AFL-CIO Conference
Milwaukee, Wisconsin
June 10, 1981

#32

Demographic Trends for the Labor Force in the 1980s

For most of the history of the nation, there was little attention paid by either scholars or policymakers to questions pertaining to the demographic characteristics of the labor force. It was essentially felt that a worker was a worker. Prior to the 1930s, the Federal government expressed little concern for any of the economic uncertainities of life. Under such circumstances, what difference did it make as to the sex, race, or age composition of the labor force? But since of Depression Decade, labor market policy has become a major concern of policymakers. Likewise, labor market analysis has also gradually become more sophisticated. Research has found that demographic factors do make a difference with respect to such key issues as the incidence of unemployment and labor force participation rates. Awareness of these influences could contribute to the formulation of public policy measures that were anticipatory of labor market problems rather than belatedly responsing to them.

Unfortunately, the record of anticipatory public policy development to demographic changes has not been good. Everyone knew, for instance, that the post-World War II and post-Korean Conflict baby boom that lasted from 1946 to 1962 would lead to immense youth employment problems in the years beginning in 1964 to 1981. This cohort was well tracked by demographers but it was simply neglected by most economists and policymakers until the lingering problem of youth unemployment became so persistant that their needs could no longer be ignored. The result was the comprehensive

set of youth initiatives that were enacted under the Youth Employment and Demonstration Projects Act of 1977. As innovative and as useful as that legislation was, it is instructful to be reminded that it came almost at the end of the period of "baby boom" entrants into the labor market. One cannot help but ponder how much better off the nation might have all been if these initiatives had come in the mid-1960s when the onslaught began rather than almost at its end. The "manpower revolution" of the 1960s was primarily focused on the needs of adults with only scant recognition given to the special employment needs of youth. With the exception of the Job Corps, whose scale has always been small but intensive, the other programs for youth were usually seen as a form of "riot insurance" rather as substantive policy developments designed to improve the employment potential of its youthful participants.

Now as we enter the 1980s, we are faced with several more major demographic changes. The question, as always, is will policymakers pay attention to these trends before they occur or will they follow past practice of ignoring future trends until they become contemporary problems?

The major trend of the 1980s will be the movement of the aforementioned large cohort of the past "baby boom years" into their young adult years. Welcoming the declining numbers of youths, Fortune magazine has already heralded this trend as "demography's glad tidings." By 1990 the largets single cohort of the nation's population will be composed of people between the ages of 25 to 44 years old. With respect to the labor force by the mid-1980s, the Bureau of Labor Statistics predicts that there will be more persons in the labor force than not in the labor

force--including babies. As many of these people are already in the labor force, it is unlikely that the rapid labor force growth rates of the 1970s will continue. It is more likely that, as this "bulge" of youths in the 1970s become young adults in the 1980s, more attention will be directed toward the types of jobs available. Jobs for youths are largely seen as being transitory types of jobs that are desired purely because they generate income. Young adults, however, are concerned about career-starting jobs. Due to this bulge, it is likely that the competition for these types of career and advancement opportunity jobs will become more competitive. This situation will likely create much more demands for effective affirmative action programs than ever before.

Although the population statistics are extremely reliable (since they are based on people already born), the labor force projections are--as always--somewhat more speculative. For labor force projections are based on certain theoretical beliefs. Theoretical projections are always correct given their assumptions. So what are always important are the assumptions behind the major projections.

The BLS uses essentially three predictive models: a high growth model, a middle growth model, and a low growth model. It is not the purpose of this paper to go into all the details associated with all of these models. That would be a subject itself as each has certain behavioral assumptions that could be debated at length. All necessarily make assumptions about future unemployment levels, inflation rates, fertility rates, and family practices that affect labor force participation and which are subject to extensive deviations from the initial assumptions.

Since the mid-1960s, the whole topic of labor force projections has become even further complicated by the topic of immigration. In 1980, for instance, more people immigrated into the United States than in any single year in the nation's history. In that year 808,000 people entered as legal immigrants or as refugees. In addition there were at least several hundred thousand more who entered illegally and were not apprehended. Over a million apprehensions of illegal immigrants were made that year. Most illegal immigrants are not caught.

As the vast majority of immigrants from all sources are adults who go directly into the labor force, their numbers are highly important to the topic of labor force projections. The BLS estimates, however, took the lower average of legal immigrants levels of 1976-1980 (of about 400,000 persons) of whom about 63.7 percent were of prime labor force age to include in their projections. These low estimates of future immigration are likely to underrepresent significantly both the size of the refugees and the legal flows that will occur in the 1980s. As for the illegal immigrants, the BLS simply found the whole topic too difficult to handle. Hence, this critical group was simply left out of all of the official projections. As illegal immigration will no doubt continue and probably mount in size, this omission will certainly cause serious underestimation problems of the actual size of the labor force. Immigration in all of its forms is now so critical that one of the nation's foremost demographers observed in 1980 that "immigration now appears to be almost as important as fertility insofar as U.S. population growth is concerned."

To turn to specific trends, the BLS estimates that about two-thirds of the labor force growth from 1980 to 1995 will come from women no matter which model they use. This increase will more than offset the expected decline in the number of younger and older working women. The middle growth projection, for instance, shows that by 1985, 56.4 percent of all women will be in the labor force (up from 46 percent in 1975). This will mean that women will represent 45 percent of the labor force in 1985 (as opposed to 40 percent in 1975). The proportion of men in the labor force will, of course, decline over the interval.

