	5,822	3,765	3,710	3,772	3,750	3,786	3,647	3,427
Unemployment rate .....	10.0	6.3	6.1	6.2	6.1	6.1	5.9	5.5
<b>Women, 20 years and over</b>								
Civilian labor force .....	44,112	46,348	47,990	48,451	48,916	48,993	49,288	49,651
Percent of population .....	52.9	54.0	55.0	55.4	55.8	55.7	55.9	56.1
Employed .....	40,127	43,243	44,902	45,362	45,910	46,048	46,411	46,990
Employment-population ratio .....	48.1	50.3	51.5	51.9	52.3	52.4	52.6	53.1
Unemployed .....	3,985	3,105	3,088	3,089	3,006	2,945	2,877	2,661
Unemployment rate .....	9.0	6.7	6.4	6.4	6.1	6.0	5.8	5.4
<b>Both sexes, 16 to 19 years</b>								
Civilian labor force .....	8,472	7,898	7,880	7,988	7,926	7,919	7,946	7,901
Percent of population .....	54.3	54.2	54.5	55.2	54.7	54.4	54.6	54.1
Employed .....	6,935	6,446	6,422	6,470	6,492	6,512	6,522	6,554
Employment-population ratio .....	41.3	44.2	44.4	44.7	44.8	44.8	44.8	44.9
Unemployed .....	2,032	1,451	1,458	1,518	1,434	1,407	1,424	1,347
Unemployment rate .....	24.0	18.4	18.5	19.0	18.1	17.8	17.9	17.0
<b>White</b>								
Civilian labor force .....	96,623	98,812	101,126	101,571	102,098	102,418	102,812	103,191
Percent of population .....	64.4	64.7	65.3	65.4	65.6	65.7	65.7	65.8
Employed .....	87,452	92,608	94,945	95,366	96,013	96,320	96,903	97,702
Employment-population ratio .....	58.3	60.7	61.3	61.4	61.7	61.8	61.9	62.3
Unemployed .....	9,171	6,204	6,182	6,205	6,086	6,098	5,909	5,489
Unemployment rate .....	9.5	6.3	6.1	6.1	6.0	6.0	5.7	5.3
<b>Black</b>								
Civilian labor force .....	11,503	12,251	12,589	12,707	12,605	12,715	12,877	12,822
Percent of population .....	61.5	62.9	63.4	63.7	62.9	63.2	63.7	63.1
Employed .....	9,155	10,403	10,732	10,822	10,779	10,924	11,051	11,131
Employment-population ratio .....	48.9	53.4	54.0	54.3	53.8	54.3	54.7	54.8
Unemployed .....	1,309	1,848	1,857	1,885	1,826	1,791	1,827	1,691
Unemployment rate .....	20.4	15.1	14.7	14.8	14.5	14.1	14.2	13.2
<b>Hispanic origin</b>								
Civilian labor force .....	6,826	7,612	7,881	8,020	8,143	8,249	8,427	8,508
Percent of population .....	63.5	65.4	64.7	65.3	65.7	66.0	66.4	66.4
Employed .....	5,783	6,813	7,027	7,163	7,268	7,409	7,607	7,756
Employment-population ratio .....	53.8	58.5	57.7	58.3	58.6	59.3	59.9	60.6
Unemployed .....	1,043	799	855	857	876	839	820	751
Unemployment rate .....	15.3	10.5	10.8	10.7	10.8	10.2	9.7	8.8

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.

