

Effect of dispersion

While this is the pattern for a single year, the wide dispersion of unemployment rates for different segments of the labor force has characterized the entire postwar era (though somewhat less the first decade than the second). The rates have consistently been higher for women, and much higher for teenagers, than for adult males.

Whether a similar pattern obtained in the twenties, we do not know, but there is reason to suspect the dispersion was considerably less. If so, there was a better matching of the qualifications and capabilities of the unemployed with the requirements of the labor market. This means that the overall unemployment rate could be lower than it can now without developing acute shortages in major sectors of the market. Stated otherwise, a given overall rate meant fewer tight sectors than now. Thus when the 1968 rate of 3.6 percent obtained in the earlier period, it presumably included a substantially higher rate for adult males than the 2.2 percent report for the later year.

Increase in frictional unemployment

Another probable change in the composition of the overall figures since the twenties is a rise in the relative importance of "frictional" unemployment, that is to say, the unemployment normally incident to the process of finding new jobs.

As the technology becomes more elaborate and the average level of worker skills rises, the search for new employment connections becomes a more exacting undertaking than before, and workers tend accordingly to spend more time between jobs. Moreover, with rising affluence they are better able to do so. Add to this the support derived from unemployment benefits—unknown in the twenties—and we have the possibility of quite a change in this respect.

The effects of unemployment benefits on frictional unemployment have been discussed by one writer as follows:

"It is important to realize that today the reported unemployment figures include a greater, probably much greater, percentage of 'voluntary unemployment' than in former times. It stands to reason that as time goes on, as the policy of unemployment relief is progressively liberalized, and as eligibility requirements for unemployment are reduced, more and more people find out how to take advantage of unemployment benefits. Arthur Burns has pointed out that today a larger percentage of the labor force, and a much larger percentage of recent additions to the labor force than formerly, consists of part-time and intermittent workers—housewives seeking part-time work, students looking for summer jobs, pensioners trying to work here and there but never long enough to violate too blatantly the low maximum income that the law permits a social security beneficiary to earn while he draws his pension. This greatly increases the scope for drawing unemployment benefits by perfectly legal or legally doubtful means."²⁶

Workers "voluntarily" unemployed while drawing these benefits of course appear in the statistics along with others, thus enlarging what appears to be frictional unemployment.

²⁶ Gottfried Haberler, "Inflation and Its Causes," American Enterprise Institute, 1966, p. 6.