1965 MANPOWER REPORT OF THE PRESIDENT

JOINT HEARINGS

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT AND MANPOWER

OF THE

COMMITTEE ON LABOR AND PUBLIC WELFARE

UNITED STATES SENATE

AND THE

SELECT SUBCOMMITTEE ON LABOR

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

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1965 MANPOWER REPORT OF THE PRESIDENT

TUESDAY, APRIL 27, 1965

CONGRESS OF THE UNITED STATES,
JOINT MEETING OF THE EMPLOYMENT
AND MANPOWER SUBCOMMITTEE OF THE
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
AND THE SELECT SUBCOMMITTEE ON LABOR OF THE
HOUSE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The committee met at 10:05 a.m., pursuant to call, in room AE–1, the Capitol, Senator Joseph S. Clark presiding.

Present: Senators Clark, Javits, and Murphy; Representatives O'Hara, Pucinski, and Hathaway.

Senator CLARK. Will the session of the joint hearings come to order, please.

I would like to make a brief statement for the record.

These joint hearings on the President's "Manpower Report" are the first attempt by the Labor Subcommittee of the House Committee on Education and Labor and the Employment and Manpower Subcommittee of the Senate Committee on Labor and Public Welfare who jointly oversee the functions mandated under the Manpower Development and Training Act of 1962.

We intend to conduct these hearings on the "Manpower Report" each year in much the same way that the Joint Economic Committee holds hearings each year on the President's "Economic Report."

So far as I know, this is the first time two standing committees of the Congress have agreed to do something like this on a regular basis.

I hope the experiment will be successful.

On behalf of the Senate subcommittee, I extend my appreciation to Representative Elmer Holland, of Pennsylvania, and Representative James O'Hara, of Michigan, for their cooperation and willingness to institute this practice.

I had asked Congressman O'Hara to preside at the first meeting of these joint hearings and then we were to alternate as chairman, and then I discovered that I had a very important session of the Foreign Relations Committee tomorrow which I would have to spend at least some time on, and Congressman O'Hara was kind enough to agree that he would preside tomorrow and that I should preside today.

Congressman, have you anything you would like to say at the beginning of this because this really ought to be your show today and not mine.

Representative O'HARA. Senator, I wish to join in expressing satisfaction with respect to your initiative in arranging this type of a hearing. I think that the manpower problems of the United States are indeed very complex, but we do not know nearly enough about them. I hope the type of hearing you have suggested, and which we are conducting today, will be fruitful in disseminating knowledge and informing the members of the committee with regard to these problems.

I might add that being an attorney, as yourself, I was not surprised when you managed to obtain the right to open and close. This conflict was so arranged that he has the right to open and close and I just have the in-between. However, I think that this is only appropriate because of the tremendous leadership you have shown in this field. I would be happy if you were to chair all 4 days, but inasmuch as you are not going to be able to do so on Wednesday and Thursday, I would be happy to stand in for you.

Senator CLARK. Thank you very much, Congressman. I would like to welcome on half of the learned minority Senator Murphy, of California, and I think it is right, George, is it not, that so far since you have been in the Senate we have been able to achieve a pretty bipartisan approach to the problems in our subcommittee, and also, welcome Mr. Hathaway. Would you care to say something, Congressman?

Representative HATHAWAY. No; just that I am happy to be here, Senator.

Senator CLARK. I have a prepared statement here which I would like to have printed in full in the record if it is all right with you, Congressman, rather than taking the time now.

This statement outlines some five areas with respect to the Manpower Report where we hope to do some investigating in our oversight capacity and I think the staff had in mind, did they not, that we would call these witnesses as a panel this morning.

(The statement of Senator Clark follows:)

STATEMENT OF HON. JOSEPH S. CLARK, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator CLARK. These joint hearings on the President's Manpower Report are the first attempt by the Labor Subcommittee of the House Committee on Education and Labor and the Employment and Manpower Subcommittee of the Senate Committee on Labor and Public Welfare to jointly oversee the functions mandated under the Manpower Development and Training Act of 1962.

We intend to conduct these hearings on the Manpower Report each year in much the same way that the Joint Economic Committee holds hearings each year on the President's Economic Report.

So far as I know, this is the first time two standing committees of the Congress have agreed to do something like this on a regular basis. On behalf of the Senate subcommittee I extend my appreciation to Representative Elmer J. Holland, of Pennsylvania, and Representative James G. O'Hara of Michigan for their cooperation and willingness to institute this practice.

Under the Manpower Development and Training Act the President is required to submit to Congress in March of each year a Manpower Report summarizing our successes and failures in developing the Nation's human resources in the year just past.

In 1964, the country successfully attained one of the highest rates of economic growth in peacetime history and without inflation.

The economic policies of the last several years have also succeeded in reducing unemployment, yet the rate still remains too high. The rate will probably drop still further in the next few months. But the committee is uneasy about a number of factors on the horizon which may halt this decline in the unemployment rate and start it back on the rise again.

The floodtide of youngsters who will enter the labor market this June will pose a special problem, for our rate of expansion is not enough to provide them with jobs while also accommodating those already in the labor market who are being displaced by advancing technology.

Second, we are concerned about whether the economic boost to be provided by increased social security benefits, proposed reductions in excise taxes, and the 1966 Federal budget will be enough to forestall an increase in unemployment early next year.

Third, we are concerned about the effects of increases in output per man-hour which have held firm over the last several years. Current increases in capital investment indicate that substantial modernization of our industrial plant will continue. To protect the employment prospects of many thousands of workers we must have a rate of economic growth high enough to generate the new jobs we need to absorb them as they are displaced by technological change.

Fourth, we are concerned that present policies and programs of the Federal Government are inadequate to help communities and workers affected by the shutdown of defense installations adjust to suddenly altered economic circumstances. We will attempt to find out where additional Federal help can be provided.

Fifth, we are particularly concerned about the operations of the manpower development and training program and the vocational education programs and will explore certain operational difficulties which have come to our attention.

Finally, we intend to explore in some depth some of the challenge which modern technology poses for the future and discuss some of the manpower policies they indicate.

We all hope that out of our discussions of the next 4 days we may move still closer to understanding how the United States can achieve a full-employment economy.

I would like to ask the Honorable Francis Keppel, Dr. Roy Dugger, Mr. Stanley Ruttenberg, and Dr. Seymour Wolfbein if they would come up as a panel and take your seats at the witness table. Are there some others you would like to sit up with you, in which case they could bring their chairs up and whisper in your ears?

STATEMENT OF HON. FRANCIS KEPPEL, U.S. COMMISSIONER OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE; DR. ROY W. DUGGER, DEPUTY DIRECTOR, DIVISION OF VOCATIONAL AND TECHNICAL EDUCATION; STANLEY H. RUTTENBERG, MANPOWER ADMINISTRATOR, DEPARTMENT OF LABOR; ACCOMPANIED BY ROBERT C. GOODWIN, DIRECTOR, BUREAU OF EMPLOYMENT SECURITY; HUGH MURPHY, DIRECTOR, BUREAU OF APPRENTICESHIP AND TRAINING; JOHN WALSH, ACTING DIRECTOR, OFFICE OF MANPOWER, AUTOMATION, AND TRAINING (OMAT); SAM GANZ, EXECUTIVE OFFICER, MANPOWER ADMINISTRATION; AND WILLIAM MIRENGOFF, ACTING DEPUTY DIRECTOR, OMAT

Mr. RUTTENBERG. I have with me, Mr. Goodwin, the Administrator of the Bureau of Employment Security, Dr. Jack Walsh, Acting Director of the Office of Manpower, Automation, and Training, Mr. Murphy, the Director of the Bureau of Apprenticeship Training, and Mr. Sam Ganz, who is the executive officer of the manpower organization.

Senator CLARK. Off the record.

(Discussion off the record.)

Senator CLARK. On the record.

Mr. Keppel?

Mr. KEPPEL. I would like to add, sir, since the report was prepared and printed, one action of the Congress, I think, may be worth considering as a background, not for immediate solutions by any means, but rather in the long term, and that is the passage of the Elementary and Secondary Education Act in that several titles of the act, but perhaps particularly titles I and III provide the beginning of programs to attempt to avoid the problems that we are trying to solve as reported in the Manpower Report to you.

I think this is important to note because we are, I take it, dealing, Mr. Chairman, both with the immediate problems and with, let us call it, preventive measures, and I would say that the Elementary and Secondary Education Act of 1965 is an essential, let us call it, preventive measure against lack of training, the lack of basic education which has caused so many of the problems faced by this report.

Senator CLARK. I think to build up the moral of the two subcommittees you might also mention the signing yesterday of the amendments to the Manpower and Training Act as at least a minor additional help in this regard.

Mr. KEPPEL. I would disagree only with the word "minor." I most certainly do agree to that, I take it that those amendments will be under discussion this morning because they are so deeply a part of this.

Senator CLARK. Do you care to add anything, sir, before we start in?

Mr. DUGGER. No, sir; not at this point, I believe.

Senator CLARK. Congressman O'Hara, would you start the ball rolling?

Representative O'HARA. Mr. Chairman, I recall that at the time the Manpower Report was issued in 1964, I was rather shocked to discover that it was estimated that the gross national product would have

to increase by $30 or $35 billion during that year for the employment picture and the unemployment rate to remain stable.

I wonder if any of the persons appearing before us today would care to comment on this situation regarding the amount of growth we need, the existing rates of job displacement from technological change, and the increases in size of the labor force. What rate of growth in light of these factors would be required to prevent unemployment from rising during the current year. What rate of growth do we need to reduce unemployment to an acceptable level?

Mr. RUTTENBERG. I might respond to that, Congressman O'Hara.

As we know, the growth in the labor force on the average for each of the years 1947 through last year, 1964, was about 900,000 on the average per year, the net increase in the labor force.

It is now estimated that in the coming decade the rate of growth in the American labor force will be in the neighborhood of a million and a half a year. This is a substantial increase per year over the previous postwar period.

In addition to that, the productivity, and efficiency of the American economy is growing at a rate currently of slightly above 3 percent a year.

From an economic point of view, the economy as a whole will have to grow by 3 percent per year just to take care of the number of workers who get displaced because of technological change—in other words, new job opportunities must be created for those people if they are to continue to be employed—and we avoid an increase in unemployment.

Then, in addition, the economy must grow very rapidly to take care of the new growth in the labor force. Taking these two factors into account the total growth in the economy in gross national product must be more than 4 percent in order to keep unemployment from rising. So that if we are really going to reduce the level of unemployment, which was 4.7 percent in the most recent months, we are going to have to have a growth rate that exceeds 4¾ percent per year until we get unemployment to a level that is essential for full employment opportunities.

Senator CLARK. I would like to pursue that if I might.

We have to have a mix, do we not, of monetary and fiscal manpower, educational policies, retraining, to achieve the growth which you contemplate and find enough round pegs to go into round holes and square pegs to go into square holes.

I have been very much impressed with the wealth of statistical material which is in the Manpower Report and, actually, I think the Manpower Report is a very powerful document, obviously better than the ones before, obviously, as I am sure you would agree, it could be made still better in the future.

What concerns me primarily is how are we going to organize effectively the national manpower training and utilization necessary to solve these problems which you have just touched on and I know that under the Manpower Retraining Act we put most of the responsibility for manpower planning in the Department of Labor, you have there your Office of—what is it called?

Mr. RUTTENBERG. Office of Manpower, Automation, and Training, OMAT.

Senator CLARK. Over in HEW, Mr. Keppel, you have vocational, Dr. Dugger, and the other educational aspects. We now have the President's Commission on Technology, is it, Automation and Technology, what is the title?

Mr. RUTTENBERG. National Committee on Automation, Technology, and Economic Progress.

Senator CLARK. And we have areas in the Department of Commerce, particularly the area redevelopment program; we also have the reports of the Council of Economic Advisers, we have the Joint Economic Committee. I am wondering whether, in the opinion of you professional administrators, we can work with this very widespread diffusion of authority for different parts of the national manpower policy and whether any of you would care to express yourselves on that, particularly whether you have any ideas as to whether we are doing all right, or if not, what should be done to improve the organizational aspects of manpower policy.

You will recall that in the report of the Senate subcommittee last year we raised this question and did not solve it. We were not in any agreement as to what sort of an organization was desirable, if any. I think many of us thought we ought to let it run along for a couple of years to get some more experience.

I have had the thought that maybe a solution not unlike that which is utilized by the National Security Council in the defense picture might be a wise end to look forward to in this whole area of the economy and its impact on manpower planning. I wonder if any of you gentlemen care to respond to those observations?

Mr. RUTTENBERG. Well, Mr. Keppel will add a word, I am sure.

I think, Senator Clark, if I were to look at the overall manpower programs of this Government there seem to be on the surface, a multitude of programs moving off in varying directions, but I think when one examines carefully what is actually happening in the way of administration we begin to see developing coordinating committees that I think will help resolve much of the difficulty that would emanate from separate individual programs.

For example, you mentioned the Vocational Education and Technical Assistance Act of 1963 and the work of the Office of Education in this area, along with the work of the vocational education people directly related to the Manpower Development and Training Act. We have now a coordinating committee, it has been in existence for some time, a committee between HEW and the Department of Labor which is cochaired by the Manpower Administrator of the Department of Labor and by the Under Secretary of HEW.

In this coordinating committee, it is our hope—we have recently made some changes in procedures—it is our hope that in the coming months with this committee meeting once a month, we will bring policy issues, important issues of policy consideration, to this coordinating committee to see that we develop a continuing cooperative and a unified approach to the manpower problems from that point of view.

Now, one might look, on the other hand, to the many programs that are being run under the Economic Opportunity Act—the Job Corps, the Neighborhood Youth Corps programs, the Community Action programs. In that area we are now working out relationships with OEO whereby we are setting up liaison people between the Man-

power Administration and the people in similar areas of responsibility in the Office of Economic Opportunity. I think we are developing a sense of coordination to avoid overlapping that is going to be terribly important in carrying out the program.

Now, sitting over top of all of this is a President's Committee on Manpower which is chaired by the Secretary of Labor and is made up of all of the executive departments and Cabinet officers who have an interest in one way or another in the manpower function.

Senator CLARK. Does it ever meet?

Mr. RUTTENBERG. Well, that is an interesting question, Senator. Does it ever meet?

The full Committee, the Committee of Principals—that is, the Cabinet officers—has met only twice, but the Committee of Deputies—and the Committee was set up very carefully in this way and one of your former staff directors is now the executive secretary of the President's Committee, Dr. Garth Mangum—the Committee of Deputies was set up so the principal member of the Cabinet officers sits as the member of deputies. Then there are a group of subcommittees meeting on separate manpower programs trying to tie together the interests of the various agencies.

I think without further legislation in this area—and I am not so sure that I personally would be for any other legislation in the area—but without any other legislation I think these arrangements are going to work toward an ability to coordinate the program.

Let me point out one other thing.

It is interesting to note that in this year's Manpower Report the number of agencies interested in manpower problems who have contributed to the report—the vocational education people have written a section, the professional and technical people have written a section, the scientific and engineering people have a section that is developed in it.

There are the National Institutes of Health, and the Public Health people have made their contribution, so that we have tried in the preparation of the annual Manpower Report of the President, while the responsibility is given to the Secretary of Labor, to involve through the President's Manpower Committee, all the other agencies of Government that we can.

Representative O'HARA. I would like to break in for a moment.

I want to commend you, of course, for the efforts that have been made to coordinate these programs and to say only that the need is quite obvious. I am wondering, really, if they can be coordinated.

Let us look at the entire field of education and training. We have need for more graduate engineers and more postgraduate training of different kinds. We need more college professors, more teachers, more scientists, and more of a lot of other things. We have a program under the National Defense Education Act to assist in producing this sort of highly skilled personnel. We have under the Higher Education Facilities Act some further efforts along this line. We have under the proposed higher education bill which is now subject to hearings, other efforts along these lines. We have our national science foundation program of fellowships and grants. We have a technical institutes and community college section of the Higher Education Act which is designed to promote the training and graduation of semi-

professional people, technical people, engineering aids, and laboratory technicians. We have in this year's proposal a scheme of continuing education to permit refresher and reorientation courses of professional personnel, among other things.

We inserted into the manpower bill, at the insistence of the Senator from New York, Mr. Javits, provisions in this program and in the 1965 amendments, signed into law yesterday other provisions with respect to refresher and reorientation matters. We have the manpower development and training program. We have the special youth provisions in the manpower development and training program. We have the vocational education program and the apprenticeship program. We have the Neighborhood Youth Corps under the Office of Economic Opportunity. We have the work-study program in addition to all the other programs in the fields of higher and secondary education.

We have all of these various programs, and I just do not know how they can be coordinated. For one thing, the Congress refuses to coordinate them. We authorize and appropriate so much for each program. This, in effect, determines the number of slots there shall be in each program.

I did not mention ARA and probably a half dozen others that escape my attention for the moment.

What we have is a number of agencies which are pushing the buttons. We have the Office of Economic Opportunity, the Labor Department, the various divisions of the Labor Department, the Office of Education, and so forth.

Senator CLARK. I think we ought to also mention Defense, do you not?

Representative O'HARA. Yes; the Defense Department, of course, is very much in this operation. It is pushing buttons and attempting to coordinate. To a larger extent the button they push depends first on who the citizen contacts, and then a second range of choice, depending on how many slots there are available.

After all, there are only so many places in the Job Corps, the neighborhood youth program, manpower, in the special youth programs of manpower, and so forth.

Really, if you want to look at the manpower and training problem in a sensible and rational fashion, I think you would come up with an analysis something like this: We need in the first instance a significant number of sighly skilled graduate personnel. There are certain people qualified with the background to attain these skills. We need a certain number of technical personnel, semiprofessionals. We need a certain number of highly skilled technicians, which we might develop under NDEA, or vocational education. We need numbers in the apprenticeable trades, and so forth.

I really wonder if we should not be working toward—and I do not know how long it would ever take to get there or how we would get there—an overall view of this manpower problem. The Manpower Agency or some combined manpower group should have the ability to change emphasis among programs and to push the right buttons for whatever the current situation seems to be, I do not know how you could achieve it, and I am sure we are not going to settle it in these hearings, but I wonder if any of you would care to comment on this overall problem and what you see as perhaps a long-term solution and improvement in this situation.

Mr. KEPPEL. If I may comment on only one part of it because I certainly do not feel competent to answer Senator Clark's basic question. That basic question, I suppose, sir, in part will be answered by the success of the society as a whole in meeting your first question. What is the rate of growth of the economy needed to handle the increased labor force?

Senator CLARK. That query really is whether in a pluralistic society such as ours we can achieve that without a more intensive effort in the planning than we are engaged in.

Mr. KEPPEL. I understand that, I do not feel really competent to answer that just taking the area in which I work myself, there are, I think, over 40 agencies of Government concerned and using educational institutions in one way or another.

The report of the Congresswoman from Oregon, Mrs. Green, was most enlightening on that topic. There is in addition to the other groups Mr. O'Hara mentioned, an interagency group on education which has just gotten started and has assembled information which I think is of real importance and will become available in later reports on the extent of this interagency activity in education and it may be, sir, that one of the first steps toward what you are speaking to in a society like ours is this report, the very fact that your committee is required this has, I think, made more difference than any of us realize, unless we consciously try to imagine that it did not exist.

Senator CLARK. You are involved in that, are you not, over in education?

Mr. KEPPEL. Oh, yes sir; our staff is, and you recall there is an additional report which HEW puts out more specifically on the training side.

I wanted to comment, if I could—in addition is the point that was implied by Mr. O'Hara; namely, that this is a task which is not alone national, but has its regional, State, and local implications.

One step that has been taken in the Vocational and Technical Education Act of 1963 is the step to require that there be at least an effort at collaboration between the educational forces and the economic, both industry and labor, at the State level and at the local level in trying to plan the types of training that will relate to the newer job opportunities.

You will recall that in that act such a relationship is required in a formal way between the State department of education and the employment service around the country. This has just started. I have no measure of its success yet, I doubt if it has gotten very far, you know how difficult these things are to start, but I suspect, Mr. O'Hara, that we are not just speaking of this coordination and planning at the national level but rather we may be wise to think of it quite consciously as something that can be built on such coordination locally and by State and indeed sometime by region, upon which a national goal can be more successfully built.

Mr. O'HARA. If I could interrupt for a second, I was thinking in terms of a manpower budget—a regional, National and State breakdown—to see just what we ought to be aiming at or try to determine the best way we can adapt our programs and unify them toward those goals.

