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THE PRESIDENT HAS SEEN...

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERS

February 7, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Employment Situation in January

Summary

The unemployment rate increased in January by 1.0 percentage point to 8.2 percent, the highest monthly level since prior to World War II. So far only a small but unknown proportion of this increase could be attributable to the new unemployment legislation. All sectors experienced an increase in unemployment in January, but unemployment tended to be concentrated in the blue collar group and the manufacturing sector. The number of nonfarm payroll jobs fell by 438,000 in January, with a decline of 448,000 in manufacturing, and a small net increase elsewhere. The average length of the workweek fell by 0.3 hour to 36.1 hours. The average hourly earnings index increased at an annual rate of 7.0 percent in January.

William J. Fellner
Member

Alan Greenspan
Chairman



Detail

The seasonally adjusted unemployment rate of 8.2 percent in January represents a rise of 3.0 percentage points since January 1974. Approximately 70 percent of the 1.0 percentage point increase in the unemployment rate in January results from job layoffs while about 20 percent is attributable to an increase in unemployed labor force reentrants. The labor force participation rate increased slightly (0.1 percentage point) in January with increases in participation for adult women and teenagers more than offsetting the decline for adult men.

An unknown part of the very large increase in unemployment may be attributable to the changes in unemployment compensation coverage and benefit duration taking effect in January 1975. A study done under contract for the Department of Labor suggests that later on this year, when the public has adjusted fully, the new programs may increase the measured unemployment rate by at least 0.7 percentage point.

The seasonally adjusted number of nonfarm payroll jobs fell by 438,000 in January to 77.3 million and has fallen by 630,000 jobs since January a year ago. While the number of manufacturing jobs declined by 448,000 this January, employment declined by 31,000 in the service producing sector, with declines in wholesale and retail trade and utilities more than offsetting small increases in State and local government (20,000) and services.

Hours of work declined in manufacturing by 0.3 hour and by 0.5 hours in construction, and increased only in services and mining. The January increase in the seasonally adjusted average hourly earnings index of production and nonsupervisory workers 7.0 percent at an annual rate) compares to a 9.6 percent increase since last January.