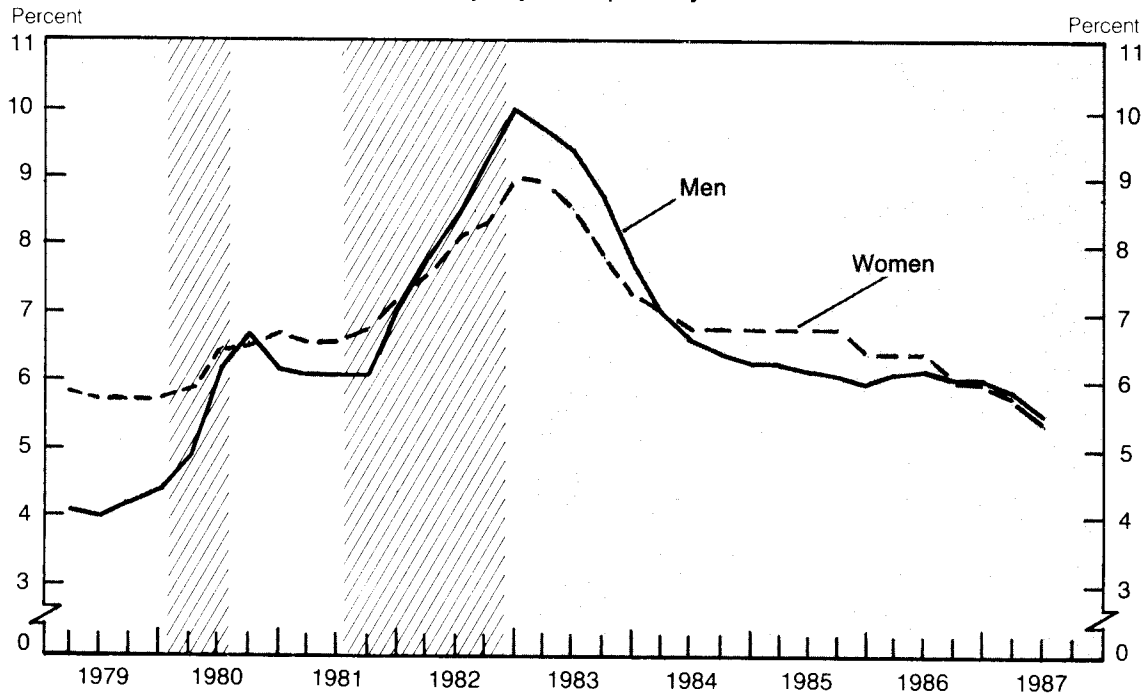
persons in the first half of 1987, the mean and median duration of unemployment were little changed, at 14.8 and 6.7 weeks, respectively. After peaking at one-fourth of the unemployed in the second quarter of 1983, the proportion of long-term jobless (27 weeks or more) remained at less than 15 percent during the first half of 1987. There were still more than 1 million long-term unemployed in the labor market in mid-1987.

*Discouragement and involuntary part-time work.* Despite the continued employment growth and unemployment decline, the number of discouraged workers—persons who

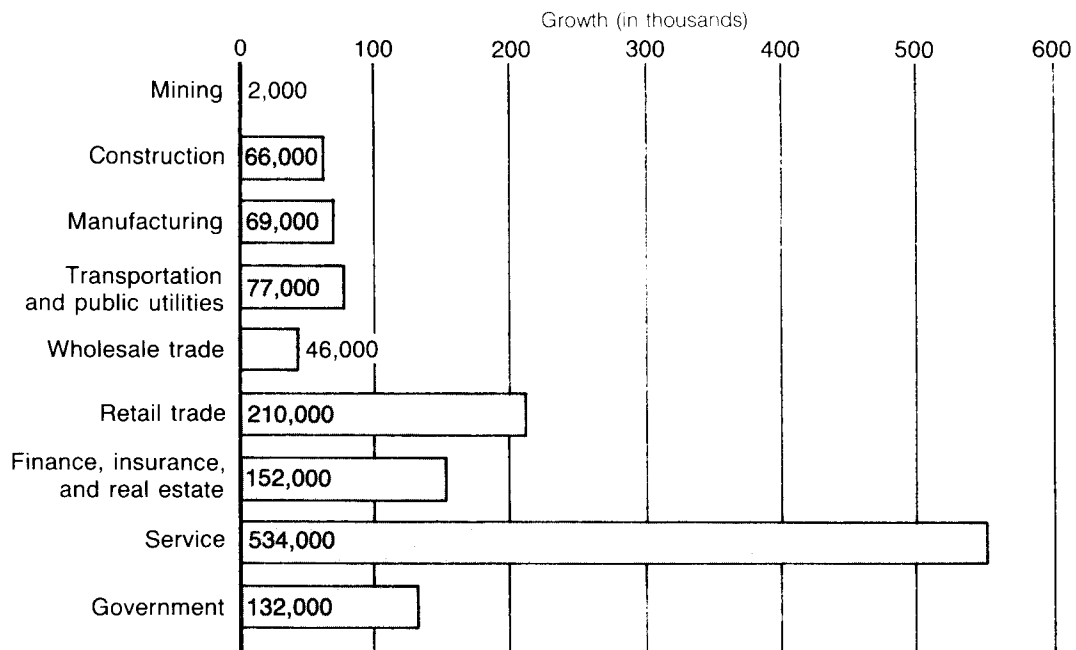
report that they want to work but have not actively looked for jobs because they believe they could not find any—edged down to 1 million in the first half of 1987. The number of discouraged workers was only slightly lower than in late 1984. Although discouragement declined among men and whites, there was little change for women and blacks, two groups already overrepresented among the discouraged. By mid-1987, women made up 45 percent of the civilian labor force but accounted for 61 percent of discouraged workers; blacks constituted 11 percent of the labor force but 29 percent of those discouraged.