Mr. KEPPEL. I would have to say in my present job I am not glad by any means with the extent to which we have been able to carry out the intent of Congress as yet in the Vocational and Education Act of 1963, with regard to the local coordination.

I do not think it would have been reasonable to expect us to do so, but we are driving very hard on that point, and perhaps in a year or two we will have much more detailed information than we now have.

Senator CLARK. Would you yield for a moment?

Mr. O'HARA. Yes.

Senator CLARK. I wonder if you would comment on this, Mr. Keppel, we all think of employment, utilization of manpower, as a national problem, yet we all know, as you said, that there is a regional and State and local aspect of it. I happened to serve on the State planning board in Pennsylvania, which has concerned itself with manpower problems as part of an overall plan for the economic and social future of Pennsylvania.

It is tied in with our State department of education and so forth.

Would you have any views as to how the work within a State such as Pennsylvania in terms of trying to prepare and to implement a State plan dealing with the manpower requirements to take care of a growing generation of Pennsylvanians, and the older people, could be tied in with the Federal agencies of which yours, of course, is one?

Mr. KEPPEL. I think I can only answer that, I am sorry to say, in rather general terms.

There is a movement in which former Governor Sanford of North Carolina is taking the lead with the encouragement of former President Conant of Harvard on the development of interstate collaboration and cooperation on educational matters, the feeling that Governor Sanford has and many others have is that the States are not effectively collaborating with each other on education, with a small "e," which would, I take it, include the kind of training we are speaking to.

I have high hopes for that, I think it will encourage what I think Pennsylvania is doing, and many other States are not. And the net result might be in time the closer linking between the allocation of funds by the States, let us say under the Vocational and Technical Education Act, the allocation of funds in different areas of training.

No one in my position could be glad now, sir, that the funds are being allocated wisely in view of the possible or perhaps I should say probable, future job market. This is going to take a while to do but a commission like yours in Pennsylvania, sir, could be an influence, and I cannot speak for that particular program in Pennsylvania, but in general, could surely have an influence on the allocation of existing Federal funds that are spent as they should be, I think, by State judgment in many cases.

Senator CLARK. That is right, then the problem is with labor being so mobile, what do you do when the people you have trained leave Pennsylvania and go someplace where their skills are not required?

Mr. KEPPEL. There are some joys in my job, sir, and one of them is that that is Mr. Ruttenberg's problem.

Mr. RUTTENBERG. That is an administrative question, I advise only on policy.

I think, though, that we ought to add at least two points here that I think are pertinent to the discussion we are engaged in. I cannot help but agree completely with you, Senator Clark, and Congressman O'Hara, in the need for really getting a better overview of our manpower needs and requirements as it relates both on what is the supply of labor and what is the demand for labor broken down by types of activity, types of skills and occupations, and as well as a regional approach to the problem.

Two things are going on that I think are worth mentioning and keeping in mind.

The Department of Labor through the Manpower Administration and the Bureau of Labor Statistics are actively engaged in trying to develop, cooperatively with other Government agencies, what we would call a manpower account or a manpower budget. It is interesting that we have a gross national product budget which deals with dollars and types of activities in the general economy.

We do not really have a manpower budget and a manpower account that we can look at and begin to look at both sides of the equation—what is the supply and what is the demand.

Senator CLARK. Are you familiar with the amendments to the Employment Act of 1946 which I introduced a few days ago and which are intended to meet that deficiency?

Mr. RUTTENBERG. Senator Clark, if I were not familiar with them I would be——

Senator CLARK. Thank you for the implied comment.

Mr. RUTTENBERG. I certainly am, and while I can express obviously no official position on the part of the Government toward those amendments, I can only say that moving in the direction of establishing a manpower account is essential and vital to any adequate kind of manpower planning in the United States and I can say to you that we now have underway in the Department of Labor research and efforts and activities designed to move in this direction. It is not an easy job, don't anybody kid themselves into thinking that you can, from a technical point of view, come up now with an adequate manpower budget and account, but we are working and I think we will make progress. I would hope that in next year's manpower report we would begin to tackle this manpower budget quite actively for the first time.

The second thing I would think we ought to mention is that under the amendments which your two committees sponsored and which the President signed into law yesterday, there is in title I an expanded research function in the Manpower Development and Training Act.

You might recall, as the Secretary of Labor testified before both of your committees, one of the things he has in mind doing with the new legislation is the establishment of regional manpower research centers, which gets to the next stage below the manpower count—the Pennsylvania problem, the regional problem. One of the very serious deficiencies that we have is that we have fairly good national statistics but our regional statistics are not worth very much and they need to be improved. Not only do the statistics need to be improved, we need to have more actual technical manpower, social scientists, that are interested in the manpower problems which are developing around the country.

And it is with that thought in mind that the regional manpower research centers are being proposed and we hope will get sufficient funds appropriated from the Congress to carry on this thing.

Senator CLARK. And requested by the Bureau of the Budget and the President, because we cannot give them to you these days unless at your end of the avenue they are asked for, and one of my more critical comments has been that the Great Society has been outlined in some fine ideological terms and then the tools, the fiscal tools, the money necessary to bring it into effect it is hoped will come along later, 1, 2, 3, 4, 5 years later; meanwhile, of course, we get a foot in the door.

You take that education bill, maybe that is all you can spend but it certainly is not all we need.

Mr. RUTTENBERG. Let me respond to that, as far as title I of the Manpower and Development Training Act, there is authorized $46 million. It is the position of the Secretary of Labor, the Manpower Administration, and, I hope, the Budget Bureau and the White House when they submit the message that we will be asking for the full authorization of title I.

Senator CLARK. Congressman Hathaway, would you care to get in on this?

Mr. HATHAWAY. I still do not understand, Mr. Ruttenberg, perhaps you can give us your opinion as to whether or not you believe the manpower problems would be better handled if it all came under, say, the Department of Labor and not through this coordinating committee and so forth that you mentioned in answer to the previous question.

Mr. RUTTENBERG. Well, you see, the manpower problems have such a broad ramification that I frankly do not think that all manpower functions can or should come under the Department of Labor.

For example, the whole field of education is as important a manpower development function as you can possibly conceive of. And the Office of Education has that responsibility and should maintain it as they are and we should, however, be coordinating our activities.

For example, if we just look at vocational education as one issue in point. The real problem is to determine what are the occupations and skill requirements of the future for which the vocational education people around the country ought to be prepared in terms of facilities to train.

I think we have two separate and distinct functions here, one which is an Office of Education function and one which is a Department of Labor function.

The role of determining the occupational needs, the manpower requirements, the skill requirements of the future, should be and is in the main a responsibility of the Department of Labor. In the Vocational Education Act of 1963 the law specifically provides for consultation between the Office of Education and the Department of Labor on planning for expansion of facilities in terms of information from the Department of Labor and the employment services on what the occupation and skill needs are.

Once that determination is made the actual construction of facilities, the actual preparation of teachers, and the training of the individuals through those institutions is obviously an Office of Education function and not a Department of Labor function, but I think this bill, the Manpower Development and Training Act that gives rise to the manpower

report, is an interesting and unique blending of these responsibilities because it is the Department of Labor which determines the need, it is the Office of Education which provides the training, it is the Department of Labor that then refers and places the individuals in employment after the Office of Education and vocational education people have done the training, so it is that blending of responsibilities that I think are important and it would be wrong to put this combined function, for example, into the Department of Labor.

But I could refer to other programs in Government that have manpower implications that are run by other agencies that I think should be in the Department of Labor.

Mr. HATHAWAY. Yes. Such as——

Mr. KEPPEL. I seem to be the wrong guest, Senator Clark.

Senator CLARK. Anything further, Mr. Hathaway?

Mr. HATHAWAY. Those are the ones he last mentioned that I had in mind.

Senator CLARK. Senator Murphy, your State is often cited as having the best State educational system in the country. You hogged, if I may say so, a large share of defense projects. You must have some problems in connection with changes in defense technique which have manpower implications. I wonder if you would care to get in on this along that or any other line.

Senator MURPHY. We did set out in our State, being a young State where we could provide facilities, to invite engineers and see that they were trained. This enabled us to develop technological abilities that were a little ahead of the rest of the country. Also, we had the attraction of weather, climate, and other conditions that gave us an advantage.

We have problems at the present time. When I hear it mentioned that we need more engineers, I assure you there are many sections of California where this is not true, where engineers, highly trained, highly skilled, are called into an office and given newspapers from three or four different cities and told, "Here, find yourself a job."

This is something that I think we should be greatly ashamed of. I feel ashamed for the State because I have found fault with the publicity and I intend to continue to do so. We brought these people to the State as part of the community, assured them they would be there permanently. They bought homes, started to raise their families, and this is the treatment that has been going on because of, I might say, unfortunate and sometimes questionable reasons for changing government contracts.

So much for that.

At the present time, of course, I am a biased witness with regard to the Department of Labor. We have a farm labor shortage in California that I would take this opportunity to put in the record as I will at all times, where because of disagreements between actual facts and decisions of the Department of Labor great hardship is being brought on the State and the economics of the State.

I believe we have now 400,000 unemployed that is one figure and it has been broken down in some other reports that I have read.

Jobs are moving out of the State, moving into foreign countries rather than creating more jobs which seem to be our concern. On the one hand, we are saying let's get more jobs, on the other hand we

are saying let's drive jobs away. I am amazed that at this late date we are only now arriving at the conclusion we should have a coordination of these programs, and knowledge of actually what we are trying to achieve. This is one of the general complaints from the outside world. It seems in Washington, they say, and this is the general practice, you appropriate the money and then you figure out what to do with it.

And after you appropriate the money it is very hard to find out what is done with it. It is very difficult to get all the necessary reports but I am going to try. I am extremely new, and maybe a little idealistic, but I am going to try and find out during my term in Washington what actually has happened to the money.

I have been interested, as has the chairman, as to the overlapping, not only in functions but also in appropriations. I know that the people who make up the different committees are sincere, honest, capable hard working people, but I also know that they are human beings and I know there is a jealously of area, and I know that from one time to another that there will be a great deal of time spent as we have here this morning, deciding which department should take on which function and I would have hoped by this time when I arrived in Washington at this late date of 1965 that some of those things would have been resolved.

I quite frankly am amazed and I also would like to congratulate my colleague, Mr. O'Hara, with knowing all the names of these different committees.

At the earlier hearings on the manpower training bill I asked about the various training programs, I was told there were 500 vocational functions that were being trained. I asked for a list I was amazed at the different things. I have lived over half a century in this country and I promise you that 40 percent of that list I have never heard of.

I have lived in many areas and I have been working most of the time since I was 15 earning my own living, so I have had some practical experience in these areas. If from time to time I seem to become a nuisance, I intend to, because I come to represent the reaction of the people outside in hoping we can get the job done, that we can get the so-called coordinating committee set up, that the budget needs which I think would be the first objective.

I should think that would have been No. 1, and I am hopeful we can get it before 2 years, Mr. Keppel, after you had 2 years to look at it. It will be 4 years setting up a budget. I will be very impatient by that time.

Senator CLARK. Could I interject just this comment, Senator, which I know you will take in good heart. There was a period there from 1953 through 1960 when not much happened.

Senator MURPHY. I would be amazed, Joe, if you had not taken that opportunity.

That seems to be one of the coordinations that my colleague has not overcome yet. I make no excuse for any period or any administration and as I come here as a Senator I do not come to represent any segment of California but to represent all the people.

Mr. O'HARA. If the gentleman will yield, I would like to call attention to the fact that in title I of the Manpower Act, as everyone in the

room is well aware, we directed the Department of Labor to undertake studies into the manpower requirement, changing technology, training requirements, and so on, I wonder if we could direct the witness' attention for the time being to what has been done in this specific field, what is currently underway, and what you are looking forward to doing under the increased research and developmental budget under title I?

Mr. RUTTENBERG. I would be glad to comment on that if I might just take one moment to refer to two things which Senator Murphy said.

He indicated that there were a large number of engineers in California that were looking for jobs and were called in and given ads from newspapers and said, "Here, go find yourself a job."

I hope, Senator Murphy, you would not object if I take occasion to say that one of the things which we are really trying to do and which I think is terribly important, is to improve the professional placement program of the public employment services and the public employment services does have a duty and a responsibility to assist, to the extent that it being as a supplement and not as a substitute for other placement activities of other organizations but that the public employment service does have a role to play and it should be strengthened in the field of assisting professional people in placement activities.

Senator CLARK. Would you break off there a minute?

I would like to know what the impact of the private employment agencies is one what you have just said?

Mr. RUTTENBERG. What the impact——

Senator CLARK. There is a school of thought, you know, that the employment service ought to stay out of this highly technical field if this is a private enterprise job, and our committee and perhaps yours, too, has had some pretty strong testimony from private employment agencies that the employment service should not get into this activity at all; I happen to disagree with their point of view but it is certainly something that is entitled to a hearing.

Mr. RUTTENBERG. I think there is no question but that the private agencies have a role and function to play—and an important one, and the function and role of the public employment services to supplement that, supplement it to the extent that there is given the professional an opportunity to utilize a non-fee-charging public institution which is supported by the employers of this country as a result of the payroll tax, to afford and give to the individual an opportunity to use that public employment service if he wants to.

I think it would be dead wrong to require he use the public employment service, I think it would be dead wrong to require he use the private employment service. I think it is right that we have a cooperative arrangement whereby the public employment service does provide supplemental assistance and direct aid to professionals who desire in any case, even in countries that have a far more extensive labor exchange or public employment service than we do, such as the Scandinavian countries, no more than 25 or 30 percent of the total placements made in any occupation really are made through the public employment service, but a good number are and assistances are given to both so that I think the public employment services do have

a role and we are glad to see in the report of both the Senate and House committees on hearings held on the employment service that your two subcommittees have supported us in this view.

I would like to comment on the question that Senator Murphy made reference to about appropriating money. He says they first appropriate the money and then they look to try to finds ways to use it and then once they get the money and look for ways to use it, you have a great time finding how it is used.

Senator MURPHY. I qualified it by saying that I am very new here and I intend to find ways to do that.

Mr. RUTTENBERG. Let me say as far as the Manpower Development and Training Act is concerned, I can say to you, sir, that we can tell you right now what we would use every dollar for, that would be appropriated by the Congress that is now authorized.

Senator CLARK. In fact, you had to tell both the House and the Senate committee in some detail, did you not?

Mr. RUTTENBERG. In some considerable detail and also show how much the money has been used up to now, and we have a very good set of accounts that I would be perfectly happy, if you are interested, Senator Murphy, in coming up and showing you precisely what we are doing in terms of appropriations that we have gotten for carrying out the manpower training.

Senator CLARK. You have to go through the hoops twice, really, in each House.

Mr. RUTTENBERG. We do have that authorization now for $454 million for fiscal year 1966 as a result of the legislation signed by the President yesterday.

Senator MURPHY. I was pleased to be part of the making of that legislation, because I have great faith in the capabilities, and the remarks I made have not been made in the way of criticism, I am merely stating the fact as it appeared from the outside world, and I assure you if I go to California and say, "I find this money is being used in the following manner," and I think this will be a great revelation to the people of California, and it will be very helpful to me.

We are going to have to do some explaining within the next 6 months out there.

Mr. RUTTENBERG. To come back to the question that was raised by Congressman O'Hara, about what our intentions are in carrying out the expanded title I under research of the Manpower Development and Training Act and what we have done in the way of research up to now. You do know each year under the Manpower Development and Training Act, in addition to the President's Manpower Report there is put out what is called a section 309 report, a report on manpower research and training under the Manpower Development and Training Act, one by the Secretary of Labor and a similar one by the Secretary of Health, Education, and Welfare.

You will find in those two reports and particularly in the 309 Report of the Department of Labor, reference to the manpower research function, and in this area you will see the many, many kinds of economic research which is going on as a result of appropriations under the Manpower Development and Training Act for research, and you will also see a specific reference in the report to new areas of activity in which we do plan, as we go ahead, to engage in specific manpower

research, and there are many areas and I could outline some specific ones but maybe it would be better to just call your attention to that particular section of the 309 report which deals with this question.

Future research needs on page 154 gives—this is the report with the white cover, not the red—some specific areas that are mentioned in terms of the kinds of research which are contemplated.

I would be glad to go into some detail on that if there is an interest.

I would like to say that one of the major areas of research activity that we need to expand is how do we translate technological developments as they come on to the horizon into the manpower, occupational, and skill requirements of the future?

This is a terribly important area of research in which much, much work needs to be done and is going on.

If you would like some additional detail on that I might ask either Dr. Walsh or Mr. Mirengoff, who is here with me, to elaborate a little further.

Senator CLARK. I would like to make a suggestion, particularly to my House colleagues, that when we were having hearings the other day on extending the Juvenile Delinquency Act and considering a bill introduced by Mrs. Green in connection with the correctional services which tied in to some extent, Dr. Dugger, I think with the vocational-educational people, there was at least a suggestion that in that whole social work—police department, law enforcement, that is only part of the area—there was a definite shortage of skills which was limiting clearly the whole attack on crime, delinquency, rehabilitation and the like. It went through our minds to discuss with you gentlemen in the House whether we might not attempt to frame a bill which would deal with the whole area of crime, delinquency, rehabilitation, probation, parole, and the like, with the purpose of trying to encourage the training of a good many more skilled men and women to go into that area, but I suppose this is only one of maybe dozens of different areas where skills are in short supply.

We have concentrated so much on unemployment and so much on the inability to find jobs for the relatively untrained and undertrained that we may be in danger of overlooking the manpower requirements at the upper end of the pyramid.

I wonder if you, Dr. Keppel, would care to comment on that, and I am so happy to know Congressman Pucinski is here and please jump in whenever the spirit moves you, because this is very important.

Mr. KEPPEL. I think I might add one other area perhaps comparable to that of juvenile delinquency and public welfare, which are the health-related occupations which are in short supply and constantly increasing in demand.

Senator CLARK. You mean nurses and hospital technicians?

Mr. KEPPEL. Practical nurses, hospital technicians, and the like. One example of what, I take it, are called, Mr. Ruttenberg, the service occupations. Certainly the figures I have seen would suggest that the vocational and technical act could go much more deeply into that, and indeed is starting to.

Mr. RUTTENBERG. I might just add to that that beginning on page 84 of the Manpower Report you will see references to certain shorage occupations and listed among them are the mental health professions, other health professions, teaching, counseling, social work, librarians,

and then prior to that some discussion of shortages of professional and technical personnel, and I think in relation to our earlier discussions all of this information in the President's Manpower Report has been contributed either by the Office of Education or the Civil Service Commission or other Government agencies working closely with the Department of Labor in the preparation.

Senator CLARK. Should you not go one step further than that, maybe not until next year, you have got us the basic facts, the basic statistics, along comes some dedicated public servant like Mrs. Green, and she picks up part of this and puts in legislation, but should not the administration be giving us recommendations for needed legislation across the whole board of these skilled occupations which are in short supply?

Programs, Dr. Dugger, you have been a very silent witness so far, maybe you would like to give a comment on that.

Dr. DUGGER. Sir, I believe in terms of looking at the needs of the future and trying to meet these through education and training it would certainly be appropriate for us to give consideration jointly to the development of a balanced education and training program.

I think here particularly in terms of what you just mentioned, in the shortage occupations; many times in education we learn that an occupation is in great demand or that there is a shortage of workers after the shortage occurs. At the same time there has developed an oversupply, at least in a certain region or certain area, of people who could very well be trained to enter these new occupational areas.

I think here, as Mr. Ruttenberg has pointed out, the movement of the past 2 or 3 years under the Manpower Development and Training Act, and that is beginning to get underway in a very substantive manner under the Vocational-Educational Act of 1963 where the public employment service and the Department of Labor at the Federal level are feeding us information constantly on what they feel is developing in the crystal ball and is just around the corner, if you please.

Unfortunately we no longer have the luxury of leadtime that we once had in the past in accommodating our educational and training system to the needs of our people. I think the Congress could be commended in this regard, too, in that in the most recent legislation of the past couple of years, particularly I have in mind here that Congress has given attention to the passage of educational legislation directed at the needs of people in contrast, perhaps, to the needs of "education."

This, I think, is a real breakthrough in moving toward meeting the needs and meeting them rather quickly and rather expeditiously; obviously there is a great deal more we need to know in terms of how to shorten the leadtime between manpower training needs and the meeting of those needs through education and training.

