

Cetera® Investment Management LLC

LABOR DAY

A Mixed Grill of How the Labor Market Has Shaped America





If you think of Labor Day mostly as the unofficial (but more memorable) last day of summer, or the final hurrah for your barbecue grill and that white pair of pants,* you're not alone. For many of us in the U.S., however we celebrate it, Labor Day offers a welcome reprieve from the normal 9 to 5 routine. But if it weren't for Labor Day, that 9 to 5 might be more like 6 to 6, or sunup to sundown—seven days a week!

This year, as you fire up that grill and say goodbye to nearly every schoolchild's (and teacher's) favorite season, we're sharing the history behind Labor Day, and paying tribute to the U.S. labor force and how it has—and continues to—shape our country.

* In our experience, the grill and the pants do not play nicely together.



Whatever We're Doing, It's Working

The U.S. labor market remains extremely healthy. Collectively we're tallying some 282.2 billion hours of work a year**—at least a few of which were spent gathering the following data:

It's Not Just Your Imagination

Your commute may indeed be getting slower: there are 158 million workers in America, with 21.6 million new jobs created in the last decade.

Who You Callin' Fourteenth?

It might be the fourteenth state, but Vermont is #1 when it comes to unemployment rates, at 2.1%.

How Low Can You Go?

The U.S. unemployment rate is near a 50-year low at 3.7% (the lowest it's ever been was 1.2% in 1944). That sounds good, but near the natural rate of unemployment of around 4% it becomes harder for companies to find qualified workers.

Proving That Last Sentence...

There are 1.2 million more jobs available (7.3 million total) than there are unemployed individuals looking for work (6.1 million).

State of The Union

In 2018, there were 7.2 million union workers in the public sector (33.9% unionization rate) and 7.6 million in the private sector (6.4% unionization rate), representing a combined average rate of 10.5%—about half what it was in 1983, the first year comparable data was collected.

** Extrapolated from data from the Organization for Economic Co-operation and Development (OECD). All other data from the U.S. Department of Labor, Bureau of Labor Statistics.



The Origins of Labor Day

When America was just getting underway as a nation, labor conditions were pretty harsh. In 1791, carpenters in Philadelphia went on strike demanding a ten-hour workday—a significant improvement from the 75-hour workweeks they were used to.¹ Things didn't improve much in the following century. There was a rallying cry from various labor groups to shift to a national standard of an 8-hour workday, with President Ulysses Grant signing it into law in 1869, but only for federal employees.²

On September 5, 1882, the Central Labor Union (CLU) of New York organized the first Labor Day parade.³ It was essentially a one-day strike where marchers carried signs seeking to improve their situation:⁴ days were long, pay was low, working conditions were poor and unsanitary, and children as young as five were not uncommon in factories, mills, and mines.⁵ Two years later, the CLU declared the first Monday in September should be recognized nationally as Labor Day,⁶ but their call went largely unheard until 1887, when Oregon became the first state to make it an official holiday.⁷ It wasn't until June 28, 1894, in the wake of the violence and political fallout of the crippling railway strike instigated by pay cuts at the Pullman railcar company, that President Grover Cleveland made it a national holiday.⁸



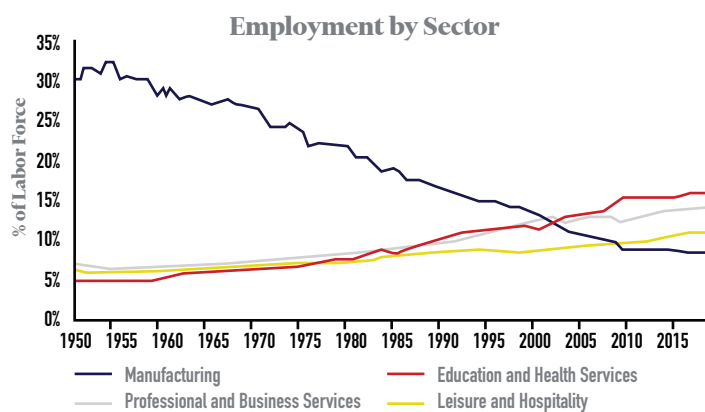
Betting the Farm on Growing Industrialization

It's not just the chance your coworker will be a five-year-old that's changed over the past 230 years—the work has, too. In 1790, 90% of the U.S. labor force worked in agriculture,⁹ much centered on self-sufficiency. That figure dropped to around 40% by 1900¹⁰ and—thanks to ever-improving technology, more efficient farming techniques, and higher crop yields—continued descending to its current level of roughly 1.5%.¹¹

As the amount of labor needed for farming during the Industrial Revolution declined, the demand for manufacturing workers increased. By 1950, more than 30% of the U.S. labor force worked in manufacturing **[Figure 1]**. As with farming, technology and global trade has changed how we produce goods, and after a peak in the late 1970s, factory employment has declined, currently accounting for roughly 8% of the labor force, or 12.8 million workers.