Another measure of underutilized resources, persons

**Chart 1. Unemployment rates for men and women age 20 and older, 1979-87**  
 Seasonally adjusted quarterly data



**Chart 2. Employment changes by major industry, fourth quarter 1986 to second quarter 1987**  
 Seasonally adjusted



working part time for economic reasons (those who would have preferred full-time work), declined to 5.3 million by the second quarter of 1987. The two major factors cited by workers as reasons for part-time employment for economic reasons are slack work and inability to find full-time work. The number of such part-time workers has dropped significantly since the fourth quarter of 1982. However, the pace of that decline has not matched the decline in the number of unemployed persons during that same period.

### Civilian employment

Total civilian employment continued to expand, rising by 1.8 million in the first half of 1987, the strongest two-quarter job gain since the first half of 1984. At 112.2 million in the second quarter of 1987, total employment had increased by 13.1 million from the recession trough in the fourth quarter of 1982.<sup>3</sup> The present economic expansion (55 months as of June 1987) has followed the post-World War II pattern of robust employment growth in the early stages of a recovery period, followed by relatively smaller increases in subsequent years. The following tabulation shows the percentage change in employment during each 6-month period of the current recovery:

<i>Period</i>	<i>Percent change</i>
IV 1982-II 1983 .....	.8
II 1983-IV 1983 .....	2.6
IV 1983-II 1984 .....	2.4
II 1984-IV 1984 .....	.8
IV 1984-II 1985 .....	.8
II 1985-IV 1985 .....	1.1
IV 1985-II 1986 .....	1.2
II 1986-IV 1986 .....	1.1
IV 1986-II 1987 .....	1.6

The strongest growth during the current recovery was between the second quarters of 1983 and 1984, followed by much lower rates of employment growth through 1986. However, the recent increase in the rate of employment growth is somewhat unusual, because it transpired after more than 4 years of economic growth.

*Age and gender.* As has been the case throughout the current economic expansion, almost all of the employment increase during the first 6 months of 1987 was concentrated among adults. As shown in the following tabulation, adult women accounted for more than half of the job gain, although they make up only 42 percent of all U.S. workers:

	<i>Percent of II 1987 employment</i>	<i>Percent of IV 1986-II 1987 employment change</i>
Total .....	100	100
Men .....	52	44
Women .....	42	54
Teenagers .....	6	2

Although relatively strong, women's share of employment growth in the first half of 1987 was smaller than in both 1985 and 1986, when they accounted for 70 and 56 percent, respectively, of over-the-year increases in employment. Adult men and teenagers contributed relatively small amounts toward the employment increase in proportion to their shares of the total work force. Nevertheless, adult men's share of job growth during the first 6 months of 1987 was the largest since the second half of 1984.

The employment-population ratio (the proportion of the working-age population with civilian jobs) provides additional evidence of the strong recent pattern of employment growth for adult men and women. As the following tabulation shows, the employment-population ratio for adult women rose steadily between the second quarters of 1983 and 1987, continuing a long-term trend.