Mr. PUCINSKI. Senator, I wonder if I might add a question here.

You discuss the on-the-job training program and I gathered from the language that you use that the program has not been very successful for various reasons.

I wonder if you could tell us something about your experience with the on-the-job training program?

Mr. RUTTENBERG. Well, I would not say that the description there indicates that the on-the-job training program has not been success-

ful, Congressman Pucinski, I think what we are saying here in this section is there has been greater emphasis each year of the operation of the Manpower Development and Training Act program in the on-the-job training, mainly as a result of the interest of your committee, urging that we move in this direction.

I think the statistics, for example, show that in the first fiscal year of operation, which was really only just about 7 months, there were only 1,529 on-the-job trainees, but in the second fiscal year, fiscal year 1964, we had 10,000 on-the-job trainees and so far in fiscal year 1965, up through the end of April, we have some 24,000 on-the-job trainees, and it is——

Mr. PUCINSKI. Let me ask you at that point: On page 129, in the last paragraph, you say the on-the-job training program has been especially effective in upgrading underemployed workers, that is those employed below their skill capacity or threatened with obsolescence of their skills or curtailed workweek.

Now, how many of those 24,000 that you are speaking of are in this kind of upgrading activity and how many are actually dropouts or various other people we have been trying to reach with this program, who are now unemployed because they are theoretically functionally unemployable?

What I am trying to find out is whether or not the on-the-job training is being used to get at the source of this problem which this committee has discussed, and that is the functionally unemployable and put many into the stream of the economy or are you now going into this more sophisticated kind of work of upgrading underemployed and frankly I do not recall in the discussions of the bill that we were going to go into upgrading underemployed, but I will give you the benefit of the doubt.

Mr. O'HARA. Will you yield for the moment on that point?

Mr. PUCINSKI. Yes.

Mr. O'HARA. The original act which has never been changed, indicated that the focus of this program would be on the unemployed and underemployed. I would like to make this point in that connection.

I cannot see the practical difference between placing a person, without skills or with minimal skills, in a job created through upgrading somebody who held that job, and placing them directly in an entry job. In fact, it seems to me that you cannot have an effective program unless you go into both aspects. You open up a larger number of entry jobs through upgrading the skills of people into higher positions or more highly skilled positions and thereby creating possibilities for the kind of persons who constitute the largest number of unemployed.

Mr. PUCINSKI. If my colleague will yield, I am not sure I am quite ready for that kind of empire building.

Right now, this bill has been passed, and it is a good bill, and the President yesterday commented on how important this legislation is, but what I want to find out is what the agencies are doing with this good bill.

I was under the impression—as a strong supporter of this legislation—that its primary function is to get people who have either been displaced by automation or people who for various reasons are not employable such as dropouts, into the stream of the Nation's economy. That is the basic purpose of this act.

I would like to know, Mr. Ruttenberg, if you can tell me, what percentage of the 24,000 people you mentioned are hard-core unemployables and what percentage are students or people who are being upgraded because they have been underemployed.

Mr. RUTTENBERG. I think you will see, Congressman Pucinski, in the same paragraph you referred to on page 129, that of the on-the-job-training trainers in the year 1964, about one-third had been individuals who have been underemployed prior to entering their training.

I think the important consideration here, and there are two implications that are terribly significant to keep in mind, and they have been referred to by Congressman O'Hara—there are many of the disadvantaged unemployed, long-term unemployed people who have low educational attainment and low skill attainment and therefore in training them into kinds of jobs that are open—namely, in the semiskilled or skilled area—is very difficult and almost impossible in a relatively short period of time, even in the 104 weeks that have been provided now under the new legislation, but the extent to which you can take somebody who is now in a semiskilled or unskilled position and upgrade him to a semiskilled or skilled person by giving him on-the-job training, is the extent to which you open up an opportunity at the bottom for an unskilled or semiskilled individual of the kind we are tremendously interested in.

We found that this is one way, one good way to make sure that in training those with low educational attainment for some of the semiskilled or unskilled occupations—namely, in the service areas—that one way to provide employment opportunities for them are to take people that now occupy those positions and upgrade them to the higher skills where there is a shortage and where there is a need for people.

In addition, and I think terribly important, this kind of under-training, upgrading which on-the-job training accomplishes, is a tremendously important civil rights function.

One of the big reasons why some of the unskilled and semiskilled people are not upgraded from their underemployment to a higher employment in that same company is a question of discrimination, and if we can break that down by getting the minority groups that are now at the unskilled level promoted on the job through on-the-job training programs we not only open up jobs at the bottom for some of the unskilled disadvantaged to move into, but we have also accomplished something in terms of promoting equal employment opportunities for some of the people who are now employed at the bottom ends of the ladder who have the skills or abilities and are not currently employed or have the amount of training necessary.

Mr. PUCINSKI. May I ask one more question?

Senator CLARK. Please do.

Mr. PUCINSKI. Thank you very much for that explanation.

I wonder if you would tell us, Mr. Ruttenberg, what part of the funds you are expending are going into public or publicly managed agencies and what part of your funds are being spent on contracts with privately managed agencies under your experimental and demonstration projects?

Mr. RUTTENBERG. I am afraid I don't have an answer to that question offhand. I wonder whether Dr. Walsh might.

Let me see if I understand what you are after. In the experimental demonstration program we make contracts with various agencies,

sometimes they are universities and nonprofit institutions, social welfare agencies; sometimes they are private groups.

My feeling—and I do not know the exact statistics, I can get them for you, maybe Dr. Walsh can supplement this—the overwhelming majority of money is going into the nonprivate public institutions.

Mr. PUCINSKI. How do you select the private agencies? How do you recruit them? What sort of a program do you use to seek out private agencies and give them a contract for half a million dollars or a million dollars to perform some particular function in your agency?

Mr. RUTTENBERG. In the main it is not a question of recruiting such as it is the existence of an organization or the development of the local organization which is a private nonprofit institution, or public institution, that has a ——

Mr. PUCINSKI. Do they have to meet any particular criteria?

Mr. RUTTENBERG. Well, just competency and ability to carry out the proposed contract.

Mr. PUCINSKI. Who makes that decision as to whether or not they are competent?

Mr. RUTTENBERG. That decision is made by the Department of Labor and theoretically, of course, it is the Secretary of Labor's responsibility which is delegated to the Manpower Administration, and in turn is jointly shared by the Manpower Administration and the Director of the Office of Manpower, Automation, and Training, which has the function of carrying out the experimental and demonstration program.

Mr. PUCINSKI. What methods do you use for appraising their effectiveness?

Mr. RUTTENBERG. We require, first of all, a monthly report from them on their activities; we have audits that are made of their books and of their activities, audits that are made quite periodically to make sure that the expenditure of funds are for the purposes designed in the original contract, and then we have an evaluation program with a staff of evaluators who are out continually.

In addition to auditing, individul financial audits are made by financial people, but in addition we have program people that are out evaluating the effectiveness of the program in the field.

Mr. PUCINSKI. Why would there be a substantial change or substantial difference between a training program being financed by the Manpower Development and Training Act by a private agency and a public agency such as the Department of Labor in a given State? In one instance it would cost somewhere in the vicinity of $4,000 to recruit, motivate, and train a recipient of this program being handled by a private agency; whereas the public agency, such as the department of labor in a State, is administering that same type of program at a substantially lesser cost.

Why would there be that large a disparity between the cost; would you have any idea?

Mr. RUTTENBERG. Yes; I do have a feeling and an idea for that kind of a problem. Let me say that I think the dollar amount you used in differential costs might be higher than they are, but I do not know what the actual facts are on dollar cost, but you have this kind of a very important problem.

I can give you an example without mentioning the State involved. The Governor of the State is terribly concerned about the fact that there is very little counseling and recruiting and training going on in certain rural areas of his State and he says that employment security offices do not really have existing facilities to get out into the rural areas of his State and he needs some help to make sure that the people in the rural parts of his State get an opportunity to be tested and referred to a training program and actually successfully trained and then referred into employment, and he wants some help in the form of experimenting and demonstrating to the employment security office of his State that you can get out and should get out and work with rural America.

Now the same is also true in terms of many of the disadvantaged youth in some of our big cities. The techniques that have been used over the years for recruiting individuals or for the employment service to find people and refer them for training and needed improvement—and the employment service people are the first to admit this—and the problem of the term that has been developed is the outreach—instead of waiting in an employment security or employment service office for the disadvantaged youth to come in and say, "Now I want to register for a job and I want to advance myself and progress in society and get training and be referred to employment"—rather than waiting for that to happen. The thing that needs to be done in many cities, in many suburban parts of America, is to reach out and send people—instead of sitting behind a desk in the employment service—send people out into the community to work at the church levels or at the community organization levels, to find the individuals and give them the help they need, and this obviously costs more money.

Mr. PUCINSKI. That very point, my attention has been called to one of your projects where you gave a private agency $67,000 to recruit and motivate 200 hard-core unemployed.

Now, I cannot quite understand why such a large expenditure to recruit and motivate—and I am not quite sure I know what motivate means in this case—when I would think that a phone call to the welfare director of that community would give you substantially more than 200 people, hard-core unemployed, who have been unemployable and on the public dole for a long time.

Is there a special category you are trying to find? What is the purpose of this vast expenditure for this sort of a program?

Mr. RUTTENBERG. I think, Congressman Pucinski, you will find that carefully looking at some of these experimental and demonstration programs that have gone on in some of the large cities, you will find that the ability not only to find the individual but to take the disadvantaged youth or adult in this case you are referring to youth, the youth in the main, to take that disadvantaged youth and somehow bring him around through counseling and discussion to the feeling that he has a contribution to make to society instead of——

Mr. PUCINSKI. If I may interrupt you, because I am in agreement with you, and I would think that this would be a marvelous theory to follow out if you had taken care of all the others. I am sure, however, that in California, in New York, in Illinois, and here in the District, you have a fantastic backlog of people now who are readily identifiable to any local welfare director and who for many years

have been on the public dole simply because they have been functionally unemployable.

Now, we created this program to try and get at these people. I do not know why you are spending $67,000 for this sophisticated program to go out and seek out through this community effort that you are talking about, sending people into the area to seek this hard core out, when you now have a fantastic backlog of hard-core unemployed that we do not have facilities to train and put into the stream of the economy, and why I am wondering about this concept of the $67,000 and this is why I am asking you about your programs with these private agencies.

Would you not think that you ought to put all of your emphasis on the public agencies, clean up their backlog, and then by all means go out and reach into this second category—now am I wrong in that?

Mr. RUTTENBERG. You are not wrong, Mr. Congressman, it is a question of emphasis and a question of responsibility and types of programs.

If we are talking about the people on public assistance and particularly the aid to dependent children where the unemployed father is present, the so-called ACPU program of the Welfare Administration program, this is a program worked and handled through title IV of the Social Security Act, and title V of the Economic Opportunity Act, to provide work experience opportunities for people on public assistance and particularly for the unemployed father where there is a dependent child in the home, and this is a program which is administered under a delegation of responsibility under the Economic Opportunity Act from the Office of Economic Opportunity to the public assistance people in the Social Security Administration.

Mr. PUCINSKI. Are you not part of the OEO?

Mr. RUTTENBERG. No.

Mr. PUCINSKI. Are you not working with them? Are you suggesting that you people are an entirely different shop and oblivious to the efforts and problems and challenge Mr. Shriver has to mobilize all of our efforts?

Mr. RUTTENBERG. No. Let me make clear now, we are working very closely with the Office of Economic Opportunity, as a matter of fact, title I, part B, which is the so-called work experience or neighborhood youth corps program, title I, part B of the Economic Opportunity Act is delegated to the Department of Labor for administration, and we have sole responsibility for its administration and we are carrying out that program and our public employment services, U.S. Employment Service and its Federal-State system is working very, very closely and, as a matter of fact, has the major responsibility in all States except for one for the selection of people for the Job Corps, for example.

Mr. PUCINSKI. Then why do you have to spend $67,000 recruiting so-called hard-core unemployed when you could have picked up the telephone and talked to the local welfare people or local USES people or local public agency and received that information for the cost of a telephone call? This is what I do not understand.

Mr. RUTTENBERG. Let me, if I might reemphasize a point which I made earlier and maybe clarify it just a bit.

The important consideration here is that the experimental and demonstration responsibility under the Manpower Development and

Training Act is a responsibility that is designed to show how certain things can be done, how you can motivate individuals, how you can seek them out, how you go about properly testing them when, for example——

Mr. PUCINSKI. Let me interrupt you—now I am more confused, if you will forgive the statement, I am just wondering if this is what the Congress had intended when we passed this marvelous piece of legislation.

I was under the impression that this legislation was passed to give people training. Now I find that you are in all sorts of experimental areas. We gave you this and we gave it to you for a good reason, we recognize what you are saying, but I am inclined to think that there has been a great deal of emphasis put in your agency on these experimental and research projects instead of on the hard core, the guts of the program that is to retrain people.

Mr. RUTTENBERG. Let me put the problem in perspective if I might. In terms of fiscal year 1965, we have, if the supplemental appropriation is provided by the Congress, we will have $441 million. Of the $441 million there will be spent a little less than $20 million in the general area of experimental and demonstration programs.

Mr. PUCINSKI. That is a lot of money.

Mr. RUTTENBERG. Now mind you, though, under certain other legislation there are provisions made for 10 percent of the funds to be used for research and experimental demonstrations.

If I might say, Mr. Congressman, the important consideration in my mind and I think in my colleague's mind is that we have discussed this problem in both the Department of Labor and I think the vocational education people in the Department of Health, Education, and Welfare, is that we do not have all the answers to the best ways of training people and if we continue to spend the $441 million or next year the $454 million, which is authorized on just the same old way of training people and the same old way of handling problems, we might not make the progress that that money is designed to help us make and in order to make sure that we really find the right people to train and train them the right way and counsel them the right way and provide the kind of testing which is essential to get them into the mainstream of life and rehabilitate them once again, we have to be experimenting and demonstrating with new methods and new techniques, and as these new methods and new techniques are developed we do not continue to finance that experimental program in that city any more, we stop that.

Mr. PUCINSKI. This is most encouraging, if this is true, if you are going to do this.

Mr. RUTTENBERG. I can give you examples, sir.

Mr. PUCINSKI. If these are just one shot operations where you go in and set up the demonstration program, they learn some techniques and phase it out and turn it over to the public agency then I think you are to be commended.

Mr. Chairman, you have been most kind in letting me develop this line of questioning and I am grateful to you for your tolerance.

Senator CLARK. Not at all, Congressman, we want you to take a good part in this discussion.

And I think Mr. Keppell has been raising his hand to get in here.

Mr. KEPPEL. I hope what I am going to say is not off the subject, Mr. Pucinski.

As Mr. Pucinski says, there are other programs of experimental character that are related to this; I have in mind the vocational Education Act of which 10 percent are reserved for this purpose, in the current fiscal year that amounts to $11,700,000. These funds are being allocated on the basis of proposals that come in from both public and private institutions, universities, State departments and other sources.

The ratio is about one out of every three of these experimental or research proposals may be funded. I might say that is a very heartening thing to me, because the academic world until recently did not give a hoot about this.

The fact is they are now becoming interested in better ways of training, if Senator Murphy will excuse the expression, we have a very unusual grant to MIT on the east coast, for a mixture, the professor in charge is the former chairman of the physics department who will join with members of the engineering part of the university as well as vocational personnel in other parts of the New England area to try to work out what I hope will be brandnew ways of training in the technical related fields.

Senator CLARK. You may remember that there was some testimony before the Senate subcommittee 2 weeks ago about the phasing out of the demonstration projects and the pilot projects under the Juvenile Delinquency Act, there were 16 of them rolling. They are going to eliminate all except four, and turn them over to the poverty program to either get rid of them or make them permanent.

I do think, and I am sure the Congressman agrees, that you have to do some research but we hope all the money will not be spent that way.

Mr. PUCINSKI. Senator, if you will yield.

The only point I was trying to make here is, yes, I think we need this research, we need to find new methods and that is why we put this in the bill. So often I have seen these private agencies crank up a big operation and then this money that they have received in the first instance becomes an opiate, and so they keep coming back and coming back, and the agency loses its basic purpose. I was very encouraged to hear Mr. Ruttenberg say that they are going in on a one-shot operation, do the research, get the job done, phase them out and go into a public agency to carry out the knowledge that you have obtained from the research project.

If this is what you are doing, I have nothing but the highest commendation for your operation.

Mr. RUTTENBERG. The whole purpose of the experimental demonstration program is to develop the new techniques and new ways of doing things so that our present administrative public agency can do their job better.

Mr. PUCINSKI. Fine.

Mr. RUTTENBERG. That is exactly the direction in which this is going.

Mr. O'HARA. Let's broaden that a bit. I am aware of some of these, and I think they are a good idea. The proof of the pudding in terms of our needs, seems to me found in the raw statistics of the number of

dropouts we have in these programs. I am quite pleased that placement has been made for 94 percent of the on-the-job graduates and 72 percent of the institutional graduates. This does not mean, however, that there are not a large number of people who are selected and approved for training who do not graduate and others who do graduate and do not find employment in the field for which they have been trained.

Let us talk about that a little bit. What has been your experience in selecting the right people in the first place, keeping them from dropping out, helping them successfully complete training and helping them find jobs?

Has your experience assisted you in improving the techniques of doing this? To what extent are the failures due to improper selection or inadequate income maintenance for the trainees with families during the time they are in training? Could you briefly describe some of the efforts you are making to discover the causes of failure and to find a remedy?

Mr. RUTTENBERG. I wanted to respond to your question, Congressman O'Hara, in various ways. Let me try to be specific on one point that I think sets the kind of example of what we are doing.

One of the reasons we have found for people dropping out of the program after they have been selected has been that the level of the training allowance is inadequate to provide an opportunity to stay in the program. Even though the individual wants to improve himself and upgrade his skill he just cannot afford to continue a 30- or 40-week course at the level of the training allowance. We found this to be a very important factor in the 27 percent dropout rate in the program that we have up to now. As a result, we came, as you know, to the Congress this year with a proposed amendment which has now been adopted and signed into law, and that amendment would provide for increasing the training allowances for those individuals having dependents, and it was a proposal to increase by $5 the training allowance for each dependent the individual has up to six dependents.

Now, this was, we found the dropout problem—we examined it. We found one of the reasons to be inadequate income; we therefore came in with an amendment to improve that situation.

Secondly, I think we could point with the same degree of significance to a problem that still worries me and bothers me considerably, and that is that we are not really getting to the hard-core individuals with low educational attainment in our MDTA training program.

I think the statistics show, for example, that in the year 1964 only 7 percent of the trainees were individuals who had less than 8 years of education, when actually 20 percent of the unemployed are people with education of less than 8 years.

Now, you recall that in 1963 this was one of the very first things we uncovered by an evaluation program, that we were sort of skimming off the cream of the crop of unemployed in training those of higher educational attainment. We came to the Congress and an amendment was passed in December of 1963 to provide for basic education and basic skill training for these individuals in the hopes that you would be able to bring into the training program more and more of the people with low educational attainment.

Now the statistics show that we improved the situation in 1964 and 1965 over 1963, but the improvement is not enough to satisfy me, and not enough to satisfy those of us who are responsible for this program and we are going to make an intensive effort, we have already begun discussions jointly with the vocational education people and Under Secretary Nestigen in HEW and our coordinating committee to try to move further in this area. We found this to be, I think, one of the important deficiencies in the program.

As other deficiencies are uncovered we try in our evaluation program, if administratively possible, to move into the area, if not to come to the Congress with specific amendments.

Mr. O'HARA. I am very concerned with this area and do not think it is necessarily anyone's fault. I think we need improvement in our techniques. I believe on the basis of what I have read from the reports which have been issued under this act that to a large extent the failures in the training program must result either from imperfect selection or from the feeling on the part of the trainees that they are not achieving the goals they set out to achieve.

Perhaps they have motivational problems. It may be that we need an improved and greater counseling effort. Many of them are school dropouts and they end up dropping out of training for the same reason they dropped out of school. Perhaps they are not able to relate what it happening to them now to their goals in life.

Then, of course, we have people who complete training and are not able to find employment in the profession for which they have been trained. It seems to me that this is a reason to really work on our E. & D. programs. I do not like to bring up embarrassing subjects, but you know the statistics on the percentage of people who are selected, approved for training, and actually complete their training and get on jobs. They are not the most promising figures I have ever observed. I think it is a very great problem.

