MARYLAND COOPERATIVE EXTENSION
UNIVERSITY OF MARYLAND
COLLEGE PARK•EASTERN SHORE

Fact Sheet

Fact Sheet 403

United States, Regional, and Maryland Employment Growth

Introduction

Jobs are important. That may be obvious but it is worth repeating. Jobs *are* important - for individual income and self-esteem, for family roles and welfare, and for the economic and social fabric of communities and the nation.

In recent years, the issue of jobs has increased in political prominence. Now factory shutdowns, foreign competition, youth and minority unemployment, and migration to the Sun Belt are major topics for public policy debate and discussion.

This study describes recent trends in employment shares and aggregates for Maryland, the Northeastern United States and the nation as a whole. Secondary data from various governmental reports and series were used in this analysis of employment changes. The analysis and data should be useful sources of information on employment policy issues.

Employment Factors

Behind employment statistics lie several factors that explain who and how many people are employed. These factors influence both the supply and demand for labor. The supply of labor depends on the number of workers able and willing to work. The demand for labor is derived from the condition of product markets - sales of goods and services created by workers. Product markets are, in turn, influenced by such variables as the general state of the economy (business cycles) and by consumer and producer demand for goods (structural factors).

Business Cycles

The recent recession, which began in mid-1981, pushed national unemployment upward to over 10 percent while Maryland's unemployment rose to more than 8 percent. Recessions generally involve a reduction in aggregate demand, which creates disinflation and unemployment. Reagan Administration officials responsible for macroeconomic policy formulation viewed the high labor and capital unemployment rates as the temporary price required to reduce inflation.[1]

Structural Factors

Changes in *consumer demand* for products and services create expansion for some industries while

others languish or fail. As consumer incomes have risen, for example, preference for durable consumer products such as power mowers and automatic washers have increased while sales of push mowers and nonautomatic washers have fallen. The increase in the elderly population and an increase in two-income families also creates preferences for consumer products.

Among producers, significant structural changes have resulted from the introduction of *new capital and managerial technologies,* which improve labor productivity (for example, the electronics industry). This increase in labor productivity results in rapid growth in output.

Regional shifts in production are important structural factors. Within the past decade, eight newly industrialized countries have become competitive in the international trade of manufactured goods. Hong Kong, Singapore, South Korea, Taiwan, Argentina, Brazil, Mexico and India have had success in penetrating world markets. These countries are trying to emulate the success previously achieved by Japan after World War II.

Regional shifts also are evident in the domestic American economy. Employment opportunities have shifted during the 1970's and 1980's from older central urban centers to suburban and rural areas, and from the Northcentral and Northeast regions to the South and West. The recession of 1974 to 1976 had little effect on unemployment in most states in the Southwest because of this rapid regional expansion. However, declining growth in domestic energy production made these same states more vulnerable to the 1981 to 1983 recession.

Finally, structural factors in labor markets include the *behavior of labor* itself. Two groups of workers exhibit very high rates of unemployment: (1) youth just entering the labor force and (2) adults experiencing long-term unemployment in basic industries such as auto, steel, rubber and meat packing. Youth and adults experiencing long-term unemployment have difficulty obtaining and holding new jobs even in good economic times because their skills go unused for so long. Employment problems are even more severe because of the shift in jobs from manufacturing to services. Without the necessary retraining and education, these workers' job skills will remain obsolete.

As employment trends move from jobs that are labor intensive to those that are capital intensive, workers will have to adapt to the changing labor market.

Overview

From 1959 to 1975, Maryland's total employment rate grew more than either the United States as a whole, or the Northeast region. However, from 1975 to 1980, Maryland's employment growth rate (17 percent) only exceeded that of the Northeast's (13 percent). In pan, this slower growth reflects: (1) the large shift of traditional northeastern manufacturing activities into the southern and western portions of the nation, and (2) the shift away from manufacturing.

United States

The growth in the shares of U.S. employment, in service-type activities, was offset to some extent by a decline in goods producing sectors such as farming and manufacturing. These two sectors dropped in employment shares from 7.7 and 33.8 percent in 1959, respectively, to 3.0 and 26.4 percent in 1980 (Table 1). Manufacturing still has the greatest percentage of employment, but service-type jobs account for nearly a quarter of all U.S. employment. Transportation and contract construction each have accounted for nearly 6 percent of total U.S. employment. Federal civilian employment dropped from 4.7 percent in 1959 to 3.6 percent in 1980.

Table 1. United States Employment Composition by Industry, by Selected Years, 1959 to 1980.