<i>Period</i>	<i>Overall</i>	<i>Men</i>	<i>Women</i>	<i>Teenagers</i>
Second quarter:				
1979 .....	59.8	76.5	47.4	48.5
1983 .....	57.5	71.0	48.4	40.8
1984 .....	59.6	73.2	50.3	44.0
1985 .....	60.0	73.2	50.9	44.2
1986 .....	60.6	73.2	51.9	44.7
1987 .....	61.5	73.8	53.1	44.9

For adult men, the employment-population ratio showed no change between the second quarters of 1984 and 1986, after sharply declining during the last recession. While it increased during the first 6 months of 1987, the adult male ratio is still well below its 1979 level. This largely reflects a continuation of long-term declines in employment activity of older men. The employment-population ratio for teenagers dropped between 1979 and 1983, recovered slightly in early 1984, and has edged up slightly over the last 3 years.

*Whites, blacks, and Hispanics.* All three major race or ethnic groups contributed to the job growth in the first half of 1987. The fastest rate of employment gain was recorded by Hispanic workers. Although they make up only 7 percent of the U.S. labor force, Hispanics accounted for 20 percent of the overall increase in employment. Their employment-population ratio increased by more than 1 percentage point over the 6-month period to a record high 60.6 percent. Adult women were responsible for most of the employment gains among both whites and blacks. Both whites and blacks also experienced increases in their employment-population ratios.

### Industrial developments

The number of employees on nonagricultural payrolls (as measured by the survey of business establishments) averaged 101.7 million in the second quarter of 1987, a gain of 1.3 million jobs in the last 6 months. (See table 2.) Much of the growth occurred in the first quarter. Throughout much of the recovery period, the employment increase was dominated by service-producing industries, where there was an

addition of nearly 1.2 million jobs. All of the major industries which make up the service sector posted strong employment gains in the first half of 1987, with the services industry and retail trade generating the largest number of new jobs, while the fastest rate of employment growth was in finance, insurance, and real estate. Among the goods-producing industries, construction and manufacturing showed a rise in employment. (See chart 2, p. 66.)

*Service-producing industries.* Since the recession trough in November 1982, 6 of every 7 new jobs have been in the

service-producing sector of the economy. The largest job gains have been in services and retail trade, accounting for 60 percent of the total increase in payroll jobs. And, in the first half of 1987, they continued to lead the expansion. The services industry posted a 535,000 job gain, with the business and health services components accounting for almost two-thirds of the increase.

Within business services, computer and data processing and temporary help industries continued to register strong job gains. Such progress was expected for computer and data processing, as more firms recognize the economic ben-

**Table 2. Employees on nonagricultural payrolls by industry, seasonally adjusted quarterly averages, 1982-87**  
[In thousands]