Mr. RUTTENBERG. I think the figures, Congressman O'Hara, indicate that, of those who start the training program, we have about a 27-percent dropout rate. In other words, only about 73 percent of those who start the training complete their training.

Senator MURPHY. Mr. Ruttenberg, may I ask a question about that? Of the 27 percent that drop out have you any idea of how many of these people drop out because they have been able to get jobs?

Mr. RUTTENBERG. Yes.

Senator MURPHY. I think this is important.

Mr. RUTTENBERG. We have, for example, done an evaluation of this problem, and the report is just out, as a matter of fact it is just being completed, which does show what has happened. We have tried to follow up on the dropouts and some drop out to take jobs, interestingly enough, that are related to the training they are taking; they have not yet completed the full course of their training, but we have found that in some of those individuals that just having been in the training program for the first 10 or 12 weeks of it has helped them in the employment that they have later secured, even though they have dropped out at the 12th week when the program was a 20- or 25-week training program.

Mr. PUCINSKI. Then the word "dropout" as commonly used is an inappropriate word in this case, is it not?

Mr. O'HARA. For good or bad reasons.

Mr. RUTTENBERG. Yes, it is. We have a fair number who drop out or we should say do not complete the training program, who secure inadequate employment, but who secure employment because they are forced to take a job because they cannot live on the $35 a week unemployment compensation they receive. Others drop out because they have gotten a good job which is related to the training they are engaged in. Others, for example, drop out or fail to complete because their employer has called them back to the job.

Now, many of these, if one looks at the auto industry in recent months or the steel industry, if you looked at it 6 or 8 months ago you would have said, these people here with only 2 or 3 years' seniority are never going to get called back; therefore, you refer them into a training program and all of a sudden things begin to happen in steel and out in the auto industry that people had not considered, so they are called back.

We consider that person a drop out from the program, when actually he is not.

Senator MURPHY. You better get a new term because "dropout" connotes a failure, which is not the case.

Mr. RUTTENBERG. I do not mean to imply that there are not people who drop out because they do not have the motivation to continue the instruction.

Mr. O'HARA. Off the record.

(Discussion off the record.)

Senator CLARK. Can we turn to another subject, or would you gentlemen like to pursue this further?

Mr. O'HARA. I would like to just go a little further. The fact remains that significant numbers are dropping out of the program not because they find a job, not because they become sick and could not continue or some other reason of that nature, but because of the repetition of a cycle of failure which brought them into the program in the first place.

I would hope that one of the things that is being developed is some insight into the problems of training people of this sort and how the training can be adapted. Perhaps Mr. Keppel would have something?

Mr. KEPPEL. I agree with you, Mr. O'Hara, that certainly some of, let us call them real dropouts as against hire dropouts or whatever the phrase is you want to use for those who get jobs, because the educational system seems to have failed them or they so feel before, and they get into a program and feel they are failing in it now, I do not think there is any doubt about this, and I take it this is what Mr. O'Hara had in mind.

In the use of these research and development funds we are attempting to get at new programs. It is a mixture, of course, of motivation and techniques, and certainly no one in my trade has found any formula for instant motivation or instant education, especially among those for whom it has been punitive during most of their lives.

If my memory is right, the percentage of those who do not complete these training programs is higher, is it not, among those with the lowest education? So your point, I think, can be underscored by statistics, which we would be glad to enter in the record, Mr. O'Hara. There seems to be—I will not insist on a causal relation between lack

of education of the individual being trained and relative lack of success in the training program; those two seem to go together—it is, I would say, the primary area in which research and development is needed. I think Mr. Ruttenberg agrees. I would have to say it is, with an educator, an extraordinarily difficult problem, extraordinarily difficult to deal simultaneously with a beat man, if he feels beaten by this whole enterprise and try to provide him with the basic training which he feels is in some ways undignified anyway.

Mr. O'HARA. Thank you.

Senator CLARK. I would like to turn your attention, gentlemen, briefly to some of the problems which are confronting the Bureau of Apprenticeship and Training. I agree with the comments made by my House colleagues that on-the-job training across the country appears to have been one of the major disappointments in the act as it was originally passed.

On the other hand, I have some confidence that it can become quite a success.

The other day, in connection with the Juvenile Delinquency Act, we had an extremely competent gentleman named Mitchell Sviridoff from New Haven, Conn., who told us about the extraordinary success with on-the-job training programs in New Haven. I rather hate to say it, with my background from Cambridge, Mass., but New Haven seems to be out in front——

Mr. KEPPEL. I think it is only proper that be said occasionally, Senator.

Senator CLARK. They are apt to get a little heady about it.

One of our counsel for the Senate subcommittee has been making a spot check on manpower administration in eastern Pennsylvania. I have a memorandum here I would like to give to you gentlemen at the conclusion of the hearing and ask you to respond to it. It is rather critical and I think it would be fair if we got your replies to it before we put it in the record.

Mr. Ruttenberg, do you have someone from the Bureau of Apprenticeship and Training here with you?

Mr. RUTTENBERG. Yes, Mr. Murphy and Mr. Cleary.

Senator CLARK. Perhaps one of you could answer this horrible example which has something to do with that. This has to do with the on-the-job training at the National Rolling Mills Co. at Malvern, Pa.; that company with the approval of the regional Bureau of Apprencticeship and Training representative in eastern Pennsylvania prepared 20 copies of an on-the-job training proposal which they were prepared to engage in in February of 1964. This was to train 40 employees to operate a new rolling mill. The trainees were selected at that time, that is February of 1964, with the help of the Pennsylvania Employment Service.

Subsequently, and up to April 23 of this year, the committee has been required to completely revise the initial proposal 17 times, each time sending 20 copies to BAT. Recently BAT decided to adopt a completely new form for on-the-job training project proposals, so the process had to begin all over again. Each revised proposal was the joint effort of the company and the local BAT representative. After each revision the local BAT man had to explain that Washington had changed its procedures. This training program has still

not been approved, although the regional BAT director is to be commended, says our staff representative, to be working a little harder on it than formerly.

Meanwhile the 40 prospective trainees or those who are left, have not received any training at all. Why did not the company forget the whole thing? They almost did, but they would rather train unemployed or underemployed or underskilled people in their own way which they could not afford to do without a $30,000 Federal grant, than to steal qualified people at a higher wage from competitors.

Perhaps you gentlemen can give us an initial comment on that.

Let me say I want to be completely fair about this. There may be a perfectly clear answer, but it looks like——

Mr. MURPHY. It is quite an indictment, Senator; I cannot tell you that I have any knowledge of it. I am sorry.

Senator CLARK. Let us reserve judgment until you come back. This is the kind of thing that scares you when you are a strong proponent of the act and this thing comes up to face you locally.

(The staff memorandum referred to above follows:)

STAFF MEMORANDUM

MANPOWER ADMINISTRATION IN PENNSYLVANIA

On April 13, 14, and 19 I visited the bureaus of employment security in Philadelphia and Harrisburg, the vocational education office in Harrisburg and a small rolling mill company in Malvern which has had endless troubles with the Bureau of Apprenticeship and Training.

Discussions covered a range of problems, a number of which may be appropriate subjects for questioning of witnesses at the joint hearings beginning April 27 on the President's Manpower Report.

I. SELECTION, TRAINING, AND PLACEMENT OF MDTA TRAINEES

1. Need for better testing and evaluation in the selection process prior to training

There is evidence that trainees have been selected without a proper evaluation of their abilities to undertake training in particular occupations or at a given skill level. For example, 28 persons were selected for training as refrigeration and heating equipment repairmen in Philadelphia. Several of those selected did not need the more fundamental training at the beginning of the course. Others did not have the basic aptitude or ability to take the course in the first place.

The bureau of employment security staff in Philadelphia recognize the need for a comprehensive evaluation of each individual's aptitude and ability prior to selection for training. They suggest that trainees be given initial evaluation and testing for a period of several weeks before actual selection for occupational training. To achieve results, more coordination between vocational education and BES people is needed, and more trained interviewers, counselors, etc., would have to be provided.

Question: Aside from staffing and personnel problems within BES, what is being or should be done to provide for improvement in the evaluation, testing and selection of trainees at the State level and at the Federal level?

2. Delay in starting institutional training

Because the vocational educational authorities in Pennsylvania must deal with the local school districts, it is often difficult and always time consuming to secure classroom space, equipment, and instructors for training programs, and Federal approval and funds.

This results in a delay of several months between the time trainees are selected by BES and actually begin training in the school. During this intervening period, many trainees initially selected have disappeared, given up hope, or secured jobs. To some extent, therefore, BES has to go through the selection process all over again.

Questions:

(*a*) What are the Departments of Labor and HEW doing to encourage greater cooperation between vocational education and employment service authorities in the States?

(*b*) Where State vocational offices must, under State law, deal with autonomous local school districts, is there any way that the Federal Manpower Administration and Office of Education can help to eliminate resulting delays at the State level?

3. State employment service staff problems

The employment security offices have not been able to provide sufficient staff for the proper selection of trainees for the following reasons:

(*a*) As a result of the various poverty programs the BES offices have had to take on many more responsibilities without being given sufficient funds to provide trained staff.

(*b*) Where they have funds to increase staff, trained interviewers, counselors, etc., cannot be found.

(*c*) Efforts to provide for training of new personnel are fruitless because as soon as a new employee is trained, he leaves the BES for a higher paid job.

(*d*) Better paid jobs are available under poverty programs. For example, community action programs will pay $7,500 for a staff member who will be paid around $5,000 by the bureau of employment security.

Question: What is being and should be done to remedy the four problems outlined above?

4. Institutional training—Antiquated equipment

The refrigeration repairman's course referred to above, wihch was the subject of an article in the Sunday Bulletin, March 21, 1965 (copy attached as exhibit A) is a typical example of the poor facilities and equipment provided by the Philadelphia school district. The trainees are trained on refrigeration and heating equipment which bears no resemblance to modern-day equipment, is broken down and overused, and the traineees themselves are convinced for this, among other reasons, that they will be unable to get jobs.

Questions:

(*a*) How can the States be encouraged to provide adequate equipment and training facilities?

(*b*) Are there surplus equipment and facilities used by the Federal Government which might be leased, loaned, or otherwise turned over to the States?

5. Institutional training—Poor instructors

High school teachers are being used in vocational training courses. The teachers are ill equipped to deal with all the many faceted personal problems of adult, hard-core unemployed, and are not properly trained themselves to teach specific, detailed occupational courses.

The problem of providing adequate instructors throughout Pennsylvania is complicated by the fact that most courses are of relatively short duration. The vocational education office finds it impossible to hire adequate instructors on a short-term basis when the instructor knows that at the end of a given training course, the course may not be renewed through lack of Federal approval or Federal funds, or some other reason.

Question: Should not procedures be adopted whereby a given occupational training course can be automatically renewed and funded as soon as a new class of trainees is selected by BES. Is this now being done?

6. Institutional training—Dropouts

Under present procedures a trainee who obtains a training related job or an unrelated job during his training is counted as a dropout. Trainees are often reluctant, when they legitimately feel that training has served its purpose (or no purpose) to drop out of a course even if they can find jobs. They are discouraged from doing so because of the stigma attached to being a dropout and because they get no credit for such training as they have received unless the course is completed and they receive a "certificate of completion."

Question: What is being done to refine dropout statistics and redefine the term "dropout," and to eliminate the stigma of being a "dropout" where such a stigma is unwarranted?

7. More flexible design for training programs

In order to meet the problem of tailoring occupational training programs to the abilities and aptitudes of individual trainees, it is suggested that continuing

training programs be adopted whereby selected trainees could enter a training course at successive stages of the course. Thus, a course, for example, to train automobile mechanics, might begin at a basic level for trainees with no prior experience. Other trainees, who need only refresher or higher skilled training in the field could be added at a later time. At the same time, certain of the original trainees might reach a level where they do not have the aptitude to go further, but could get jobs as service station attendants.

Question: Is this feasible? How?

8. Job placement

The bureau of employment security in Harrisburg feels that there is too much pressure at the Federal level to assure that specific jobs are available for trainees before they are selected for training. It is felt that more emphasis should be given to analyzing future job demands and training the unemployed and underemployed on the basis of future projections of available jobs.

Questions:

(*a*) What are the present requirements to assure placement of trainees before they begin training?

(*b*) What is being done to anticipate future job demands?

(*c*) Is it feasible to train for as yet nonexistence, but anticipated, future jobs?

II. GARMENT AND APPAREL INDUSTRY PROBLEMS

The garment and apparel unions have apparently been successful in persuading the Department of Labor to cease all training in this industry. Training programs for sewing machine and knitting machine operators, for example, have been conducted successfully in Philadelphia with the tacit support of the union local. Local union people recognize the need for this training in Philadelphia but are not allowed to agree to it.

Such training programs have recently come up for renewal but the Department of Labor has refused to approve any more apparel industry training.

The policy of the Department of Labor with respect to the apparel industry has fluctuated to such an extent that no one knows what to expect. Attached to this memorandum as exhibit B is a Department of Labor policy directive setting forth those situations in which MDTA training will not be approved. The criteria set forth in the directive are so general as to make it susceptible of almost any interpretation.

Attached as exhibit C is a letter from the executive director of Men's Wear Retailers of America setting forth its problems with the Bureau of Apprenticeship and Training. BAT, without any explanation, and as a result of union pressure, has refused to approve a pilot project to train tailors. It is the Men's Wear Retailers' position that retailers in the apparel field should not be within the prohibition of training within the garment industry.

Attached as exhibit D is an article from the Sunday Bulletin, of March 14, 1965, concerning the need for apparel industry training in Pennsylvania and the fact that the Labor Department refuses to approve such training. To some extent the floor colloquy between Senator McNamara and yourself will clear this up. However, the Department of Labor needs to adopt some more specific guidelines for the State employment services.

Questions:

(*a*) What is the policy of the Department of Labor with respect to training in the garment and related industries?

(*b*) In what occupation in these industries is training permitted, not permitted?

(*c*) What specific guidelines have been or will be furnished the State employment services?

(*d*) What is the Department of Labor's answer to the letter referred to above from the Men's Wear Retailers?

III. ON-THE-JOB TRAINING

There is some evidence that the Bureau of Apprenticeship and Training is finally getting on top of on-the-job training problems under MDTA.

My visit with the National Rolling Mills Co., in Malvern, Pa., revealed that BAT had not even established procedures, specifications, or criteria for on-the-job training programs until quite recently. National Rolling Mills, under the supervision and with complete approval of the regional BAT representative in

eastern Pennsylvania, prepared 20 copies of an on-the-job training proposal in February 1964. The program was to train 40 employees to operate a new rolling mill. The trainees were selected at that time, with the help of the Pennsylvania Employment Service.

Subsequently, and up to the present time, this company has completely revised their initial proposal 17 times, each time sending 20 copies to BAT. Recently, BAT decided to adopt completely new forms for on-the-job training project proposals, so the process began all over again. Each revised proposal was the joint effort of the company and the local BAT representative. After each revision the local BAT man had to explain, apologetically, that Washington had changed its procedures.

This training program has still not been approved, although the regional BAT director in Pennsylvania seems to be working a bit harder on it.

Meanwhile, 40 prospective trainees, or at least those who are left, have not received MDTA training.

Why didn't the company forget the whole thing? They almost have, but they would rather train unemployed or underemployed or underskilled people in their own way (which they could not afford without $30,000 of Federal funds) than steal qualified people (at a higher wage) from other companies.

Questions:

(*a*) What, specifically, is being done to reorganize and properly staff the Bureau of Apprenticeship and Training so that it will carry out its role in the administration of MDTA on-the-job training?

(*b*) What is the present status of the National Rolling Mills program?

(*c*) What can be done to reduce the volume of paperwork and redtape so that employers will not be discouraged from taking advantage of MDTA on-the-job training?

EXHIBIT A

[From the Philadelphia (Pa.) Sunday Bulletin, Mar. 21, 1965]

JOBLESS WORKERS CRITICIZE TRAINING PROGRAM HERE

(By Douglas Bedell, of the Bulletin staff)

Fifteen jobless workers trying to learn a trade complained yesterday that a federally sponsored training class here is letting them down.

They said their equipment is outmoded, they don't get enough practical work, classes are dull and repetitive, and they don't go deeply enough into a subject.

After 50 weeks of training on a subsistence income "we'll be lucky if we can get a job as a helper," they said.

The men—ranging in age from 22 to 49—have been attending a class titled "automatic heat and refrigeration serviceman (entry)" at Dobbins Technical High School, 22d Street and Lehigh Avenue, since last November 30.

SKIMPING IS CHARGED

The class is scheduled to end next November and is conducted by the vocational education department of the board of education. It is financed under the Federal manpower training law.

Fifteen of the twenty-eight members of the refrigeration class met last week in a park across from Dobbins and voiced their complaints.

They said the course has skimped on some aspects of training, such as electricity.

They have the impression, several men said, that school officials feel "we are below normal intelligence, so why waste time teaching us a lot of stuff?"

NEED TEXTBOOK

The trainees said they have nothing to study at home but their own notes, unless they want to buy a copy of the textbook used in the course, which costs $7.

Trainees with families are paid allowances of $40 a week; single men get $30 or less, depending on their age. Outside jobs are restricted to 20 hours a week.

The men complained that they can't afford to buy tools and that employers expect a mechanic to have his own.

Before becoming unemployed, the trainees held such job as laborer, truck-driver, warehouse clerk, and ice cream salesman. One man had considerable experience on air conditioners and wanted training on refrigerators.

EXPECTING TOO MUCH

"When we get out of here, we want to work at this," one man said, "not just stand on corners and talk about what we know."

"Practically everything in the shop is outdated and not keyed to industry," another trainee asserted.

"It's just a big, watered-down course, from what we see," said a third man.

School officials said some of the conditions complained of are beyond their immediate control, but that the men are expecting too much of the course.

RANGE OF EDUCATION

This is because, they said, the course is part of an 18-month program, now closing out, called Project 1,000. It is to train 1,500 members of the hard-core unemployed.

William T. Kelly, assistant director of vocational education, said the course "is aimed at people with a fourth- or fifth-grade education."

He said the trainees are "not being trained to be finished mechanics, but to hold entry and advanced learner positions."

Kelly and William Brunton, director of vocational education, conceded that the refrigeration class includes a range of trainees—some with partial elementary schooling and others with high school training.

MUST MAINTAIN PACE

Designed for those at the lower end of the range, the class moves slowly. A class of high school graduates, Brunton added, could probably cover the ground in 20 weeks.

To get credit for the course, however, the trainees must stay for the full 50 weeks.

"If a man moves ahead too fast, he is counted as a dropout," Kelly said.

Brunton said he plans more thorough screening of the next group of refrigeration students.

"The class calls for a higher caliber man than we have been getting."

DIVISION PROPOSED

What happens then to the unskilled slow learner who wants a trade?

"You have to choose between two evils," Kelly said.

"There's no substitute for brain matter," Brunton said.

A solution, both men said, might be to divide the course into sections, one for slow trainees, one for the faster men. But all would have to stay the full 50 weeks to get a certificate.

Brunton and Kelly defended the equipment used in the refrigeration course, some of which is 15 to 18 years old. They said the principles and basic components involved in a refrigeration system haven't changed in that period.

MORE IS SCHEDULED

Brunton said the equipment is worked harder than he would like, but this is because five separate groups of students use it—two day school classes, two evening school, and the manpower training group.

He said the manpower course has been heavy on theory because the refrigeration shop has been available only two nights a week for these trainees.

Brunton said the strain will be eased and more equipment will be available when the class moves, about May 1, to a new adult vocational training center at Schuylkill Avenue and Bainbridge Street.

SOME FOUND JOBS

Both the school officials and officials of the State bureau of employment security, which certifies the need for training courses and pays the training allowances, have no information on the acceptability of refrigeration trainees to employers.

Brunton said he gets no reports on placement of trainees, except through his teachers.

Henry Haschke, coordinator of manpower training at the bureau of employment security office here, said bureau of employment security counselors attempt to keep track of manpower graduates but that they are overworked and the trainees are "highly mobile."

Haschke said that in a refrigeration course that ended in August 1963, 6 of the 12 graduates were known to have found jobs, 3 of them in positions related to their training, in a 3-month followup period.