Over this time span, the black labor force will grow at about twice the rate of whites (i.e., 2.5 percent annual growth rate for blacks versus 1.2 percent for whites). To the degree these differential growth rates do occur, the relative proportion of the labor force that is black will increase relative to the proportion that is white. These projected growth rates assume that the relatively high participation rate of black women continues and it also assumes that black male participation rates will converge towards the comparable rates of white men. One of the most troubling of all labor market trends in the past two decades has been the difference in the male labor force participation rates between white and black males. That is to say, black male rates fell consistently until 1978 when they began to increase again but only slightly. In 1979 the labor force participation rate for black males was still only 71.9 percent while it was 78.6 pecent for white males. Whether the BLS prediction of a movement toward closing this gap between black and white males occurs is, of course, subject as much to hope as it is to fact.

It depends greatly on whether the national unemployment rate declines significantly over the decade. High unemployment rates for any particular segment of the population tend to discourage labor force participation.

The greatest change in the labor force of the 1980s from that of the 1960s and 1970s will be the declining influence of youths. Since the mid-1960s, the youth population (16 to 24 years of age) has grown at a faster rate than the older population. Thus, even though it is predicted that youth labor force participation will increase in the 1980s and early 1990s, these increasing rates will be more than offset by the decline in the absolute numbers of youth in the cohort. For men 16 to 24 years old, for instance, the decline in their numbers will be from 17.6 million youths in 1979 to 13.9 million youths in 1995. For similarly aged women, it will be from 18.3 million to 15.3 million youths. The result is that the annual average growth rates of youth in the labor market will fall from the high levels of 1965 through 1979 of +3.9 percent a year to the negative growth levels of -0.9 percent a year from 1979 to 1995. Thus, one can expect the aggregate problems of the youth aged population to diminish sharply over the next 15 years. This includes not only youth economic problems but also associated youth social problems as well.

There is, however, a troublesome issue that is submerged in these averages for the youth labor market. Namely, the "baby boom" birth rates for blacks and Hispanics peaked later than they did for non-Hispanic whites. Likewise, the birthrates of blacks and Hispanics have declined but at a

much slower rate than for non-Hispanics whites. Hence, the ratio of minority youth to the total youth population of the nation will increase dramatically at least through 1990. The problem of youth unemployment has always been more severe in the 1960s and 1970s for minorities than for non-Hispanic whites. But during those decades there were also large numbers of non-minority youths who also had significant needs for assistance. In the 1980s, however, it is likely that youth unemployment problems will come to be largely a minority group problem. Whether political interest in the employment problem of youth can be sustained when these problems are largely minority group issues is open to speculation. Already, there are signs that national attention is beginning to turn to the problems of older workers. This, of course, is largely a problem of non-minority workers. As the competition for limited federal dollars increases, it would seem that the political considerations will lead to the problems of youth labor markets being bumped down on the priorities of the national agenda. If this does happen, it does not auger well for the nation's minority populations. For both blacks and Hispanics will have considerably larger percentages of their respective members who are young than will be the case for non-Hispanic whites in the 1980s. Minority youth also have historically had much greater difficulty entering the labor market than non-Hispanic whites.

Thus, it is to be expected that the competition for jobs will increase dramatically in the next decade as the "baby boom" evolves itself into the "young adult boom." The potential "productivity bonus" that the nation should sustain from having a substantial increase in its prime

age population can only be realized if there is a parallel commitment to reducing the levels of unemployment from the high levels that persisted throughout most of the late 1970s and early 1980s. Otherwise, not only will the "productivity bonus" prove to be non-existant but, also, the competition for those remaining jobs that are available could prove to be fierce. Many people will not advance as rapidly as they might hope. Others will be bumped downward into jobs in which they are over qualified. Some may be pushed out of the ranks of the employed and into active competition with the poorly qualified and least experienced job seekers for jobs as they become available.

Likewise, unless the nation is willing to address the question of immigration reform in a comprehensive manner, it is likely that many of those people who already are the most vulnerable to unemployment will also be further hindered by the influx of illegal immigrants and, probably, refugees as well. As matters now stand, it is the youths, women, and minorities who already carry much of the burden of the competition. These groups are precisely the people who have been the special targets of the nation's human resource initiatives. Certainly, it makes little sense to continue to talk of the need for policy interventions to help ease the transition of these groups into the labor market while simultaneously allowing virtually uncontrolled entry by illegal immigrants into their labor markets. Certainly, it makes even less sense to be talking about a "guestworker program"--as is the Reagan Administration--at a time when it is far from clear that there is an imminent labor shortage ahead. It is the likelihood of the continuation of high levels of immigration (legal,

refugees, and illegal) as well as the possibility of a guest worker program that make the entire topic of demographic projections in the labor force even more speculative than it already is for the 1980s.

Conclusions

Thus, the demographic changes of the 1980s will present new challenges to both labor market policymakers and to labor market institutions. The labor force is aging but it still has some acute problems with youths that cannot be neglected. It is going to become far more competitive in the young adult labor market due both to there being more people to accommodate as well as there being continuing changes in the sex and racial composition of the labor force. There will be more pressure for greater affirmative action enforcement and, probably, there will be more resistance to the resulting efforts to change the occupational composition of the labor force. There will be an even greater necessity for human resource development programs for minorities in particular if they are to have the opportunity to compete on an equal footing for the limited number of good jobs that will be available. The great unknowns with respect to labor force projections are what is going to happen to unemployment and to immigration levels as a result of federal policy action or inaction.