Industry	1982	1984	1986				1987	
	IV	IV	I	II	III	IV	I	II
Total	88,717	95,882	98,901	99,321	99,804	100,397	101,133	101,686
Total private	72,893	79,721	82,299	82,670	83,119	83,498	84,183	84,655
Goods-producing	22,980	24,943	24,767	24,702	24,629	24,624	24,733	24,761
Mining	1,029	957	864	789	750	730	720	732
Oil and gas extraction	651	610	529	461	429	411	406	419
Construction	3,837	4,501	4,817	4,910	4,939	4,941	5,035	5,007
General building contractors	959	1,188	1,298	1,300	1,292	1,285	1,304	1,268
Manufacturing	18,115	19,485	19,086	19,003	18,939	18,953	18,979	19,022
Durable goods	10,484	11,634	11,343	11,267	11,195	11,173	11,171	11,179
Lumber and wood products	596	703	703	706	711	723	733	737
Furniture and fixtures	425	493	495	496	498	499	501	508
Stone, clay, and glass products	558	593	588	589	584	582	587	585
Primary metal industries	824	844	779	760	737	733	733	743
Blast furnaces and basic steel products	344	318	291	282	268	260	260	272
Fabricated metal products	1,349	1,483	1,444	1,437	1,423	1,421	1,420	1,422
Machinery, except electrical	2,051	2,235	2,102	2,075	2,046	2,016	2,013	2,026
Electrical and electronic equipment	1,953	2,248	2,134	2,118	2,122	2,119	2,105	2,086
Transportation equipment	1,662	1,931	2,019	2,013	2,012	2,018	2,019	2,014
Motor vehicles and equipment	659	877	883	868	855	854	855	846
Instruments and related products	699	721	715	710	703	700	695	693
Miscellaneous manufacturing	367	382	364	363	359	362	364	365
Nondurable goods	7,631	7,851	7,743	7,737	7,744	7,780	7,808	7,843
Food and kindred products	1,628	1,607	1,608	1,615	1,618	1,626	1,631	1,636
Tobacco manufactures	68	64	61	60	58	58	58	57
Textile mill products	729	726	700	702	707	713	722	726
Apparel and other textile products	1,139	1,156	1,110	1,104	1,102	1,105	1,103	1,107
Paper and allied products	654	682	673	673	673	678	678	676
Printing and publishing	1,271	1,404	1,443	1,452	1,462	1,472	1,482	1,497
Chemical and allied products	1,055	1,056	1,028	1,022	1,021	1,019	1,018	1,021
Petroleum and coal products	200	188	172	170	168	165	164	164
Rubber and miscellaneous plastics products	679	792	788	787	787	797	805	810
Leather and leather products	209	176	158	152	148	147	147	150
Service-producing	65,737	70,939	74,134	74,619	75,175	75,773	76,399	76,925
Transportation and public utilities	5,023	5,201	5,261	5,211	5,231	5,272	5,317	5,349
Transportation	2,735	2,964	3,035	3,023	3,038	3,067	3,099	3,125
Communication and public utilities	2,288	2,237	2,226	2,188	2,193	2,204	2,218	2,224
Wholesale trade	5,213	5,643	5,740	5,735	5,736	5,728	5,755	5,774
Durable goods	3,034	3,336	3,391	3,378	3,383	3,381	3,391	3,402
Nondurable goods	2,179	2,307	2,350	2,357	2,352	2,347	2,363	2,372
Retail trade	15,189	16,923	17,679	17,792	17,906	17,999	18,119	18,209
General merchandise stores	2,141	2,316	2,345	2,359	2,371	2,376	2,370	2,389
Food stores	2,510	2,685	2,831	2,864	2,888	2,908	2,938	2,953
Automotive dealers and service stations	1,634	1,834	1,922	1,934	1,950	1,964	1,979	1,979
Eating and drinking places	4,872	5,527	5,829	5,857	5,901	5,928	5,955	5,974
Finance, insurance, and real estate	5,356	5,779	6,157	6,257	6,349	6,421	6,502	6,573
Finance	2,664	2,890	3,079	3,132	3,181	3,214	3,245	3,276
Insurance	1,715	1,785	1,899	1,930	1,961	1,990	2,017	2,036
Real estate	977	1,105	1,180	1,196	1,207	1,217	1,241	1,261
Services	19,131	21,231	22,695	22,973	23,268	23,455	23,757	23,989
Business services	3,289	4,177	4,673	4,749	4,816	4,883	4,985	5,072
Health services	5,892	6,195	6,439	6,508	6,591	6,665	6,747	6,821
Government	15,824	16,161	16,602	16,651	16,685	16,899	16,949	17,031
Federal	2,745	2,830	2,916	2,896	2,885	2,900	2,917	2,921
State	3,641	3,771	3,871	3,882	3,884	3,916	3,929	3,945
Local	9,438	9,560	9,815	9,873	9,916	10,082	10,104	10,166

efits of contracting out for those services. Ongoing job gains in the temporary help industry—businesses primarily engaged in supplying temporary help to other establishments on a contractual basis—while small in the aggregate, represent a change in the way many American companies are conducting business. Although the growth rate of the temporary employment industry has fallen off slightly from earlier in the recovery, the industry continues to expand at a vigorous pace.