EXHIBIT B

U.S. DEPARTMENT OF LABOR,
BUREAU OF EMPLOYMENT SECURITY,
Washington, D.C., November 10, 1964.

U.S. EMPLOYMENT SERVICE, PROGRAM LETTER NO. 1724

To: All State employment security agencies.
Subject: Policy on training projects in the apparel industry, Manpower Development and Training Act Series No. 130, Area Redevelopment Act Series No. 67.
Reference: None.
Purpose: To clarify the Department of Labor policy concerning applications for Manpower Development and Training Act and Area Redevelopment Act training projects for occuations in the apparel industry.

The Manpower Development and Training Act, as amended, is designed to provide training for those persons who could not reasonably be expected to secure full-time employment without training. It is intended that the training will be in occupations and industries that would provide a reasonable measure of job continuity and security. Under the terms of the law and its legislative history, Congress made it clear that Federal funds should not be provided for training in situations involving—

1. Highly mobile, highly competitive industries where minimal employee training is needed.
2. Those industries in which the employer has traditionally provided the necessary instruction.
3. Industries with a substantial number of experienced and able workers who are presently unemployed.
4. A competitive advantage to one employer over another if Federal financial assistance for training purposes were provided.
5. Industrial dislocation and merely transferring unemployment from one area to another.

The garment and apparel industry has been specifically cited as an industry having the characteristics listed above. Therefore, training programs under the Manpower Development and Training Act or Area Redevelopment Act should not be developed for occupations in that industry.

Effective immediately, apparel and garment industry projects will not be approved for training under the Manpower Development and Training Act or Area Redevelopment Act.

However, where requested, staff may furnish technical assistance to those employers who wish to do their own training and establish training programs.

Manualization required: None.
Rescissions: None.

Sincerely yours,

ROBERT C. GOODWIN, *Administrator.*

EXHIBIT C

MENSWEAR RETAILERS OF AMERICA,
Washington, D.C., April 12, 1965.

Hon. JOSEPH S. CLARK,
U.S. Senate,
Labor and Public Welfare Committee,
Washington, D.C.

DEAR SIR: We are informed that your subcommittee is going to hold hearings beginning April 27 on the operations of the Manpower Development and Training

Act. We have been in conversation with Mr. Smith of your staff who has suggested that we write to you reciting the experience that we have had to date in connection with this act.

This association, established for over 50 years, is the national trade association representing retailers of men's wear and numbers among its membership over 3,000 stores in all States of the Union.

Our trade is faced with the growing and increasing serious problem in the shortage of tailors, pressers, bushelmen, and fitters to work in alteration shops of men's wear stores. Obviously, as readymade suits have to be altered in order to provide the consumer with proper fit, this requires skilled and trained labor in the shops operated by the retailer. The large majority of the skilled workers employed in these and other stores are of foreign extraction and of advancing age, and as these individuals retire or pass away, the stores are finding it impossible to replace them. Despite the fact that the Immigration Bureau has ruled that such workers are in short supply and are entitled to preference quota under the immigration quota, efforts to bring in immigrant workers have generally been unsuccessful with severe difficulty and long delays in bringing in very limited numbers of such skilled tailors.

Approximately a year ago, it occurred to us that the provisions of the Manpower Development and Training Act might be extremely helpful in relieving this critical shortage. Our initial conferences with officials of the Labor Department Bureau of Apprenticeship and Training led us to believe that we had a sympathetic audience and that the possibility existed for an exploratory program through pilot schools to train these workers for retail stores. After considerable negotiations and considerable effort in developing accurate information for the justification of on-the-job tailor training project combined with classroom training, this association filed, what we were informed were the proper forms, on August 25, 1964, a copy of which is enclosed. You will note that it bears the signature of John B. Eischen, an official of the Government agency, dated August 28, 1964.

To this date, this association has received no formal word from the Bureau of Apprenticeship and Training. We have been informally informed that the proposal will not be approved due to the opposition of organized labor.

We have been orally informed by representatives of one of the unions, and by Government officials, that it was the congressional intent not to include tailor workers in the garment industry in the coverage of the law. However, we have been unable to find any expression of such intent in the reports of the congressional committee or in the debate on the original act.

The primary clarification that we have had of the situation was contained in news stories printed in the Daily News Record on Thursday, February 11, 1965. Photostats of such articles are being enclosed herewith.

In the event that it is the intention of the Congress or of the administration to exclude the garment industry from the operations of this law, such policy should be clarified as to whether it also prevents the retail industry from benefiting from the statute.

In all frankness, our association is not convinced that such a training program to train tailors and bushelmen for retail stores can be practical or effective and that is the reason our proposal initially called for a pilot program. The shortage of such skilled workers in men's wear stores has proven to be injurious to the consumer as well as to the merchant, and unless relief is found, it will become more aggravated. It is for this reason that we were willing to experiment with the project, because if it did prove successful, a number of 3,000 presently unskilled workers could become gainfully and profitably employed.

It is hoped that this factual presentation will be helpful to your committee in its deliberation.

Respectfully yours,

LOUIS ROTHSCHILD,
Executive Director.

[From the Daily News Record, Feb. 11, 1965]

TRAINEE AID CURB

(By Albert Mari)

NEW YORK.—Apparel industry technical workers and observers expressed amazement here Wednesday at Labor Secretary Wirtz' action in banning funds from the Manpower Development Act for training of sewing operators.

As one prominent engineer said: "They're trying to help depressed places like Appalachia and this action could recreate such areas in traditional apparel manufacturing areas."

Apparently Government funds are still available to manufacturers who relocate plants in depressed areas of the Nation under the Area Redevelopment Act. However, manufacturers trying to maintain their position and train new workers will not be able to get funds under the Manpower Act.

Several other industry spokesmen also expressed surprise that two unions, the ILGWU and the ACWA had opposed the plea of some 45 manufacturers in Norwalk, Conn., to secure funds for training of workers.

One engineering consultant, Emmanuel Weintraub, of Emmanuel Weintraub Associates, said that the Government action was unthinkable.

"There have been very little funds released recently for training sewing operators. This is astonishing in an industry which is national and employs 1,300,000 workers and has an annual volume of $16 billion. It is an industry that had more labor content than any other and demands a high order of manipulative skills.

"Training one sewing operator runs upward of $700 and takes many weeks.

"How can an industry here in the Northeast like apparel, which is struggling against low-wage imports be turned down when it asks for Government assistance."

Still other people who have set up plants recently in the South point to the foolishness of the Wirtz action.

As one man explained it, many Southern States pursue training for new and existing apparel and clothing plants that make the Government's action rather pointless.

A plant makes one or more of the foreladies an instructor and the green help or girls being retained for new tasks volunteer as students. This qualifies the firm for State educational funds. Up to 160 days of training can be given and as long as the goods made by the trainees don't end up in interstate commerce, State funds are made available.

EXHIBIT D

[From the Sunday Bulletin, Philadelphia, Mar. 14, 1965]

APPAREL FIRMS NOTE LABOR SHORTAGE HERE

(By Douglas Bedell of the Bulletin staff)

Philadelphia apparel manufacturers are complaining of a chronic labor shortage in their shops.

They are alarmed that the clothing industry, the city's largest industry, hasn't been attracting enough new workers despite substantial unemployment here.

They see their shops as sources of fairly well-paying jobs open to anyone who can develop dexterity at a sewing machine, but complain there aren't nearly enough properly motivated applicants to keep up with the industry's turnover rate.

JOBS FOR IMMIGRANTS

The apparel trades provided a start and a good living for thousands of immigrants, spokesmen for the industry note, but this source of manpower has dried up.

"Parents no longer want their kids to go into the industry," Miss Katherine Grant, assistant director of vocational education for the Philadelphia schools, said.

"Those who do apply have no preliminary experience in sewing. We're expected to turn out a finished operator in 180 hours. It can't be done."

NEED 250 OPERATORS

Men's-wear plants here could use 250 more sewing machine operators tomorrow, William B. Flickstein, secretary of the Philadelphia Clothing Manufacturers' Association, said in an interview.

Eugene Springer, executive director of the Women's Fashion Apparel Manufacturers Association, said makers of women's clothing probably need 300 more operators.

Three training programs, run by the board of education—one each in the women's, men's, and knit-goods fields—turn out about 1,000 graduates a year, but about 2,300 employees leave the industry each year.

Some retire and a considerable number of women marry or leave to raise children.

FIFTY THOUSAND JOBS

In all its phases, the clothing industry provides employment, most of it highly specialized and to some degree seasonal, for 50,000 workers here.

The Southeastern Pennsylvania Economic Development Corp. is beginning a study to see what might be done to preserve and strengthen the industry as an important source of employment here.

The three training programs are financed with State funds under a longstanding State law providing for training of the unemployed through the school districts. Trainees receive no allowances.

The Opportunities Industrialization Center, 19th and Oxford Streets, also can train 180 operators a year.

UNITED STATES STOPS CLASSES

Even if enough promising trainees were available, additional classes under the Federal manpower law are out. The U.S. Labor Department, under pressure from the garment unions and apparently with the approval of some northern employers, has renewed a freeze on sewing machine training under the Manpower Act.

The fear is that southern communities would use the federally financed training programs as added inducements to lure garment plants from the North.

Labor shortages are a problem in apparel centers other than Philadelphia.

"I've had men interested in opening a plant here up to the point of 'Where can I get a labor supply?'" Springer said.

WILL LOSE WORK

"We don't have a trained labor supply in a field we're expert in. If no one is available to contract work to in Philadelphia, dress manufacturers are going to send the work out of town."

Labor gaps, Flickstein said, result in production losses and heavy overtime, added cost burdens in a highly competitive industry.

Both Springer and Flickstein conceded that their industry has an image problem, and that not enough is being done to meet it. Tales of apparel "sweatshops" die hard.

Both men said there have been notable changes in working conditions in the shops and that opportunities for advancement to supervisor and manager, particularly for young men, are good.

The piece-rate system of pay still puts a premium on speed, but most shops today are clean and brightly lighted and some are air conditioned, the spokesman said.

Pay starts at the equivalent of $1.25 an hour and goes to $2 to $2.50 an hour in ladies' garments; $2.30 to $3 in men's wear.

(The following answers to the questions contained in the preceding staff memorandum were submitted by the Department of Labor:)

MEMORANDUM FROM DEPARTMENT OF LABOR CONTAINING QUESTIONS AND ANSWERS TO THE SUBCOMMITTEE STAFF MEMORANDUM

I. SELECTION, TRAINING, AND PLACEMENT OF MDTA TRAINEES

1. Need for better testing and evaluation in the selection process prior to training

Aside from staffing and personnel problems within the Bureau of Employment Security, what is being done or should be done to provide for improvement in the evaluation, testing, and selection of trainees at the State level and at the Federal level?

To provide for improvement in the counseling, testing, and selection of MDTA trainees at the State and Federal levels, the following is being done:

(*a*) Discussions on proper procedures for counseling, testing, and selection of potential trainees for MDTA training are being held with the USES regional

representatives who are responsible for working with the States in the development of MDTA training classes.

(*b*) USES program letters have been issued citing the misuse of tests, and emphasizing their proper use, in the counseling and selection of applicants and trainees for MDTA training programs.

(*c*) A revision of chapter IV of the MDTA Handbook which is on counseling, selection, referral, and followup of trainees is being prepared emphasizing the vital importance to the success of MDTA programs of the extent and quality of the counseling provided to the potential MDTA trainees and calling for extensive use of counseling to assist with appropriate occupational choice and with adjustment in training.

To improve the evaluation and selection of trainees the following needs to be done and it is being emphasized in discussions with regional office representatives and in releases to State employment security agencies:

(*a*) The potential trainee for MDTA training should receive counseling and not just arbitrary consideration for a particular MDTA training class. In too many cases, the potential MDTA trainee does not get to a counselor, but is given a brief interview and screened with an aptitude test for an occupation for which a MDTA course has been developed. If the individual meets the test norms, he is selected for a course; if not, he is rejected.

There needs to be an emphasis of the true objective of the MDTA, that is, to provide the individual with counseling which focuses on the individual needs of the counselee as well as upon meeting the manpower shortages of the community. Emphasis needs to be given to the educational and occupational rehabilitation of the educationally disadvantaged and those individuals having obsolete skills or underdeveloped potential. The pressure to develop training programs and fill training quotas should not take precedence over the needs of individuals.

2. Delay in starting institutional training

(*a*) What are the Departments of Labor and Health, Education, and Welfare doing to encourage greater cooperation between vocational education and employment service authorities in the States?

Coordinating committees.—The Bureau of Employment Security of the Department of Labor has instructed managers of local public employment service offices to establish coordinating committees in order to increase cooperation and communication between all governmental bodies directly involved in the teachnical aspects of placement and training—including local vocational education and employment service authorities.

The purpose of the coordinating committee is to assist in the identification of occupational training needs and in arranging for specific training programs. The coordinating committee is designed to serve as a device to assure effective working relationships and continuing day-to-day communication among the employment service, vocational education, apprenticeship and training, and other appropriate agencies.

The coordinating committee consists of the public employment service local office manager, as chairman, the local head of vocational education, and the local representatives of the State apprenticeship agency, the Bureau of Apprenticeship and Training, if there is one, the Bureau of Indian Affairs, when appropriate, and local representatives of the State department of labor concerned with manpower and training. In areas that are largely agricultural, the county extension service agent is also on this committee.

3. State employment service staff problems

What is being and should be done to remedy employment service staff problems?

Both the Holland and Clark subcommittees have called attention to problems surrounding the employment security staffing (and have commented on the need for legislation). The Department of Labor has brought these problems to the attention of Congress, has requested the congressional appropriations needed for staff increases, and has taken several steps to meet the problems within the framework of existing legislation—which instructs the Department of Labor to assure that salaries of State employment security staff are comparable to other State merit system positions.

The Department of Labor has consistently requested funds to provide trained staff in local public employment service offices. The current Department budget request contains an item for an increase of $7,471,000 for 958 basic employment service positions ($6,143,000 of which is for basic operations, the remainder for

special services to older workers and minority groups). In addition, the Department of Labor has requested $37 million for 5,510 basic employment service positions for services to youth, which was disallowed by the House Appropriations Subcommittee. Provision of this item for services to youth would aid in providing trained staff.

Requested increases in budget have been refused by the Congress each year since 1962. In 1964, the Department of Labor requested for employment service activities (excluding farm labor) an additional 1,268 positions, and in fiscal year 1965 an additional 1,366 positions. These increases were not granted and congressional action in those years resulted in a net reduction of approximately 1 percent in the employment service positions allocated to State agencies from fiscal year 1963 to fiscal year 1965.

In addition, the Bureau of Employment Security is conducting negotiations with other agencies (such as the Job Corps) for payment for services by local offices so that time charges can be more appropriately related to services.

Special and intense efforts have been made to recruit new staff, upgrade present staff and increase State salaries in order to retain present staff. The CAUSE program trained about 2,000 persons, most of whom were hired by local employment service offices. This program was financed from Manpower Development and Training Act funds in fiscal year 1965 and a similar program is planned for this year if the additional positions requested for services to youth are provided.

A special Bureau of Employment Security staff arm (the Division of State Personnel Management) and the Bureau's regional offices work continually with State agencies to assist States with personnel problems. Special materials have been developed to recruit college graduates, and materials are prepared to assure that State merit system authorities are informed of up-to-date standards and responsibilities for employment security jobs.

Efforts to upgrade the public employment service counseling staff have resulted in acceptance of national standards for counselors by almost all State agencies, and all but eight State employment services raised counselor salaries during 1964 and 1965.

Staffing problems vary widely among the States. In some States long registers of qualified counselors and interviewer candidates are available, but funds are not available to create counseling positions. For a number of years, Pennsylvania has been in a very unfavorable competitive position for attracing and holding competent counselors because of the low salaries in comparison with those paid to counselors in neighboring States and by other agencies within the State. The State has made some attempt to remedy this situation by increasing the entrance rate for all counselors in October 1964, but this raise appears to have been too little and too late to put them in the desired competitive position. Pennsylvania employment service counselor salaries for counselor I (journeyman level) are still about $300 below salaries paid by vocational rehabilitation, to which they have lost many personnel. However, in some 18 other States, employment service counselor salaries have been raised to a range equal to or above that paid by vocational rehabilitation.

6. What is being done to refine dropout statistics and redefine the term "dropout," and to eliminate the stigma of being a "dropout" where such a stigma is unwarranted?

The Manpower Administration of the Department of Labor in conjunction with the Office of Education of the Department of Health, Education, and Welfare has conducted two comprehensive evaluations designed to identify the reasons for early withdrawals from Manpower Development and Training Act training and to uncover the underlying factors contributing to these reasons.

The first such study was conducted in Philadelphia, Pa., in January–February 1964. More recently, November–December 1964, selective studies on a nationwide basis were made of the premature terminators from the Manpower Development and Training Act projects.

In each study, the problem of defining not only a "dropout" but also an "enrollee" and a "successful completor" was encountered. It was found that uniformity did not exist in categorizing and reporting "enrollees," "completors," and "withdrawals." This can have an effect on dropout statistics since a person cannot very well be termed a dropout from a course if he has attended it too briefly to be officially classed as an enrollee. Moreover, at the other end, there is a question whether he is a dropout if he left the course a few days or weeks before its formal completion in order to accept a job for which he has been adequately trained. Consequently, it was necessary to formulate standard definitions for these terms. This has been accomplished and the definitions are now

in final clearance for issuance to field offices. Instructions will require the proponent agencies to classify enrollees and terminators as follows:

Enrollees.—Those individuals who are on the rolls of the training facility at the end of the first full week of class. Persons not completing 1 week of training are reported as not enrolled.

Terminators are classified according to the following:

1. Completed the full course.
2. Early completion, i.e., trainees who in the opinion of the instructor mastered all units of instruction prior to final completion date of project.
3. *Achieved the training objective prior to the end of the course.*—This category is used for those individuals who secure a position in the occupation for which they were taking training prior to completing the full course.
4. Terminated involuntary, i.e., those individuals who were terminated at the initiative of the training facility or contractor.
5. Terminated voluntary, i.e., those trainees who were terminated by their own request or through their action which resulted in a voluntary withdrawal from the program.

Trainees to whom items 1, 2, or 3 apply are to be considered as "completors" and those to whom items 4 or 5 are to be considered "withdrawals" or "dropouts."

It is anticipated that this reporting system, as it becomes fully operational, will provide uniform data and alleviate most of the problems depicted in the memorandum.

In regard to removing the unwarranted stigma from the classification of the word "dropout," it would seem that any action that would cast a positive aspect and erase the negativeness of the association would be in order. It will be noted from the above terminology and definitions that the term "dropout" is not used at all. In addition, efforts are made through our evaluations to determine the benefits, if any, that are derived from training regardless of whether or not the training course was completed in its entirety by the trainee. For example, in the recent nationwide evaluation of withdrawals an analysis of the extent to which the training may have contributed to trainees who terminated training prematurely indicates that:

Somewhat more than one-half of the withdrawals (57 percent) indicated that despite their premature termination of training they now could perform a new skill or job.

More than one-half (58 percent) felt they were at least fairly well qualified at the end of their training to begin the job in which they were trained.

Sixty-nine percent of the premature terminators indicated that training gave them more confidence in their ability to learn a new job; 52 percent indicated more confidence in their ability to find and hold a job.

Approximately 85 percent of the early withdrawals reported that they had obtained some full-time employment since they left training. Seventy-eight percent of these individuals were fully employed at the time of the study. More than 30 percent of these people said that their training in MDTA courses helped them to obtain employment. About 32 percent stated that the training was responsible for their being able to hold their job, and 25 percent attributed their increase in weekly earnings directly to the skills acquired in MDTA training.

Early terminators fared quite well in finding full-time employment in a relatively short period of time after leaving the course of training. Almost half of the dropouts (47 percent) found full-time employment within 1 month after leaving the course, and nearly two-thirds (63 percent) within 3 months.

In summary, we have been aware of the problems cited in paragraph 6 of the memorandum and have recognized their existence in Pennsylvania as well as in other States. It is our opinion, that the action we have taken to standardize terms and reporting procedures, and to focus attention on the benefits that those trainees who terminated prematurely have received from their training will materially assist in correcting the situation. Additionally, we are exercising caution in all of our analyses, reports, etc., to guard against indiscriminate use of the term "dropout." Wherever possible such terms as "premature termination" or "withdrawal" are used instead.

