

lowest point in 12 years. The factory workweek was at its highest since December 1945. For the first time since 1957, about one-half of the unemployed had been looking for work less than 5 weeks. One-third of the 150 major labor areas—nearly twice the number of a year ago—achieved unemployment rates of 3 percent or less. At the same time, immigration continues to fill more and more of our skill requirements.

In a presentation to the Joint Economic Committee, the Bureau of Labor Statistics admitted the existence of emerging labor shortages and signs of tightening labor markets. The Bureau called attention to unemployment rates for certain occupational groups, the low over-the-year increase in the employment of adult men and the quality of the 1.2 million adult men still unemployed. After making allowances for seasonal and fractional elements, the Bureau said that of the remaining unemployed "some have such severe educational and other handicaps that they are unlikely to enjoy steady work even in the most active job markets." The Bureau's report went on to point out that "mature, experienced, and capable workers were increasingly hard to find in 1965," although the report reassured us that the situation had not reached "the critical stage."

GROWING SKILL SHORTAGES

The Bureau expressed the greatest concern about industries most closely related to the defense effort, where there were growing skill shortages, sharp increases in the hours of work, and a substantial increase in the ratios of unfilled defense orders to shipments.

This year the Bureau expects 1.8 million new civilian jobs will be created. It says that "The increase in demand for workers in 1966 will be substantially above the long-term trend rate of growth." At the same time that civilian labor demands are soaring, the military services are absorbing about 300,000 young men.

What about the supply of labor? The Bureau says that male entrants under 25 "may be no more than 100,000 instead of the 420,000 implied by labor force trends." The main additional source of male workers for the civilian economy will be the increase of 230,000 in men 25 and over.

The outlook, according to the Bureau, indicates intensifying manpower demands requiring "more workers with better qualifications." Yet, the Bureau then says, "young workers and women remain the primary source of additional labor supply, with relatively few adult men."

What makes the situation even worse is that the Bureau admits the labor pinch will be felt this year in those industries, occupations, and areas already squeezed in 1965. Areas and occupations of high unemployment won't be affected. Aside from the fact that many of the unemployed are not able to fill job vacancies, they may also not be in the right place. As a result, there are grave questions as to how much a reduction in unemployment will be able to contribute to manpower needs this year.

The picture of the labor market painted by the Bureau clearly indicates that shortages of skilled manpower will be a source of inflationary bottlenecks in supply and that productivity increases are likely to be no better and possibly worse than this year.

The slow growth in productivity and strong upward pressures on wages will combine to create a substantial upward movement of unit labor costs in the private economy. This will represent one of the greatest sources of inflationary pressures throughout the year.

PRODUCTIVITY GROWTH SLOWS DOWN

Productivity in the private sector last year increased only 2.8 percent (and some private sources put the gain even lower). The increase was far below the average postwar gain and even farther below the 3.8-percent annual increase experienced from 1960 to 1964. Even the Bureau of Labor Statistics concedes that the increase "does seem low" and suggests that it should have been 3.5 percent.

The reasons for the slowing of productivity gains are found in the pressure on resources. Lower quality labor was drawn into the labor force last year and more of the same can be expected this year. Also, as the economy continues to operate at higher and higher levels, less-efficient, idle or standby facilities will be drawn into the productive process with a consequent diminution of productivity gains.