Industry grouping	Year				
	1959	1965	1970	1975	1980
	Percentage				
Manufacturing	33.8	33.1	31.4	27.8	26.4
Misc. services	12.1	14.5	16.6	19.1	21.4
Retail trade	16.2	16.8	17.6	18.5	18.8
Wholesale trade	6.5	6.5	6.4	6.5	6.5
Finance, insurance & real estate	5.2	5.7	5.8	6.4	6.6
Transportation	6.2	6.1	6.1	5.9	5.8
Contract construction	5.2	5.3	5.1	5.0	5.6
Federal civilian employment	4.7	4.5	4.5	4.3	3.6
Farming	7.7	5.8	4.6	4.2	3.0
Mining	1.5	1.1	1.0	1.1	1.2
Agricultural services, forestry & fisheries	0.2	0.3	0.3	0.3	0.4
Not classified	1.2	0.4	0.7	0.8	0.7

Sources: **County Business Patterns,** Bureau of the Census, U.S. Department of Commerce; **Census of Agriculture,** Bureau of the Census, U.S. Department of Commerce; and **Agricultural Statistics,** U.S. Department of Agriculture, Washington, D.C.

Northeast

The number of manufacturing and farming jobs declined in the Northeast, compared with those jobs in services and retail trade. Manufacturing declined more than 10 percent between 1959 and 1980. In 1980, services and trade each accounted for about 25 percent of employment with manufacturing accounting for almost 28 percent. Jobs in construction and transportation accounted for nearly 10 percent of Northeast employment for 1980. Federal civilian employment had a long-term decline from 5.1 percent in 1959 to 4.2 percent in 1980, while farming employment declined from 2.2 to 0.9 percent in the Northeast region during the same time period.

Maryland

Maryland's employment dramatically shifted from manufacturing to services from 1959 to 1980. Manufacturing declined from nearly 34 percent in 1959 to about 18 percent in 1980 (Table 2). However, Maryland's service employees doubled from 11.9 to 23.8 percent during this period. Since 1959, manufacturing has increased by only 3,443 employees, whereas services have added 247,767 employees. The percentage of transportation workers has decreased from 7.2 to 5.2 percent, while the percentage of farmers dropped from 3.3 to 1.2 percent. Conversely, the retail trade portion of employment increased from 19 to 21.4 percent. Finance, insurance and real estate grew from 5.3 to 6.8 percent, and Federal civilian employment rose from 5.9 percent to over 10 percent in 1975. In April 1983, 7.7 percent of Maryland's nonagricultural payroll jobs were Federal government jobs.[2] The shift in jobs from manufacturing to services in Maryland reflects national and regional trends as well as a competitive loss of manufacturing jobs to the Southern United States.

Table 2. Maryland Employment Composition by Industry, by Selected Years, 1959 to 1980.

Industry grouping	Year				
	1959	1965	1970	1975	1980
	Percentage				
Manufacturing	33.5	28.6	25.0	20.0	18.1
Misc. services	11.9	14.5	17.3	20.5	23.8
Retail trade	19.0	18.7	20.2	21.7	21.4
Wholesale trade	5.6	5.4	5.3	5.6	5.5
Finance, insurance & real estate	5.3	5.7	6.0	6.4	6.8
Transportation	7.2	6.1	6.0	6.4	6.8
Contract construction	7.1	7.3	6.9	7.2	7.6
Federal civilian employment	5.9	10.3	10.5	10.5	9.4
Farming	3.3	2.2	1.6	1.5	1.2
Mining	0.3	0.3	0.2	0.2	0.2
Agricultural services, forestry & fisheries	0.3	0.3	0.3	0.3	0.4
Not classified	0.6	0.7	0.6	0.6	0.5

Sources: **County Business Patterns,** Bureau of the Census, U.S. Department of Commerce; **Census of Agriculture,** Bureau of the Census, U.S. Department of Commerce; and **Agricultural Statistics,** U.S. Department of Agriculture, Washington, D.C.

State Variations in Northeastern Employment Growth

Northeastern aggregate employment growth rates repeatedly trailed the U.S. aggregate since 1959. From 1959 to 1965, employment in the Northeast rose 8.4 percent while U.S. employment increased by 11.1 percent. Growth rates increased during the early Vietnam War period (1965 to 1970) before declining sharply in the early 1970's. Employment increased by 21.1 percent for the entire nation again in the late 1970's, but only by 13.2 percent in the Northeast.

Maryland's average growth rate exceeded that of the United States and the Northeast between 1959 and 1975. This may have been due in part to Maryland not being as heavily dependent on any one industry. As a result of the regional shifts in employment to the South and West, Maryland's increase was less than that of the nation from 1975 to 1980. In the Northeast, only New Hampshire, Vermont and Maine exceeded the U.S. growth rate between 1975 and 1980. During that time, Pennsylvania and New York had slower relative growth rates.

Maryland's favorable location along the East Coast for shipping, and its proximity to industry and Federal government agencies tends to support its above average growth rate. Trends in Federal, state and local government employment will be key factors in the future expansion of employment in Maryland.

Loss of Competitive Share in the Northeast Region and Maryland

From 1975 to 1980, almost all industries in the Northeast and Maryland grew at rates slower than national rates, thereby losing some of their competitive employment share.[3]

In the Northeast, mining employment lagged by 30 percent. Manufacturing employment was off the national pace by over 400,000 employees (8 percent). The Northeast gained a competitive share only in farming.