7. More flexible design for training programs

In order to meet the problem of tailoring occupational training programs to the abilities and aptitudes of individual trainees, it is suggested that continuing training programs be adopted whereby selected trainees could enter a training course at successive stages of the course. Thus, a course, for example, to train automobile mechanics, might begin at a basic level for trainees with no prior

experience. Other trainees, who need only refresher or higher skilled training in the field could be added at a later time. At the same time, certain of the original trainees might reach a level where they do not have the aptitude to go further, but could get jobs as service station attendants.

Is this feasible? How?

This would be a matter basically for determination by educational authorities because it involves specifics in course structuring. However, many of our present multioccupational programs utilize an approach in which trainees are screened in terms of their background and capabilities and are assigned to one of a variety of training courses which best fits their needs and abilities. In addition, courses may be established for various skill levels within an occupation providing entry, preapprenticeship, or refresher training. Also, the individual referral procedure permits enrollment of individuals into ongoing training programs and private school courses which provide training that is compatible with the trainee's experience and needs.

8. Job placement

(*a*) What are the present requirements to assure placement of trainees before they begin training?

In carrying out the congressional intent to liberally interpret the "reasonable expectation of employment" requirement of the MDTA, the Bureau of Employment Security issued on March 30, 1964, instructions clarifying the criteria which State agencies are to follow in determining the justification for training projects. (A copy of these instructions, U.S. Employment Service Program Letter No. 1605, is attached.)

These instructions specifically provide that definite hiring commitments are not required prior to the development of individual training projects. Any one of several criteria, as indicated in the attached USES Public Letter No. 1605, may be applied to permit more liberal interpretation of "reasonable expectation of employment."

(*b*) What is being done to anticipate future job demands?

The methods utilized by State employment security agencies to anticipate future job demands include:

(*1*) *Training needs and skill surveys.*—Estimates of area occupational training needs are required to establish training programs to meet local employer manpower requirements, particularly for the training or retraining of workers in connection with the Area Redevelopment Act (ARA), the Manpower Development and Training Act (MDTA), the Vocational Education Act, and the Economic Opportunity Act. Studies to determine training needs are conducted to select shortage occupations for which training can be given, or to determine occupations that offer suitable employment for workers who are to be displaced by plant closings or other types of mass layoffs.

(*2*) *Job vacancy studies.*—Such studies, on a sample basis, often indicate additional occupations in which there is a demand for workers that cannot be met because of lack of experienced or trained people.

(*3*) Job market information programs of the State employment security system, including information on local office job orders, interarea manpower recruitment needs, area shortrun and longrun future job demands, and related occupational data, are also a major source of job demands data.

(*c*) Is it feasible to train for as yet nonexistent, but anticipated, future jobs?

This has been found to be feasible. For example, a wide variety of occupational training courses has been established to fill hiring needs for anticipated jobs in new or expanding plants and services. Training has also been offered for future job openings based on estimates of long-range employment needs.

II. GARMENT AND APPAREL INDUSTRY PROBLEMS

(*a*) What is the policy of the Department of Labor with respect to the training in the garment and related industries?

The current policy of the Department of Labor is that Manpower Development and Training Act projects in the garment and apparel industry will not be approved. The apparel industry has been defined with reference to the Standard Industrial Classification (SIC) Manual.

This policy was based on the terms of the law and the congressional legislative history which made it clear that funds should not be provided for training in situations involving—

> Highly mobile, highly competitive industries where minimal employee training is needed,

Those industries in which the employer has traditionally provided the necessary instruction,

Industries with a substantial number of experienced and able workers who are presently unemployed,

A competitive advantage to one employer over another if Federal financial assistance for training purposes were provided,

An effect of adding to industrial dislocation and merely transferring unemployment from one area to another.

The garment and apparel industry was specifically cited as an industry having such characteristics and one which should not be covered by the Manpower Development and Training Act.

(*b*) In what occupations in these industries is training permitted; not permitted?

No occupational training is currently permitted for the garment and apparel industries. This is based on the policy cited in (a) above.

(*c*) What specific guidelines have been or will be furnished the State employment service?

USES program letter No. 1724, stating the Department of Labor's policy prohibiting training in the garment and apparel industry was sent to all State employment security agencies, November 10, 1964.

However, in consideration of the congressional intent expressed in the House of Representatives Report No. 170 of the Manpower Act of 1965 and the McNamara and Clark colloquy on the Senate floor, April 9, 1965, the Department of Labor will revise its policy accordingly. MDTA programs, when appropriate, will be utilized to train in occupations related to the repair, adjustment, maintenance, or rebuilding of machinery used in the apparel industry. A policy distinction will also be made between the manufacturing and nonmanufacturing industries. Clarifying guidelines will be furnished the State employment security agencies and the field representatives of the Bureau of Apprenticeship and Training.

(*d*) What is the Department of Labor's answer to the letter referred to above from the men's wear retailers?

Where labor relations in a plant or industry are handled by collective bargaining agreements, training proposals are checked out to assure that they are acceptable to both sides. In this case, the association discussed its proposed pilot training program with the Amalgamated Clothing Workers of America. The union was much opposed to the training program as presently structured. In light of the union's objections and particularly because of the possible conflict with the legislative history discussed in 11(*a*) (above) the training program has not been approved.

III. ON-THE-JOB TRAINING

(*a*) What, specifically, is being done to reorganize and properly staff the Bureau of Apprenticeship and Training so that it will carry out its role in the administration of MDTA on-the-job training?

With delegation of MDTA on-the-job training responsibilities in fiscal year 1963, an organizational unit at headquarters division level was established to develop operating policies, plans, and procedures, to conduct pilot test projects, and to provide continuing technical program support and other related functions. The fiscal 1963 MDTA budget specifically provided for the unit with a staff of six professionals and four clericals. No other changes in the organizational structure have been made. Functions added with MDTA on-the-job training delegations are sufficiently related to functions performed in existing organizational units to be accommodated.

For the national on-the-job program, fiscal 1964 MDTA on-the-job training funds continued the prior year 10 departmental positions and added 5 field professionals, regional manpower development specialists.

In the last quarter of the year, positions authorized were increased to a total of 37. Priority was given to assigning a manpower development specialist in the remaining regions. In the current year, 47 positions are supported by MDTA on-the-job training funds, 15 departmental and 32 field. The Bureau's budget request for fiscal 1966 as reported by the House will provide for 80 positions supported by MDTA on-the-job training funds.

(*b*) What is the present status of the National Rolling Mills program?

An on-the-job training MDTA contract was executed for this project on May 3, 1965.

(*c*) What can be done to reduce the volume of paperwork and redtape so that employers will not be discouraged from taking advantage of Manpower Development and Training Act on-the-job training?

The following actions have been taken:

(1) Delegation of approval authority to regional and State levels

Prior to December 29, 1964, all on-the-job training proposals had to receive final review and approval at the national office of the Bureau of Apprenticeship and Training. Since that date, the regional directors of BAT have been delegated the authority to make the final review and approval of all OJT proposals involving less than $50,000.

Under the Manpower Administration Order 2–65, issued on February 25, 1965, State level BAT representatives will be given the authority to make final review and approval of OJT proposals having fewer than five trainees. Implementation of this order is planned for July 1, 1965.

The expected result of this redelegation will be a significant reduction in the development time for OJT projects. Concomitantly, the paperwork and manhours expended will be minimized. This action should encourage more employer participation in the OJT program.

(2) Organization of a task force

The task force, comprised of representatives of BAT field and headquarters offices, Bureau of Employment Security, Office of Manpower, Automation and Training and Office of Financial and Management Services, began work May 3, 1965, and will continue until the work is completed. The following are the objectives of the task force:

(*a*) To clarify guidelines on allowable costs for cost reimbursement type contracts in order to reduce to a minimum conflicting interpretations which cause delays.

(*b*) To establish new contracting documents for small programs with five or fewer trainees. The proposed new documents will reduce the number of pages in a proposal and contract by more than half.

(*c*) To reorganize the operating manual so field representatives may locate easily policies and procedures infrequently used but critical when required.

Better access to all policy and procedures information should reduce the number of improperly prepared proposals, reduce the amount of correspondence with supervisors, and reduce delays in processing proposals.

(*d*) To prepare new procedures for national contracts with OJT subcontracting authority, to clarify responsibilities at the national, regional, State and local levels. This will have the effect of expediting processing of contracts at the national level and subcontracts at all lower levels.

(*e*) To clarify the use of required contracting documents. Procedures are being prepared to make clear the circumstances in which the documents are required and the manner in which they should be prepared. Absence of certain contracting documents has delayed processing of proposals.

(3) New prime contractor-subcontracting arrangement

Development of on-the-job training projects at a local level is being accelerated and simplified through a new prime contractor-subcontracting arrangement.

Potential prime contractors, such as national trade or professional organizations or companies with dealers in many States, have been invited to submit proposals for the development of on-the-job training programs at the local level with the special trade or professional group represented or, in the case of national companies, with the local dealers.

Similarly, city governments and communitywide organizations established by city governments have been invited to submit proposals for the development of on-the-job training programs in their localities.

In both instances, prime contracts are negotiated to provide for on-the-job training development staff and for a specific amount of funds to be used to pay for training costs for a minimum number of trainees who are to be trained in subcontractor facilities. The use of subcontracts approved at the local level reduces the number of pieces of paper and reduces the amount of time required to get a trainee on a job when an employer signifies willingness to participate in the program.

Prime contractors serve as multipliers, first in manpower and second in acceptance for the particular communities which they serve. The prime moving

force in each case becomes the organization to which the local employers normally look for leadership. The Federal Government's presence is known, but the actual development of training programs and subsequent subcontracting relationship is with people with whom the employers normally deal.

U.S. DEPARTMENT OF LABOR,
BUREAU OF EMPLOYMENT SECURITY,
Washington, D.C., March 30, 1964.

U.S. Employment Service.
Program letter No. 1605.
To: All State employment security agencies.
Subject: Interpretation of "reasonable expectation of employment" in the development of Manpower Development and Training Act projects.
Manpower Development and Training Act series No. 80.
Reference: Manpower Development and Training Act Handbook, chapter III.
Purpose: To furnish information relative to proper interpretation of the "reasonable expectation of employment" requirements of the Manpower Development and Training Act, and to advise of changes in chapter III of the Manpower Development and Training Act Handbook.

During hearings on amendments to the Manpower Development and Training Act before the House Committee on Education and Labor, the interpretation of "reasonable expectation of employment" was discussed at length by a number of witnesses and was determined to be one of the major problems in the development of Manpower Development and Training Act projects. As a result, the House committee report (see excerpt attached) clarified the intent of the requirement contained in section 202(d) of the act.

Congress did not intend a rigid, inflexible interpretation of "reasonable expectation." It did not intend the words to mean or imply "certainty" of employment. It did not seek to require definite hiring commitments prior to the development of training projects.

On the contrary, Congress purposely intended to provide maximum flexibility in Manpower Development and Training Act, feeling that its provisions would be administered with judgment, imagination, and initiative.

In carrying out the congressional intent to interpret "reasonable expectation of employment" more liberally, any one of the following criteria should be applied to satisfy the legislative requirement:

1. Employment opportunities in the occupation exist in the community as determined by the local employment service records, publicity by business enterprises, surveys of selected employers, area skill surveys, and other reliable indicators, either public or private, including job placement offices in educational institutions. The number of persons to be referred for training in the occupation should bear a reasonable relationship to the estimated number of employment opportunities thus determined after consideration of the supply of available qualified workers.

2. The satisfactory placement of trainees from prior similar training programs combined with general knowledge of the labor market needs indicates reasonable expectation of current or potential demand in the particular occupation.

3. Evidence of employment opportunities is developed from national sources or other States and localities, provided the trainee gives reasonable assurance of willingness to accept employment in such area outside of his area of residence.

4. The training facility, public or private, in which the training is to be conducted has a successful record of placing graduates in the occupations proposed for training without undue delay.

5. The prospective trainee has a nondiscriminatory job offer for employment in a specific occupation in writing from an employer who attests he will hire the trainee upon completion of training.

6. Job opportunities exist in a participating OJT facility.

Certain other criteria may be considered by State and local employment security offices in determining whether there is reasonable expectation of employment, but they must be supplemented by one of the six criteria listed above. Some examples are:

1. Recommendations of local and State Manpower Development and Training Act advisory committees regarding training in occupations offering reasonable prospects for employment.

2. Training proposals from public or private organizations with extensive experience in developing job and training opportunities. Such organizations may include unions, trade associations, youth centers, and religious organizations.

3. Situations in connection with research, experimental and demonstration projects where specific employers have indicated willingness to employ trained workers.

In order to further clarify the intent of the "reasonable expectation of employment" requirement, the following changes should be made in chapter III of the Manpower Development and Training Act Handbook:

1. Page 6, section V, paragraph D is revised to read:

"*Verification of need.*—Where it appears that there is current or potential demand in occupations for which training programs could be developed, additional information should be obtained through contacting major employers for the purpose of:"

2. Page 7, section V, paragraph D, item 1 is revised to read: "Ascertaining that the demand still exists if there has been a considerable lapse of time since the original determination of need was made."

3. Page 11.3, section VI, B, 2, h. Add as a second paragraph at bottom of the page: "When projects involve large numbers of trainees, we urge the use of broad occupational classification groupings so as to expand the possibilities of placement with a greater number of employers in a wider range of skill levels." (See item 2, h of the attachment to USES Public Letter No. 1497.)

4. Page 12, MT–1 supplement. Insert after first sentence in introductory paragraph: "However, in occupations where there is local office experience on which to base training needs, the MT–1 supplement table may be eliminated and the narrative justification may be based on such local office experience. For example, in most local offices it would not be necessary to provide detailed statistics to justify training stenographers, typists, licensed practical nurses, auto mechanics, and persons in other occupations for which there is a continuing unmet demand."

5. Page 14, MT–1 supplement. Add to item b(6) the words, "if available."

This reporting requirement has been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

Manualization required: None.

Rescissions: None.

Sincerely yours,

ROBERT C. GOODWIN, *Administrator.*

EXCERPT FROM REPORT NO. 861 OF HOUSE COMMITTEE ON EDUCATION AND LABOR

A. "REASONABLE EXPECTATIONS OF EMPLOYMENT"

The present MDTA requires (sec. 202(d)) that this test be met before a person is selected for training in an occupation. The principle is obviously sound as the objective of training is employment, not training. In practice, however, some problems have been encountered. Representatives of the Pittsburgh Chamber of Commerce, for example, contended local authorities were requiring employment commitments from local employers before approving a training project. To the Pittsburgh Chamber of Commerce this practice appears so rigid as to be self-defeating and rightly so. Here is but one instance of the effort by Congress to provide for maximum flexibility in MDTA. The term "reasonable" is nowhere defined. Yet, common usage and the deliberate choice of the word would suggest that Congress had in mind emphasizing the need for securing relevant information and the exercise of careful judgment. By no means can the word be stretched entirely from its normal meaning to imply certainty.

In addition the nature of a training program requiring leadtime and plans made months in advance must proceed at a steady pace. The valleys of the business cycle, which inevitably contract employment opportunities, must not impose short-run restrictions on training activities necessarily related to long-term considerations.

"Reasonable" must also be interpreted differently depending on the circumstances. Thus to make this determination initially for a particular occupation may require an employer survey. For subsequent projects, experience may be a sufficient guide. In other instances, a general skill survey will suffice. In still others, evidence developed from national sources or even comparable localities may be sufficient. Moreover, with developing experience, it should be possible for the Secretary to determine the kind of skill development for which training

is to be provided. This will permit a partial reversal of the process, as some witnesses urged, so that the unemployed can be tested and counseled in order to determine their potential. With this information in hand those training courses best suited to their abilities and interests, but for which there is a "reasonable expectation of employment," can be provided. In all cases, the wide knowledge of the informed individuals brought together on an advisory committee (otherwise provided for by H.R. 8720) can be tapped to determine information needs and to appraise the results.

Finally, we must reemphasize the role of judgment in the process. To rely on judgment, even expert judgment, requires candid recognition of possible errors. This risk can be reduced through experience but not entirely avoided. On the other hand endeavoring to reduce or eliminate the need for judgment in an effort to avoid error can only have the result of raising costs prohibitively through more and more information gathering. The resultant slowdown in the pace of the program may make it ineffectual. Obviously a balance between these risks is required and securing such a balance returns us full circle to the concept of "reasonable" once more. There can be no other test if the challenge is to be met with imagination and dispatch.

Senator CLARK. Have any of gentlemen a remark as to why the on-the-job training was so slow getting going? As I remember Secretary Goldberg, when he was Secretary, talking with the committee before he went on the Supreme Court, his great hope was for on-the-job training. This has been quite a disappointment.

Could you gentlemen tell us why, or am I wrong in that statement? What are your plans for bringing it up to the original expectations?

Mr. RUTTENBERG. Let me say, Senator, that currently about 1 out of every 7 trainees is an on-the-job trainee, as contrasted to 1 out of 11 trainees in fiscal 1964 who were on-the-job trainees. It is our plan in fiscal year 1966 to have almost a 1-for-2 ratio. In other words, we will have approximately 175,000 institutional trainees as contrasted to 100,000 on-the-job trainees.

Well, in other words, more than triple the number of OJT trainees in fiscal year 1966 over what we trained in fiscal 1965.

Senator CLARK. How come you are so slow getting rolling?

Mr. RUTTENBERG. Well, I think there has always been a problem of reluctance on the part of employers, on the part of the institutional programs, they are better able and can more quickly move ahead. We are now beginning to work with large trade associations as a means of promoting on-the-job training to a far more extensive proportion.

For example, we have recently concluded an agreement with the American Hospital Association to work with them in the establishment of 4,000 on-the-job training spots in some 300 hospitals around the United States and this is one way of extending the program quite rapidly. We are doing the same with the Chrysler Corp., for example, of having 1,000 on-the-job trainees of automobile mechanics and automobile body repair men for the dealerships around the country of the Chrysler Corp. and similar interests now being developed by other corporations, so we are now moving, and I think at a fairly rapid clip; over the course of the coming year we will more than triple the OJT programs.

Mr. PUCINSKI. Senator, would you yield on that?

Senator CLARK. Could I ask one more question?

Mr. PUCINSKI. Surely.

Senator CLARK. We hear rumors to the effect that the vocational education people across the country are not very happy about on-the-job training, that they would rather keep it in the institutions and

under their guidance and I wonder if you, Mr. Dugger, would care to comment on that?

Mr. DUGGER. Yes, sir; thank you, Senator Clark.

I think in the early days of the development of manpower development and training programs there was some difficulty in communication that occurred between persons in vocational and technical education, at the State and local level particularly and those concerned with development of on-the-job training.

Since Mr. Murphy has recently assumed the leadership in the Bureau of Apprenticeship and Training we have developed a procedure at the national level, at the Federal level of very close coordination and cooperation in the development of on-the-job training as well as continuing the cooperative efforts with the Bureau of Employment Security in the development of institutional training.

So it is our sincere hope that as we move ahead on a cooperative basis with vocational and technical educators in America providing the supplementary and related classroom instruction which is so vital to the real quality of most of the on-the-job training projects, that we do move forward on a cooperative endeavor, certainly the fact that placement is 94 percent or thereabouts in OJT as compared to a lesser placement figure in institutional training, indicates that this is an area where we do need to develop high-quality and expanded programs.

Senator CLARK. You do not see any friction between your people and the Labor Department people?

Mr. DUGGER. No, sir; I see only close cooperation as we move ahead, and we will lend every effort at the Federal, regional, State, and local level with the Bureau of Apprenticeship and Training to achieve this goal of roughly 100,000 OJT trainees next year.

Mr. PUCINSKI. Mr. Dugger, I assume that next year when you come before the joint committee that table on page 252 which shows 172,000 trainees in institutional programs and only 22,000 in on-the-job training programs is going to be somewhat different? You are going to close that gap, I take it?

Mr. DUGGER. Our cooperative goal at the moment, as Mr. Ruttenberg pointed out, is 172,000 to 200,000 range for institutional trainees and roughly 100,000 for on-the-job training.

Mr. PUCINSKI. The criticism I have heard of OJT from employers is twofold. One, you play it too close to the chest, and 2, there is just too much redtape involved in getting involved in a program like this. An employer says, we do not want to fool around with it because it is too darn hard, by the time you get through making out all the reports and everything else it is just not worth it.

