

Research Department
Federal Reserve
Bank of
San Francisco

March 21, 1975

The Jobless

The unemployment rate has risen above the 8-percent level and the actual number of unemployed has reached 7½ million, both for the first time since the nation entered World War II. But neither of these two numbers tells very much about the characteristics of the jobless, because there is no "typical" unemployed person. Jobless rates currently range from 3 percent for professional and technical workers to almost 40 percent for nonwhite teenagers, indicating the wide variance in unemployment for different groups in the labor force. Yet in terms of sheer numbers, the most likely person to be unemployed today is the prime member of the work force—an adult male over 25 years of age.

Jobless categories

The present composition of unemployment reflects the massive shift in the structure of the civilian labor force which has occurred in the past two decades. In the late 1950's, adult males accounted for a little over 58 percent of the labor force, but by 1973 their share of the total had fallen to 48 percent. (Their declining labor-force participation is due variously to early retirement, a higher rate of disability retirement, and other factors such as a relatively low level of educational achievement among older workers which places them at a severe disadvantage in today's labor market.) Not quite two-thirds of the growth in the labor force during the 1958-

73 period was accounted for by adult women and 20-24 year olds of both sexes.

Adult males generally are heavily exposed to the danger of unemployment in recession periods, because of their concentration in two major cyclical industries, construction and manufacturing. In earlier recessions, they accounted for nearly one-half of the total number of unemployed. But now that adult men make up a smaller percentage of the labor force, a larger share of the burden falls on other demographic groups. This February, adult males represented only about 29 percent of the unemployed, and the remainder was divided in almost equal proportions among adult females, young adults of both sexes, and teenagers of both sexes.

In the aggregate, of course, there is more unemployment among adult men because there are more of them in the labor force. This is true although the unemployment rate for that group in February was only 5 percent—high for that group but quite low in relation to the rate for other components of the labor force. For example, the jobless rate in February for 20-24 year olds was 13.3 percent, and for teenagers it was 19.9 percent. Thus, the probability of unemployment was more than 2½ times greater for 20-24 year olds and 4 times greater for teenagers than it was for adult males. Also, the unemployment

Research Department
Federal Reserve
Bank of
San Francisco

Opinions expressed in this newsletter do not necessarily reflect the views of the management of the Federal Reserve Bank of San Francisco, nor of the Board of Governors of the Federal Reserve System.

rate for white workers was 7.4 percent, in contrast to a 13.5-percent rate for nonwhite workers.

This variability among the levels of unemployment rates evolved over the past two decades. The reasons for it are several fold. For one thing, teenagers and young adults may lack marketable skills or a history of work experience. Adult women re-entering the labor force after an absence of some years may find their skills somewhat rusty or even obsolete. There are also structural problems, such as mobility and imperfect information as to job opportunities. Finally, and regrettably, there is still an element of discrimination in the job market, despite the best efforts of government and business leaders to eliminate it.

Attachment to labor force

The civilian labor force is a dynamic and changing population. There is a constant flow into and out of the labor force as some persons (usually young adults and teenagers) seek their first jobs and as older workers retire from the work force. In between these extremes are persons

who re-enter the labor force after prolonged absences—generally women with children who worked prior to marriage. Consequently, the pool of unemployed persons is not limited to those who have lost or left their last jobs.

In late 1973—a period of labor market tightness, with a 4¾-percent average unemployment rate—total unemployment was divided roughly equally between job losers and job leavers (on the one hand) and re-entrants and new entrants to the labor force (on the other). However, the story was different for the 3½ million persons added to the jobless rolls between October 1973 and February 1975. Job losers accounted for 78 percent of this group—and job leavers for less than 2 percent—while re-entrants and new entrants amounted to 20 percent of the total.

A fairly pronounced cyclical pattern is evident from these figures. As might be expected, the number of job losers grows in numbers and in relative proportion as the state of the economy worsens. In contrast, persons joining or rejoining the labor force are heavily dependent upon the growth of the economy and the accompanying increase in the number of jobs, so they repre-

sent a relatively greater share of the jobless rolls in an expanding economy. Also, there tends to be an inverse relation of job leavers to the unemployment rate. When labor markets are tight, workers feel confident of their ability to find alternate employment, so they may feel somewhat more ready to quit their present jobs and look for others. But when jobs become scarce, workers tend to stay put in view of the higher search costs involved.

White collar recession?

A striking feature of the present recession is the decreased security of white-collar employment. Unemployment rates for all white-collar categories are currently at the highest levels since this type of information was first collected in 1958. In that recession year, the white-collar unemployment rate reached 3½ percent, compared with a 12-percent rate for blue-collar workers. In contrast, the white-collar rate now stands at a record 4½ percent, while the blue-collar rate of 11 percent remains below its earlier peak. Jobless rates in all white-collar categories—3 percent for professional-technical workers, less than 3 percent for managers and administrators, 5 percent for sales workers, and 6

percent for clerical workers—might appear attractive to blue-collar workers, but are still the highest in the two-decade history of the series.

The rising trend of white-collar joblessness reflects in part the growth of structural unemployment among professional and technical workers. This group, which includes engineers and physical scientists, was hard hit by the aerospace shake-out of 1968-69 and the recession of 1970-71, and its job situation was still weak when the latest recession hit. Rising unemployment among sales workers reflects the extended decline in the physical volume of retail sales since mid-1973, occasioned in part by the inflation-induced fall in consumer purchasing power over that period. Increased unemployment of managers and clerical workers meanwhile reflects businesses' widespread efforts to cut such fixed costs as corporate staff, most apparently in the auto business, but elsewhere as well. Thus it appears that white-collar workers, like their blue-collar brethren, are becoming more subject to the vicissitudes of the business cycle.

Herbert Runyon