Today, the U.S. labor market is diversified across industries, with a sizeable and growing percentage of workers employed in service sectors. Whereas in 1950 only 17% of U.S. workers comprised the education and health services, professional and business services, and leisure and hospitality sectors, today they account for more than 40% of the labor force **[Figure 1]**.

Figure 1



Source: Cetera Investment Management, Federal Reserve Bank of St. Louis, Bureau of Labor Statistics. Data as of 7/31/2019.

Left a Good Job for the City

Changes in the labor market have also affected where we live. When agriculture was the dominant industry, most Americans lived in small towns and rural areas. With the farming efficiencies of the industrial and technological revolutions and the accompanying growth of manufacturing hubs, millions of workers migrated out of rural America and spurred the urbanization of burgeoning cities. Places like Detroit and Cleveland welcomed the population boom needed to keep up with production demand, and the migration of U.S. workers brought tremendous wealth to the surrounding regions. Thanks to the postwar growth of the automobile industry (which itself fueled, and was fueled by, suburbanization), Detroit became the third richest city in the U.S.¹²

After manufacturing employment peaked in the late 1970s, another migration occurred, this time away from factory towns, where fewer workers were needed because of advances in automation and lower costs of production abroad. Recent decades have seen population increases in service and technology centers including Seattle, San Jose, and Austin, where jobs growth is strong. And the polarization continues: despite the U.S. population quadrupling since 1900, more than a quarter of all U.S. counties have experienced population loss,¹³ while the 20 fastest growing counties increased their population by an average of 100 times.¹⁴



Work in Progress

The first Labor Day was both a celebration of the labor movement and a call to uphold its central tenets—namely, better pay and working conditions, including a shorter workday. The intervening years have seen steady, if slow, improvements for the American worker. A planned Labor Day strike in 1917 won railroad workers the right to an 8-hour workday from President Woodrow Wilson,¹⁵ and in 1926, the Ford Motor Company became one of a handful of companies giving their employees a five-day, 40-hour work schedule, helping pave the way for it to become the standard across many industries.¹⁶ And while the Fair Labor Standards Act of 1938 prohibited child labor, implemented a minimum wage, and instituted time-and-a-half overtime pay, it wasn't until its amendment in 1940 that Congress finally signed on to the 40-hour workweek.¹⁷

Since then, the U.S. has passed several anti-discrimination laws, including the Equal Pay Act of 1963, the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Pregnancy Discrimination Act of 1978, and the Americans with Disabilities Act of 1990. In aggregate, these changes have greatly improved working conditions for American workers.

Conclusion

The evolution in the labor market brought improvements in working conditions and greater opportunities for American workers. We hope you take a moment to remember those who came before us to challenge the status quo and fight for the rights of everyone to receive a fair wage for a fair day's work. And while for many of our fellow workers around the country and around the world there is still much progress to be made, we think those first Labor Day marchers would have seen it as a sign of success that, by and large, we can take for granted the many benefits they brought us, and spend the day grilling instead of marching. From all of us at Cetera® Investment Management, we hope you have a wonderful Labor Day, and fill it with the people and activities you love most.



¹ <https://philadelphia.coop/phillycoops/philacoophistory/>

² <https://millercenter.org/the-presidency/presidential-speeches/may-19-1869-proclamation-establishing-eight-hour-workday>

³ <https://www.dol.gov/general/laborday/history>

⁴ <https://www.nytimes.com/2018/09/01/us/what-is-labor-day.html>

⁵ <https://www.history.com/topics/holidays/labor-day-1>

⁶ <https://slate.com/news-and-politics/2010/09/why-do-we-get-labor-day-off.html>

⁷ Ibid.

⁸ <https://www.nytimes.com/2018/09/01/us/what-is-labor-day.html>

⁹ Growing a Nation. The Story of American Agriculture. Retrieved from: https://www.agclassroom.org/gan/timeline/farmers_land.htm

¹⁰ Ibid.

¹¹ Bureau of Labor Statistics

¹² Moretti, E. (2013). The New Geography of Jobs. Boston: Mariner Books

¹³ Ibid.

¹⁴ Ibid.

¹⁵ <https://www.loc.gov/rr/news/topics/eighthour.html>

¹⁶ <https://www.history.com/this-day-in-history/ford-factory-workers-get-40-hour-week>

¹⁷ <https://www.businessinsider.com/history-of-the-40-hour-workweek-2015-10>

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