Are you doing anything to streamline this paperwork?

Mr. RUTTENBERG. We certainly are, sir.

We just had a meeting last week of our Coordinating Committee of HEW and the Department of Labor, and one of the major subjects that we are getting into there and trying to do something about very quickly is this excessive amount of so-called paperwork which is involved in the approval of projects and in part it is implicit in the report which Senator Clark read earlier about one of his investigators in eastern Pennsylvania running into the problem with the OJT program there.

I would hope we can work out methods and techniques of reducing the amount of paperwork substantially and approving projects in a more expeditious fashion and I think we are on the way toward doing this. We have called in experts to help us reduce the amount of paperwork and——

Mr. PUCINSKI. How about playing it too close to the chest?

Mr. RUTTENBERG. You mean you are implying we require——

Mr. PUCINSKI. You are afraid to make a mistake. You are obviously going to have some slippage in a program like this. You are going to make bad decisions occasionally. I can assure you as one member I am not going to hit you over the head when you are wrong. My great criticism of Government agencies is they are afraid to be wrong. When you are handling something as big as this you are bound to be wrong on accasion. Not too often though.

Senator CLARK. Always subject to congressional oversight.

Mr. RUTTENBERG. You answered that question yourself, Congressman.

Mr. O'HARA. With regard to the redtape and paperwork, it is not just OJT that is suffering. What is the average length of time between the identification of a need in a community for certain skills and the identification of the unemployed or others who are qualified and ready to take training in those skills? In other words, the time between putting together a complete application and the time that training actually gets underway?

Mr. RUTTENBERG. Too long.

Mr. O'HARA. It is much too long.

Mr. DUGGER. Amen.

Senator CLARK. I suspect one reason is because the administrative procedure is so difficult, you have the Bureau of Employment Security at the State level, HEW, Department of Labor, you have the local school board. I do not know how you ever make it work. I think it is extraordinary how you make it work as well as you do, and yet I do not know how you could make it easier administratively.

Mr. RUTTENBERG. We are trying to, Senator Clark, and I think we are going to come up with ways of doing it in the coming year.

Senator CLARK. Senator Javits, we have been having a discussion of the function of oversight. There is a wide area we have not covered. You, I am sure, have some comments or questions in this area.

Senator JAVITS. It is getting late——

Senator CLARK. We are going to sit until aout 12:30. We have permission to sit.

Senator JAVITS. I first would like to join my colleagues with respect to the matter of on-the-job training. It is something the Congress has felt very keenly about. Not only should private enterprise have the opportunity to serve in this area, but the facilities and conditions under which private enterprise could do so should be made freely available.

I think my colleagues have put their finger in the point that the Government can easily discourage the businessman, and unless the Government is very careful it generally does.

I understand there is some difference in regulation under the Manpower Act, the Fair Labor Standards Act, and the Walsh-Healy Act with respect to overtime as it relates to on-the-job training. On-the-

job training is important not only to the new worker where you fellows are placing him and paying him, but perhaps even more important as it relates to the worker who may be displaced by automation or other technological changes. Often an employer really in good conscience (and there are some extraordinary examples but not nearly enough) tries to anticipate the problem by training the employee for a new job.

As I understand it the Walsh-Healey Act regulations on that are more liberal than the Fair Labor Standards Act regulations in encouraging the employer to train employees by not being quite as strict as to whether such training will or will not require overtime pay. We wrote you a letter on it just the other day.

Mr. RUTTENBERG. That is right.

Senator JAVITS. The Walsh-Healey regulations allow him to be trained, and even if the training has some little effect on his present job, when its main impact is retraining him for something else no overtime pay is required. Under the Fair Labor Standards Act regulations, the employer is faced with the danger of overtime, if the training has any effect whatever on his present job.

Is there anything to that proposition? Can you fellows unravel it?

Mr. RUTTENBERG. There is a very important policy problem involved here and we have had considerable discussion about it.

I know some of the details, but Mr. Ganz, who is the executive officer of the Manpower Division, has been dealing with this problem for some time because he was formerly Assistant Administrator to the Wage and Hour Division, and I think he can comment on it more specifically if you would like.

Mr. GANZ. Senator Javits, your point is well taken. There is a difference in the application of the rules of work relating to hours worked under the Fair Labor Standards Act and under the MDTA. In some instances where the additional training given to the employee directly increases his value to the employer on his current job the time spent in that kind of additional training, whether it would be on the premises or in an instiution, is counted as hours worked.

However, we are discussing this matter with the Solicitor in the Department of Labor, Mr. Donahue, and with the Administrator, Mr. Lundquist, to see if we cannot arrive at some viable conclusion which goes in the direction of specialized rules which we apply to the apprentices, the former one, not the one under the MDTA; there is a provision for accommodating these two policies and this is what we are exploring right now.

Senator CLARK. Anything further, Senator Javits?

Senator JAVITS. No.

Mr. O'HARA. I would like to bring up a point——

Senator JAVITS. I have not quite finished but I will yield. I am getting a little more advice on the subject.

Mr. O'HARA. This is off that particular point but it is strongly related to a matter which concerned us in conference—a matter which has concerned us every time manpower legislation has come up. It relates to the question of training people for jobs in primarily lightly skilled jobs in one area of the country when persons capable of performing these same operations are available in other areas of the country. I am thinking particularly about using MDTA funds to finance

what has been described as a runaway shop or runaway operation. By financing, I mean training unskilled workers in remote areas to do a particular job and then having the operation move to that area, thereby rendering the original workers unemployed.

Just the other day I was advised that this had happened recently in connection with the operations of the Emerson Electric Co. of St. Louis. A certain operation which had been performed in St. Louis was moved to someplace in Iowa. MDTA trained people to perform that job in Iowa and the company moved the operation to Iowa and the St. Louis operatives were thereby added to the unemployment rolls.

I would like to know just what sort of regulations you people have with respect to this kind of a problem. How do you make your determinations as to whether or not a particular project about which this type of complaint has been made will be approved or disapproved, and just how do you go about it?

Mr. RUTTENBERG. On this Emerson Electric example you used between St. Louis and Iowa, Mr. Ganz again has been handling the details of that problem and I would like to have him comment on it, and you might develop what the general regulations are in the area.

Mr. GANZ. Congressman O'Hara, in this particular case we did have an application for on-the-job training in Iowa, in checking it out and applying the regulations which read as follows and go right to the provisions of the statute:

> Such limitations shall not prohibit assistance to a business entity in the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary of Labor finds assistance will not result in an increase of unemployment in the area of the original location or any other area where such entity conducts business operations unless he has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

When we got the original application for an OJT training program in Iowa, both entities were in operation at the same time. We carefully checked out in accordance with the provisions of this regulation whether there was any change in the aggregate level of employment. There was not. It was not until the program got started that the company started to phase out its original operation in St. Louis. I might also add that the product made in the new entity in Iowa was a different one which had never been made in St. Louis before, so it had all the indicia at that particular moment of not being a transfer of production, just being an additional establishment to do something new, both entities then being continued in operation at the same time in parallel circumstances.

I might add here that only 20 employees are now engaged in the training program.

After the program got started we learned, and I talked personally to Mr. Hicks, the president of the union in St. Louis, that the company had phased out completely in St. Louis; we immediately agreed to reopen the case and it is under reinvestigation to see whether there has been, in fact, this removal, closing down of the one plant and opening of the other. If there is we will take appropriate steps on the training program.

Mr. O'HARA. You have a very difficult problem. The easiest case, of course, is where we have a small operator, let us say a glove manufacturer in Detroit. Perhaps his operation has been organized and through the processes of collective bargaining the operator has reached the point where he pays the employees of the glove factory 60 cents an hour. He wants to move where he can hire new people for 30 cents an hour. I think you have a clear-cut case and I am sure you would not under those circumstances permit Federal funds to be used for training people to work in the glove factory at the new location. Is that not correct?

Mr. GANZ. Oh, yes.

Mr. O'HARA. You have a different type of situation when a company makes gloves, shirts, socks, and overalls. If they experience a need to make more gloves, they will hire an extra 100 people, and will setup a subsidiary operation somewhere else. This subsidiary operation will not have anything to do with gloves, perhaps it will be in the coverall business. What they have done is to move their coverall operation from one place to the other, and to pick up the slack with additional glove work. I think this is the type of a situation at Emerson as I understand it. St. Louis did not go down. It was due to go up. What they did was to transfer that increase to the Iowa operation and render your 25 operatives with particular skills in St. Louis completely jobless. They hired 20 or 25 other people.

Mr. GANZ. The point I made before, Congressman O'Hara, under the rules of the game and the posture we were when the application was first received, having carefully checked it out there was no application for transfer of production, lessening of production in St. Louis, the item produced in Iowa was a brand new item. It looked to us at that time that there would be a net general increase in the labor force of the company. It was not until the program got started and the program being undertaken, that there was a change. The company phased out in St. Louis, increased in Iowa, and eventually closed down in St. Louis. This is the kind of thing we have to be alert to, but we cannot anticipate. We will jump in and we will as soon as we are made aware of the new conditions, as I said this may not be too serious in this situation, we have only 20 people started and if they are now in a position of being in violation of the regulations we will take appropriate action.

Mr. O'HARA. I am like Mr. Pucinski, I do not object to your mistakes, just so you do not make too many of them.

Mr. GANZ. I want to suggest there is not a mistake, I think every judgment has to be made on the circumstances that prevail at the time the decision is made.

Mr. PUCINSKI. Would the employees in St. Louis who have been phased out and dislocated, have any recourse to the NLRB where obviously there was some bad faith in utilizing this program? Could they charge some unfair labor practice here?

Mr. GANZ. I do not know what the facts are in this case, but when I was with Wage and Hour we had a number of such situations with respect to apparel companies moving out of such centers as New York City, Philadelphia, and so forth, where there was NLRB action there were some heavy penalties made.

Senator CLARK. Senator Javits.

Senator JAVITS. I ask unanimous consent to include in the record my letter to Clarence Lundquist, Administrator of the Wage and Hour and Public Contracts Division of the Department of Labor on this question of the consistency of the interpretation of the law reading exactly the same way in two different statutes—the Walsh-Healey Public Contracts Act and the Fair Labor Standards Act.

Senator CLARK. Without objection that will be done.

Senator JAVITS. And I would ask, Mr. Chairman, that the reply, when it is forthcoming, also be a part of the record of the hearing of the committee. I think we may actually be accomplishing something here.

Senator CLARK. That will be done.

(The documents referred to follow:)

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
April 26, 1965.

Mr. CLARENCE T. LUNDQUIST,
Administrator, Wage and Hour and Public Contracts Divisions,
U.S. Department of Labor Building,
Washington, D.C.

DEAR MR. LUNDQUIST: It has come to my attention that there is an inconsistency between the Fair Labor Standards Act regulations and the corresponding Walsh-Healey Public Contracts Act regulations dealing with time spent in training programs. Both section 785.27(c) of the Fair Labor Standards Act regulations and section 43(c)(1) of the Walsh-Healey regulations exempt from "hours worked" time spent in a training program meeting certain reguirements, including the requirement that the training course be intended to train the employee for a new skill rather than to make an employee more efficient in doing his present job. The Walsh-Healey regulations (sec. 43(c)(1)(iv)), however, include the following provision, which does not appear to correspond to the Fair Labor Standards Act regulations:

"If the course is instituted for the bona fide purpose of preparing for advancement through upgrading the employee to a higher skill than that which he is regularly performing for the employer, this standard will be considered met even though the course incidentally improves in some measure the employee's skill in doing his regular work."

It has been suggested to me that the absence of this provision from the Fair Labor Standards Act regulations may deter private enterprise from setting up desirable training programs for employees. I would appreciate it if you would let me know whether you believe this to be the case, what the Division's experience has been with respect to training programs covered by one set of regulations but not by the other, and whether you believe any change in policy is warranted.

With best wishes,
Sincerely,

JACOB K. JAVITS, *U.S. Senator.*

MAY 6, 1965.

Hon. JACOB K. JAVITS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JAVITS: This is in further reply to your letter of April 26, 1965, regarding a possible inconsistency between the interpretations issued under the Fair Labor Standards Act and those issued under the Walsh-Healey Public Contracts Act as to time spent in training programs.

Although section 785.27(c) of the Interpretative Bulletin on Hours Worked under the Fair Labor Standards Act does not contain the additional sentence qualifying the position as to when training is or is not "directly related to the employee's job" contained in section 43(c)(1)(iv) of Rulings and Interpretations No. 3 of the Walsh-Healey Public Contracts Act, our policy has been to interpret factual situations under both laws in the same manner. Thus, we recognize that a training program designed to equip an employee with new, different, or

additional skills and which incidentally results in more efficiency in his present work, would not be hours worked, if the training program is not actually related to his regular work and the other criteria of section 785.27 are met.

While the wording in the Public Contracts Act bulletin differs from that in the Fair Labor Standards Act bulletin, both documents point out that the same principles are followed in determining hours worked under both laws. These statements may be found in section 785.4 of the enclosed Fair Labor Standards Act bulletin and section 43(a)(1) of the enclosed Public Contracts Act bulletin. It thus appears that no change in policy is indicated.

We have no knowledge that the absence of the statement in question from the Fair Labor Standards Act bulletin has had a deterrent effect on the installation of training plans. If you have received some information indicating a difference of application of this policy under the two acts, we would appreciate hearing from you regarding it.

Sincerely yours,

CLARENCE T. LUNDQUIST, *Administrator.*

U.S. SENATE, *May 11, 1965.*

Mr. CLARENCE T. LUNDQUIST,
Administrator,
Wage and Hour and Public Contracts Divisions,
U.S. Department of Labor Building,
Washington, D.C.

DEAR MR. LUNDQUIST: Thank you very much for your letter of May 6, 1965, replying to my inquiry about the inconsistency in the regulations dealing with training programs under the Fair Labor Standards Act and the Walsh-Healey Public Contracts Act.

I am pleased to learn that the more liberal interpretation embodied in the Walsh-Healey regulations, in fact, represents the Administrator's policy under both statutes. I have been informed, however, of one case in which an employer was deterred from establishing an otherwise qualified training program because the Fair Labor Standards Act regulations do not contain the more liberal provision.

As the policy embodied in the Walsh-Healey regulations already seems to represent your policy under both statutes, I think a service could be done, both to employers wishing to establish training programs and to employees who might benefit from such programs, if you were to amend the Fair Labor Standards Act regulations to reflect your current policy.

With best wishes,

Sincerely,

JACOB K. JAVITS, *U.S. Senator.*

U.S. DEPARTMENT OF LABOR,
WAGE AND HOUR AND PUBLIC CONTRACTS DIVISIONS,
May 21, 1965.

Hon. JACOB K. JAVITS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JAVITS: This is in reply to your letter of May 11, 1965, concerning the difference between the Fair Labor Standards Act bulletin on hours worked and the Public Contracts Act bulletin with respect to training programs.

The situation mentioned in your letter is the first that has come to our attention where an employer was deterred from establishing an otherwise qualified training program because the FLSA bulletin does not contain the provision found in the PCA bulletin.

You may be assured that appropriate action will be taken to rectify the slight discrepancy in the language of the two bulletins.

Sincerely yours,

CLARENCE T. LUNDQUIST, *Administrator.*

Senator JAVITS. I have been impressed with the relative numbers involved in all Government training projects, which are reflected here, as Congressman Pucinski said at page 252. I am also impressed with

the testimony we have had from distinguished people who tell us that as many as 2 million jobs a year are going to have to be changed if we are going to really move into the next phase of the industrial process, which is cybernation, automation, call it what you will. Let us assume that you are doing what you can within the context of the money the Congress is going to give you, give or take 80,000 in on-the-job training. I thoroughly agree with my colleagues on that.

Now, how do you go the next step? In other words, how do you really achieve this necessary retraining of the American worker without compelling him to forget to save his very bread by opposing what the country really needs, which is a more efficient industrial process leading ultimately to greater capability for the worker and for all our people, and shorter hours of work to which everyone certainly aspires?

How do you deal with that gap? What are you going to do in your various departments to stimulate, inspire, move, and give planning, direction, or any other impetus to this movement in American business, and to give it some homogenity so that you understand what is going on and help to direct it in proper economic channels where it can really do the most good?

Mr. RUTTENBERG. Dr. Dugger wants to make a comment. I would be glad to comment first and then Dr. Dugger can pick up from that.

Obviously under the Manpower Development and Training Act in the next fiscal year it is our plan to bring into training some 275,000 individuals. This is a little more than the 10 percent of the 2 million you talk about.

In addition to that, of course, the Vocational Education Act itself, where there are no training allowances involved, that they are engaged in training people and in improving their skill opportunities; in addition to that, of course, there is the Neighborhood Youth Corps which is providing work experience under title I(b) of the Economic Opportunity Act; then, of course, there is the Job Corps which will provide still additional numbers of individuals with actual training experiences in a resident-camp situation. So that there are varying kinds of programs going on that all total up to substantially more than what the figures show for MDTA in the past year or in the coming year.

I do not think we will ever quite be able to do all the training we should and can with public funds and one of the things we are giving very serious consideration to is a proposal, as a matter of fact, the idea was incorporated into Senator Clark's and your subcommittee's report last year, of developing some kind of a tax incentive to employers to encourage further training, and there are various ways in which one can do this, and we are exploring it and I sincerely hope we might in the course of the next few months come up with a specific proposal and recommendation it go further.

Senator JAVITS. Do you want to make a comment?

Mr. DUGGER. Just a brief comment, if I might express myself to the point of view of the individual who is the worker.

I think to supplement what Mr. Ruttenberg has so ably said, and that is it seems to me in this country we need to address ourselves to developing an attitude on the part of all workers that education and training is a continuing process from the beginning and early ages of life until they reach the retirement age. And this has been

done in a few segments of our economy quite effectively. To name the agricultural segment, for example, where we have done such a good job there in education and training, and I refer here primarily to the efforts of vocational agriculture and the USDA in their training programs so that we produce enough. We produce so efficiently and produce enough to feed what is it now, 22 of our own Americans and 7 or 8 foreigners and still have enough left over to give Congress and the administration a greal deal to worry about.

Agricultural people who are successful learned long ago that there was no end to education in how to farm effectively and I think in industry we are moving that way, through management, through industry itself, through business, through the recognition on the part of labor unions, of the importance of education and training as a continuing process in our economy and the development of our country and to this end we would like to address our efforts in the educational arena in the years ahead.

Senator JAVITS. I would like to address two inquiries to the affected departments which I would like to put on the record and then get your reaction to them in a more deliberate way.

First. Is there any possibility of establishing an extension service in the whole manpower training field? This was a great success in agriculture—correspondence courses and other similar types of extension services costing infinitely less per man, and yet having an enormously greater coverage. That is question 1.

Question 2. Is there any room for setting up a committee such as we set up in foreign aid, which is now functioning under Arthur Watson and is called the Committee for Private Enterprise in Foreign Aid, in order to get recommendations as to what leadership, planning, and direction in the way of national goal could be given to the private enterprise field, in various elements of business and industry, which would enable private enterprise, out of its own resources (and perhaps if a tax consideration is recommended we can give that thought, too) to undertake manpower training on a far more massive scale than it already has?

Personally I think this is one of the biggest problems in the country, and as long as we are in sort of a seminar, Mr. Chairman, I would respectfully submit these two questions to the affected departments so that we may get some thinking on them and see what we come up with.

Senator CLARK. Unless you gentlemen have something else I think we have about reached the time of adjournment.

Congressman Pucinski.

Mr. PUCINSKI. One quick question I would like to know: In retraining people in the middle-aged bracket, are you having a problem placing them simply because of the widespread discrimination in this country against people past 40? I, for instance, was shocked to see a Commerce Department study which showed that the chances of a man past 40, unless he has a highly essential skill, his choice of getting another job are 6 to 1 against him.

Now, are you having problems placing the people that you have trained simply because they are too old?

Mr. RUTTENBERG. Well, there is no question but that this raises a very serious problem, and to come back to an earlier discussion we

had, Congressman Pucinski, about experimental and demonstration programs, one of the things we are really trying to do with experimental and demonstration funds is to find ways and means of being able to not only place older workers but to develop the kind of jobs which fit the skill and ability of the older workers. In other words, of grading the job, not the job for the man, but the job for the man instead of the man actually for the job, and we are doing this and we have some very interesting experimental work going on in this area.