Maryland lost its competitive share in all industries except services, Federal civilian employment and farming. However, Maryland lost *less* of its competitive share than the Northeast region in all industries except agricultural services, forestry and fisheries. This could be attributed to the already high level of agricultural services before 1980. Maryland's greatest proportionate loss was in mining, where an additional 20 percent of the 1975 employees would be needed to keep pace with the United States. Maryland did not grow as fast as the United States in most of its industries, but it generally grew at a faster rate than the Northeast region. Maryland's competitive share gain in farming resulted primarily because it did not lose as many farmers as other states in the Northeast.

During 1980, Maryland's civilian labor force (employed and unemployed) grew 2.6 percent, thereby exceeding the national 1.3 percent growth rate. Since then, Maryland's labor force growth rate has slowed, falling to 1.7 percent in 1981 compared to 3.5 percent nationally. Between 1980 and 1983, Maryland's labor force grew by only 1.9 percent, less than a third of the national growth rate of 6.3 percent.[4]

Per Capita Disposable Income (1972 Dollars)

The U.S. per capita income in real (deflated) dollars increased from $1,847 in 1940 to $2,709 in 1960 before rising to $4,538 in 1981. These figures are adjusted for inflation. Per capita disposable income is a useful tool in determining the real growth in the U.S., Northeastern and Maryland economic market. Since the 1978 level of $4,441 was reached, there was little real growth in per capita disposable personal income until the 1983 to 1984 economic recovery.

Population Growth Related to Employment Growth

Total U.S. population expanded from 132 million persons in 1940 to nearly 231 million in 1981. During the same interval, U.S. farm population declined from 30.5 million persons to only 5.8 million. This population shift is indicative of the growth in potential labor force as jobs are shifted away from farming and manufacturing towards services.

Future Growth Prospects for Employment

The recovery of the U.S. economy is expected to continue into 1985. The rate of inflation measured by the Consumer Price Index declined to 3.2 percent in 1983, and businesses no longer can pass cost increases along to consumers. A major economic and political issue in national and state elections in 1984 is the *projected* Federal deficits. Those government deficits, if they meet current projections, threaten to "crowd out" private borrowing for investment and increase interest rates.

The labor cost per unit of output has been moderated by slower growth in wage-salary benefits as well as new capital investments to increase technical output per worker. Employment expansion over the next few years is not expected to be a strong force in raising wage benefits to labor suppliers.

Maryland has continued to make adjustments toward a more diversified economy in terms of labor employment.[5] Historical business-cycle swings may be reduced because manufacturing employment composes a smaller proportion of total employment than it did in the past. This shift from manufacturing to service employment is of great interest to economic planning and development personnel in both the public and private sector. Individual states now are changing rapidly from goods-producing to service-producing economies as a result of the emergence of new and faster information technologies. This trend

is expected to continue through the 1980's and beyond.

The Increasing Importance of a Trained and Flexible Labor Force

The rapid changes in production technologies, consumer preferences and increased regional and international competition coupled with the chronic unemployment problems of youth and minorities indicate the need to examine carefully our education and labor policies. Economic growth occurring at the end of the recent recession will not end *structural* unemployment or regional poverty. Structural changes are more likely to increase the numbers of the chronically unemployed as new technologies replace old and many job seekers find themselves with obsolete skills.

Such conditions call for a reemphasis of a healthy, highly trained and mobile labor force with workers willing to adjust to changes in technology and take advantage of new opportunities. A number of proposals to increase investments in education and retraining programs are emerging. These proposals need to be evaluated in terms of their importance relative to other Federal spending programs. Without the necessary support of public officials, such programs will not be implemented.

Projected Maryland Employment Growth

Maryland's labor market is expected to grow by approximately 210,245 jobs by 1990.[6] This increase represents a growth rate of 12.9 percent. In addition to these new jobs many jobs will be created through attrition. Estimates are that 50,000 workers per year will be needed to meet this replacement need. This results in a combined increase of 610,000 employment opportunities for Marylanders by 1990.[7]

Every industry group except manufacturing will increase over the forecast period, with growth rates ranging from 7.2 to 46.2 percent (Table 3). More than 50 percent of the state's total work force will be employed in services and retail trade. This category also represents two-thirds of the projected employment growth by 1990.

Therefore, the challenge of meeting these employment needs is to discern a direction or particular trend in which to concentrate one's efforts. Society needs to focus its attention on the changing employment composition of the labor force so that it can plan to be part of new economic growth.

Table 3. Maryland's Projected Employment Outlook - 1990.

Industry	Net Jobs	Growth Rate
Manufacturing	1,866	0.9%
Misc. services	82,148	15.9%
Retail trade	60,088	19.3%
Wholesale trade	13,246	14.9%
Finance, insurance & real estate	15,386	16.7%
Transportation	8,518	9.3%
Contract construction	16,298	18.9%
Federal civilian employment	15,858	7.2%
Mining	575	46.2%

Source: Department of Employment and Training, State of Maryland, Baltimore, Maryland,

1982.

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Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, University of Maryland, College Park, and local governments, Thomas A. Fretz, Director of Maryland Cooperative Extension, University of Maryland.

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