Elsewhere in the service-producing sector, retail trade employment showed marked growth in the first 6 months of 1987, adding 210,000 jobs. Within the largest retail trade industries, the strongest increases occurred in eating and drinking places and food stores, while gains in general merchandise stores and automotive dealers and service stations were comparatively small. Employment gains in finance, insurance, and real estate continued at the same brisk pace experienced throughout 1986. All three components of that industry contributed to the strong growth. At the same time, government employment grew, mostly at the local level.

Within transportation and public utilities, transportation was responsible for the bulk of the 75,000 employment rise in the first half of 1987. Finally, following an overall employment decline in 1986, there was an increase of 45,000 jobs in the wholesale trade industry. The majority of that employment boost was in nondurable goods.

*Goods-producing industries.* After losing 320,000 jobs during 1985 and 1986, employment in the goods-producing sector edged up by 135,000 in the first half of 1987. The construction and manufacturing industries were each responsible for half of that job advance.

All of the increase in construction jobs (95,000) occurred in the first quarter, reflecting exceptionally favorable weather during the winter months and a surge in building permits at the end of 1986. The second quarter showed a loss of 30,000 jobs. Special trade contractors continued steady employment gains in the first quarter of 1987. This industry accounted for the bulk of the employment growth in construction in 1984 and 1985 and all of the increase in 1986. As a result, the share of total construction jobs performed by these contractors—who specialize in painting, papering, plumbing, electrical work, stone masonry, and roofing—has risen from 54 to 59 percent in the past 4 years. However, the industry's growth slowed in the second quarter of 1987. Heavy construction was the only other construc-

tion industry to record employment gains in both the first and second quarters of 1987. That increase nearly recouped losses incurred during 1986.

Mining employment edged up between February and May of 1987, in marked contrast to the large and persistent job losses of 1985 and 1986. The halt in the employment decline reflects stabilization in the oil and gas extraction industry, which had suffered a protracted slump during 1985 and 1986.

Total manufacturing employment also increased in the first half of 1987, although its durable goods component was rather stagnant. After growing sharply in the first 2 years of the current recovery, employment in durable goods manufacturing had fallen by 460,000 in 1985 and 1986. During that period, the largest job losses occurred in electrical and electronic equipment, motor vehicles, machinery, and in the primary and fabricated metal industries. The electrical equipment and motor vehicles industries continued to experience a drop in employment in the first half of 1987, losing an additional 35,000 and 10,000 jobs, respectively. Those declines were offset by a slight turnaround in the primary metals and machinery industries, in addition to continued growth in the lumber and wood products industry.

After trending downward from the second half of 1984 through the end of 1985, nondurable goods employment improved in 1986, and that progress continued through the first two quarters of 1987. Within nondurable manufacturing, the textiles, food, printing and publishing, and rubber and plastics industries were responsible for the recent job gains, as they were in the fourth quarter of 1986.

Factories maintained unusually high workweeks in the first half of 1987, averaging just under 41 hours. That was the highest average since the last half of 1966. Factory overtime, at 3.6 and 3.7 hours in the first two quarters of 1987, was also very high by historical standards.

THE INCREASE in the rate of employment growth in the first half of 1987 was somewhat unusual, given the advanced stage of the current recovery. Employment gains were larger than the labor force expansion; consequently, the level and rate of unemployment showed marked improvements. Job growth was concentrated in the service-producing sector. While employment gains were posted in manufacturing, by historical standards, the factory workweek was at extraordinarily high levels. □

— FOOTNOTES —

<sup>1</sup> Unless otherwise noted, changes in the first half of 1987 refer to movements in seasonally adjusted data from the fourth quarter of 1986 through the second quarter of 1987.

<sup>2</sup> Data in this article are from two sources: the Current Population Survey (CPS), and the Current Employment Statistics survey (CES). The CPS is a monthly survey of about 60,000 households and provides information on the labor force, employment, and unemployment by demographic and

economic characteristics. The CES survey is a monthly survey of approximately 290,000 nonagricultural establishments and provides information by detailed industry on the number of employees on business payrolls, as well as on average hours and earnings.

<sup>3</sup> Business cycle peaks and troughs are designated by the National Bureau of Economic Research. The most recent recession extended from July 1981 to November 1982.