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Central Files

THE PRESIDENT HAS SEEN... *dg*

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
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October 4, 1974

WJF

MEMORANDUM FOR THE PRESIDENT

Subject: August-to-September changes in Unemployment,
Employment and Wages

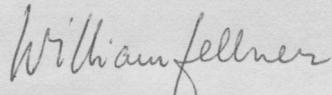
The seasonally adjusted number of unemployed rose from 4.9 to 5.3 million. The unemployment rate which given the behavior of the real GNP over the past quarters had been lower than expected, now rose from 5.4 to 5.8 percent. There has been very little increase in the rate for adult males and in that for married males.

An interesting feature of the change is that from August to September the civilian labor force, consisting of the employed and of those looking for work but not having a job, rose by about 800,000. According to the household survey this increase in the labor force reflects itself in a roughly 350,000 increase in employment and a 450,000 increase in unemployment. The labor-force participation rate of teenagers jumped by more than 4 percentage points and this accounts for the bulk of the increase in the labor force.

The average length of the work week rose somewhat; and hourly earnings in the private nonfarm economy, adjusted for interindustry shifts and for overtime in manufacturing, rose by 0.9 percent. This is about the same as the average of the adjusted hourly wage increases during the past four months, and when "annualized" it corresponds to an increase of between 11 and 12 percent. This compares with 8.8 percent from September '73 to September '74.



Alan Greenspan
Chairman



William J. Fellner
Member



Some Details

Most observers were looking for explanations why after several quarters of slow output-growth, followed by an interval of moderate decline, the unemployment rate had not for some time been more in the neighborhood of the September figure than at the earlier levels. In that sense the rise does not come as a surprise.

The unemployment rate for adult males rose from 3.8 to 3.9 percent, a "statistically insignificant" rise. However, in the fall of '73 this rate was in the neighborhood of 3 percent. For households heads (including women) the August to September rise was from 3.1 to 3.4 percent; for married males from 2.6 to 2.8 percent; for teenagers from 15.3 to 16.7 percent. The nonwhite-white differential has improved somewhat for nonwhites as compared to earlier typical differentials (now 9.8 percent for nonwhites and 5.3 percent for whites).

There occurred a small decline in the proportion of those unemployed who have been looking for a job for less than 5 weeks (a decline from about 51 to a shade below 50 percent), yet the average duration of unemployment declined slightly, to somewhat below 10 weeks. The average duration is likely to rise in the period ahead.

The increase in the average length of the work week, which was mentioned in the Summary, was from 36.6 to 36.8 hours in the private nonagricultural establishments.

As was pointed out in the Summary, the household survey suggests a 350,000 increase in employment from August to September. The data based on establishment sources in the private nonagricultural sector point to a negligible increase (about 35,000), with a noteworthy change (an about 1-1/2 percent decline) showing only for construction among the major categories. The methods of collecting the household data are quite different from those of collecting the establishment data and there exist good reasons for not expecting the results to be identical.