Mr. O'HARA. Mr. Chairman, I would like to ask unanimous consent that the members of the House committee, through their subcommittee counsel, be permitted to submit appropriate written inquiries to our witnesses for answering in the record.

Senator CLARK. I would like to join in the unanimous request on the Senate side for the same thing. Is there objection? Hearing none, it is so ordered.

Gentlemen, we thank you ever so much for your kindness in giving your valuable time here and we may want to call one or more of you back a little later after the other witnesses have been heard.

The hearing will stand in recess until tomorrow morning at 10 a.m., when we will meet under the chairmanship of Congressman O'Hara in room 2175 of the Rayburn House Office Building. At that time we will hear the views respecting the Manpower Report of several experts in the employment field: Dr. Eli Ginzberg, of Columbia; Prof. Frederick Harbison, of Princeton; Sar Levitan, consultant for the W. E. Upjohn Institute; and Nathaniel Goldfinger, director of the Research Department of the AFL–CIO.

On Thursday and Friday we will have further hearings. Thursday will be devoted to employment problems in defense industries, and Friday to a wrapup from some additional experts in the general field of manpower and employment.

Thank you very much, gentlemen.

(Whereupon, at 12:30 p.m. the joint committee adjourned to reconvene at 10 a.m., Wednesday, April 28, 1965, in room 2175, Rayburn House Office Building.)

1965 MANPOWER REPORT OF THE PRESIDENT

WEDNESDAY, APRIL 28, 1965

CONGRESS OF THE UNITED STATES,
JOINT MEETING OF THE EMPLOYMENT
AND MANPOWER SUBCOMMITTEE OF THE
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
AND THE SELECT SUBCOMMITTEE ON LABOR OF THE
HOUSE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The committee met at 10:10 a.m., pursuant to the recess, in room 2175, Rayburn House Office Building, James G. O'Hara presiding.

Present: Senators Clark, Pell, Javits, and Murphy; Representatives O'Hara, Pucinski, and Reid.

Mr. O'HARA. The committee will come to order.

Today we will continue the joint hearings on the Manpower Report of the President which began yesterday with testimony from Mr. Francis Keppel, Dr. Roy Dugger, Mr. Stanley Ruttenberg, and others who accompanied them. The joint hearings have been undertaken at the suggestion of Senator Clark, who is with us today——

Senator CLARK. And Congressman O'Hara.

Mr. O'HARA. In one of these cooperative ventures between the House and the Senate which is putting some sap back in the branch. We hope will have the tree flowing pretty well before long.

We are very privileged today to have with us Dr. Eli Ginzberg, who is director of the conservation of human resources project at Columbia University and, in addition, chairman of the Manpower Advisory Committee.

Prof. Frederick Harbison, of Princeton; Mr. Sar Levitan, who is with the Upjohn Institute for Employment Research; and Mr. Nathaniel Goldfinger, who is director of the Research Department of the AFL–CIO.

Written statements have been submitted to the committee. Without objection, these statements will be entered in full in the record of the hearings at this point. In addition, without objection, the statement prepared by Dr. Taylor, director of the Upjohn Institute for Employment Research, will likewise be entered in full at this point in the hearings.

(The five statements referred to are as follows:)

PREPARED STATEMENT OF HAROLD C. TAYLOR, DIRECTOR, THE W. E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

THE 4.5-PERCENT UNEMPLOYMENT RATE: MIRAGE, MIRACLE, OR REALITY?[1]

Your are aware, of course, that this issue concerning a feasible unemployment target is usually treated as a statistical question, and an extremely complicated

[1] A presentation for the 450th meeting of the National Industrial Conference Board, St. Louis, Mo., Mar. 24, 1965.

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one. You may have come to this session braced for a hard 2 hours of statistics and of debate over the meaning of the statistics. Neverthless—in the hope that by so doing I am not failing my obligation here—I intend to be largely nonstatistical. I'm going to cover a variety of issues, each one rather briefly, all held together by one common thread: that I believe that these observations will be relevant to the things that you are concerned about, as intelligent and well-informed citizens, when you contemplate the problems of unemployment.

THE QUESTION

Let us turn first to the specific question asked in the title of my presentation: With unemployment now hovering around 5 percent, what are the changes of a 4½-percent rate, and—I should add—what are the chances, sometime, of something better, such as 3½ percent?

I'd like to cast the question for you in a very different looking but absolutely equivalent form. We are now employing 95 percent of all the people, who, under current conditions, wish to work. What are the changes that we might sometime increase this to 95½ percent, or even to 96½ percent?

If we were to go from 95 to 96 percent employed, we would have to raise the employment rate by 1 over 95, or 1.05 percent. This is exactly the same as reducing the unemployment rate from 5 to 4, or 20 percent. Raising the employment rate to 96½ percent is an increase of 1.58 percent. It is exactly the same as decreasing the unemployment rate by 30 percent.

If we look at this problem by starting with the employment rate, two or three conclusions seem to be almost self-evident, even if deceptively so.

First, a machine which is now hitting 95 percent where the maximum attainable figure might be 97 percent does not appear to be turning in a very horrible performance.

Second, an improvement in some quality of 1 to 1.5 percent does not seem as hard as changing some figure by 20 to 30 percent.

Third, and most important, the economic crystal ball is far from perfect. We are not accustomed to asking our statisticians—and usually they aren't inclined to attempt to specify—whether 5 years from now some quantity may differ from its present value by one-half of 1 percent or by as much as 1 percent, or maybe even as much as 1½ percent. Nobody—layman or expert—would expect such precise estimates of the future.

I suspect that looking at this problem solely from the standpoint of employment rates might be unwise, just as looking at it solely in terms of unemployment rates is seriously misleading. The perspective I have presented does suggest, however, that we would be unwise to commit our hopes or to commit our Government to changing the employment rate by an exceedingly precise little figure, such as 1 percent, for example, versus one-half of 1 percent. A sweeping criterion for policy might be simply this: Let's do everything we can that makes sense in terms of overall economic objectives; let's do nothing that doesn't make sense in terms of overall economic objectives; and then the employment rate—or the unemployment rate—will just be whatever it will be.

AN ANSWER TO THE QUESTION

Let us now give a flat answer to the question I was asked to discuss. What about the feasibility of the 4½-percent unemployment rate? (We must assume, of course, no sudden heating up of the cold war, in which case unemployment would be the least of our problems; and no violent economic change that would alter current trends.) My conclusion on the short-term future is that during the remainder of the sixties—the next 5 years—we will not achieve anything as good as the 4½-percent rate. We may hit it on occasion, we may even beat it on occasion; but we may also hit rates of 6 percent and higher on occasion. That is, we will not average anything as low as 4½ percent during the remainder of this decade.

As a longrun target, however, I should think we ought to beat 4½ percent considerably. How low we can ever get depends on a lot of things as yet unknown—some of which I shall discuss and some of which others on the panel will undoubtedly bring up. Surely we ought to do better than 4 percent; and it is not unthinkable that 3 percent could be achieved ultimately without inflation.

This general answer is one with which substantial numbers of students of unemployment would agree, or from which they would deviate only slightly. On the other hand, some analysts seem to be a good bit more optimistic than this;

and I have no way of "counting noses" in order to suggest what might be a majority view. Obviously, I am siding with those who are not expecting much improvement in the short run, and I think those who do expect it may prove to have been overly optimistic.

IS THE PROBLEM SERIOUS?

With this diagnosis in mind, let us turn now to some common misgivings of the alert citizen. The most prevalent single misgiving I find is a lurking suspicion that the magnitude of the unemployment problem is being exaggerated. You know (or suspect) that there are some unemployed people who really should be classed as unemployable. You know some teenagers (perhaps your own children or grandchildren) who are looking for a job but who are living very well without a job, and who are pretty choosy about what kind of job they will take. You know some housewives (maybe your own wife) who would sort of like to work, but who don't really need the money and who are pretty choosy about what job they will take. You feel that maybe the do-gooders and the bureaucrats are building up this unemployment problem in order to scare you into supporting some massive Government programs that are really unnecessary.

Some good studies have addressed themselves to your concern. One is the recent NICB study, "Voluntary and Involuntary Unemployment." Also, a comprehensive report was prepared some 2 years ago by the Gordon Committee, under the title, "Measuring Employment and Unemployment." Murray Wernick, who is with us today, was the staff director of that Committee.

If we assume—as we surely can—that employers have any capacity whatever to pick the more promising candidates for employment and to eliminate the less promising, then at any given moment the desirability of the unemployed group must be less than that of the hired group. As employment pushes higher, and unemployment lower, the hard-to-hire people must be a larger element in the remaining pool of applicants. Your misgivings about the caliber of some of the remaining applicant group have some inescapable validity.

Regardless of the caliber of the unemployed, it seems clear that a thorough analysis of all the issues—much as we might wish it—will not make the problem of unemployment go away, nor reduce its magnitude enough so that we dare to ignore it. Even some of the groups about whom we are properly skeptical represent problems which we must try to solve. We take a dim view, for example, of the employability of reliefers. However, it has been estimated by some knowledgeable observers that perhaps 20 percent of them could, with proper cultural orientation, individualized service, literacy training, and vocational training, become truly employable. If a reliefer now costing society $2,500 a year could be transformed into a worker making $2,500 a year, there is a net annual gain to society far in excess of the original cost—and this is multiplied by the remaining years of the employee's working lifetime. To explore this possibility is in our own interest as taxpayers. Pennsylvania and Cook County, Ill., are achieving very promising results from this approach.

We could run down the list of other kinds of unemployed people in the same manner and usually to much the same conclusion. Let us leave the subject on the basis of a flat conclusion that we can't belittle the problem of unemployment out of existence. We must take it seriously, and we should support all sensible programs to reduce it.

AGGREGATE DEMAND VERSUS STRUCTURAL UNEMPLOYMENT

One issue relating to the causes and cures of unemployment is quite technical, but it is so important in terms of policy implications that we have to discuss it here. I shall state each of two theories in bald form, as if it were an all-or-none choice, and indicate the policy implications that follow from it.

One theory—the aggregate demand theory—is that an excessive number of people are unemployed solely because the economy has not been growing fast enough to provide an adequate number of jobs. If the number of jobs available were adequate, then the unemployed would find jobs in sufficient numbers to reduce unemployment to a reasonable level.

As far as Federal policy is concerned, this theory would suggest "pumping up" the economy in all of the familiar ways: easy money, easy credit, low interest rates, stepped-up Government expenditures without corresponding increases in tax rates. If the theory worked, then enough of the unemployed people

would be reabsorbed; they would produce goods and services enough to match the extra money that had been pumped into the system; prices would thus remain stable; and, because of increased total incomes, Government revenues would rise, and the deficits that had been risked by these measures would not actually occur.

Those who don't believe this theory about the cause of unemployment—and there are many who don't—would predict that all of this extra money and credit would not dislodge very many of the unemployed people. In that case, the net result of these actions would be little reduction in unemployment and a considerable degree of inflation.

Councils of Economic Advisers since 1960 and until recently appear to have held this aggregate demand theory quite strongly; and it must be noted that their own studies of unemployment data have seemed to them to support that conclusion. The most recent report of the Council—issued in January—does not indicate clearly whether the same view now dominates Council thinking as much as it had in previous years. In any case, this theory is not likely to be pursued with all-out vigor for some time, for two reasons.

One is the adverse balance-of-payments situation. That this problem is a serious one appears to be the prevailing opinion among all policymakers here at home and in banking and governmental circles abroad. This situation places a heavy deterrent on the application of domestic policies which might gamble with inflation in the hope of reducing unemployment.

The other deterrent—always in the picture—is the Federal Reserve Board. The Board does not appear to have subscribed wholeheartedly to the aggregate demand theory of unemployment; and it is committed, of course, to a primary emphasis on sound money.

These two restraints seem quite sufficient to insure that the aggregate demand theory of unemployment cannot be pursued to a degree which would need to frighten the opponents of that theory.

We must turn now to an equally bald, all-or-none, statement of the structural view of unemployment. In extreme form, this view would have to hold that all excessive unemployment is due to mismatches of one sort or another between job applicants and job openings. Too many jobseekers are unskilled, while the number of unskilled jobs continues to dwindle. Some workers have skills, but their skills have been made obsolete by shifts in industry demands or by shifts in manufacturing methods. At the same time, many skilled jobs are begging for qualified workers. In this area lies the current concern about "automation." Some of the unemployed are in geographic locations where job opportunities of all sorts have dwindled. And so on.

I don't know of anyone who has held that these factors of dislocation are, or will be, the sole cause of unemployment. In the debate between the structural people and the aggregate demand theorists, the structural people have simply insisted that a lot of our unemployment is structural and therefore that an all-out attempt to get these people to work by fiscal and monetary pumping would not dislodge the people and would lead to inflation.

But let's go back to the structural theory. It does assert that a lot of our excessive unemployment could be alleviated by teaching the culturally deprived how to live acceptably in an urban society, by teaching the illiterate to read, by teaching vocational skills to the unskilled youngsters entering the labor market and to older persons whose skills have become obsolete, and so on. This theory includes a stepped-up level of training for such obvious "shortage" occupations as automotive mechanics; electrical appliance repairmen; building maintenance technicians; food handling personnel; and a wide gamut of needs in health care, recreation services, and education.

There are many public programs devoted to the pursuit of this objective, at local levels, at State levels, and, increasingly, at the Federal level. Logically, one could raise the question as to whether this theory of structural unemployment is being carried too far. That is, we might scurry around, training large numbers of people, only to find that there simply aren't enough jobs to go around, so that some of the training money is wasted.

The fact is, we are already so far behind in the vocational training field that it would be very optimistic to hope that by 1970 we will be geared up to cope properly with the demand for such training that will exist in that year. During the intervening years, it is physically impossible for us to do enough. There are not enough rooms, not enough equipment, not enough teachers, not enough curriculum, not enough know-how, and not even enough public awareness of the need.

Some of our training programs are being held together by paper clips and baling wire, but they are a lot better than not trying. I was told recently of one training program, under the Manpower Development and Training Act, which is being carried on between midnight and 5 a.m. because that is the only time when rooms are available. So far, despite the difficulties, the MDTA programs have placed on jobs about 70 percent of those who completed training programs. This seems to me to be a batting average that deserves to be encouraged.

It would be worthwhile for us to review and appraise, one by one, the man-and-job-matching efforts that are now going on. However, time is limited, and it seems necessary to call to your attention one of our unemployment problems. Many would call it the most pressing problem.

YOUTH UNEMPLOYMENT

It may be helpful to consider our unemployment briefly in terms of the hardest problems, the problems of most suffering, and the largest. The hardest, probably, are the culturally deprived, the functionally illiterate, and the reliefers. To shift these persons from economic liabilities to productive members of society is urgent and worthwhile, but not easy. The most suffering groups would include some of these and also some of the family heads who have lost their jobs by being in dwindling industries, dwindling areas, or obsolete occupations. The largest group, by far, now and especially in the years ahead, is that of the unemployed youth. I mentioned the other two groups largely to make a contrast. Some of these youngsters are in the culturally deprived, functionally illiterate, hard-problem group. Some, but not a large proportion of the total unemployed youth, are in the low-income, most suffering group. Most of them are just youngsters who are graduating from high school, who are not going on to college, and who need a job. There is not much new about this except the staggering number.

At this point we must review a few figures on the number reaching 18 years of age. During the fifties, the number reaching 18 was averaging about 2.25 million per year. In recent years it has risen to about 2.7 million. Now, in 1965, it takes a sudden jump from 2.7 to 3.7 million—a million more than just last year. From now on, the number reaching 18 hovers around this new level and then creeps up to 4 million in 1973-74—just 8 or 9 years from now. This present year, therefore, as far as the labor force is concerned, can be termed the "First Year of the Avalanche." It is an avalanche that cannot possibly subside before 1982 because the youngsters who will make up the avalanche in that year have already been born.

During the remaining years of the sixties, the number of new entrants to the labor force, largely because of the growing horde of youngsters, will be 500,000 per year more than the numbers of new entrants that we were accustomed to only a few years ago. With a labor force of around 75 million, this extra jolt of 500,000 is two-thirds of 1 percent of the labor force. If our economy were geared to a previous pace of growth, and could have operated with, say, 4⅓ percent unemployment, this extra jolt of entrants would, by itself, raise the rate to 5 percent. Suppose we manage to absorb part of this increase this year and reach an unemployment rate of 4⅔ percent. Next year the same extra jolt of 500,000 hits us again, and would be enough by itself to raise the rate to 5⅓ percent. And this avalanche goes on, year after year, for the foreseeable future.

I'm tempted to run through a little stuff about supply and demand, because it relates to this problem and to the range of possible answers. Suppose that the automobile manufacturers were to put out, this year, a half million more automobiles than we are geared up to buy. These are good automobiles, of course; just as good as the 8 or 9 million automobiles that we will buy. It just happens to be 500,000 too many. I think it is safe to say that we would not reproach our economy because it hadn't absorbed these cars. We would not conclude that this demonstrates "inadequate economic growth." And since there is no Production Act of 1946 on the books, we would not require the Federal Government to pump enough money and credit into the system to bring about the purchase of these extra automobiles.

The automobile manufacturers, of course, are not likely to get their supply too far out of line with demand. But the manufacturing organization for automobiles is quite different from the manufacturing organization for the labor supply. This year's sudden jolt in the labor supply was manufactured in about 1947. It was made in about 3,700,000 separate production units, including some 80,000 extremely efficient units which achieved two or three times the annual

output of the average production unit. Each of these units had complete local autonomy. Most of the factory superintendents, and their partners in production, had an unaccountable eagerness to maximize output. They had no market research, and we can assume that they couldn't have cared less. They kept right on producing at peak levels for a good many years.

If the market were flooded with any other industrial input—such as steel or glass or oil—we would have no difficulty in calling this overproduction rather than inadequate economic growth. Moreover, we would recognize immediately the nature of the market's reaction to this oversupply. The market just doesn't absorb the excess and it thereby admonishes the producers to cut back.

I believe this analysis just given has so much truth in it that we dare not continue to ignore it. There are, to be sure, some differences between the overproduction of labor and the overproduction of steel. For one, the timelag between the production of labor and its utilization is so great that market factors are not, so far, a persuasive deterrent. For another, we do not lavish our sympathies on an unused pile of steel. An unused supply of labor, on the other hand, is our own children and grandchildren. Our hearts are necessarily involved.

Still, if we can force ourselves to recognize the present situation as involving an oversupply of labor, we may be less inclined to demand that the Federal Government undertake futile efforts to solve the problem as if it were just a matter of inadequate economic growth. Moreover, we may find ourselves able to accept the fact that, for a good many years, our unemployment rates will be beyond the comfortable levels which, had it not been for the baby boom, we might easily have achieved.[2]

WHAT TO DO?

We have been developing the theme that this problem of excessive unemployment will persist for a long time, and that we must not assume that all measures combined, whether sensible or foolish, will eliminate it. On the other hand, there are several things we can do about it; and the situation will be a lot better if we do these things than if we don't.

First, one more word about the theory of inadequate economic growth. In developing the concept of oversupply of labor, I have no doubt seemed to belittle the factor of stepped-up economic growth. I must not leave the sweeping impression that there is nothing to it. I am in no position to make such a statement. Moreover, many highly trained and dedicated experts place some credence in it, and certainly their proposals are to be viewed with respect. This we can do.

Second, we can encourage such Federal programs as those of the Manpower Development and Training Administration and the rehabilitation and training programs under the Office of Economic Opportunity. These we have already referred to.

Finally, despite all Federal programs to plug up holes and to remedy deficiencies, it is still true that most of the education and training of our young people (and even of adults), including vocational training, is carried on at State and local levels. Much of it is in the hands of local school boards. Insofar as our unemployment is due to a mismatching of our youngsters' skills with the available jobs, the solution is pretty much up to us.

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[2] Having made the point that we face an oversupply of labor, we must pursue the analysis a little further. By contrast with a pile of steel, a supply of labor enters the economic equation on both sides. That is, a person, once he becomes economically productive, provides an industrial input of labor on one side, but he provides a unit of consumption taxpaying and saving on the other. Hence, if 1 percent more people were put to work, by whatever means, they ought, in total, to consume, pay taxes, and save proportionately, so that the economic machine would operate at the new level just as well as at the previous lower level.

If the available labor "averaged out" the same as the now-utilized labor, this hope would be tenable. (Perhaps more accurately, the labor supply should match up with current labor demand, which is not necessarily identical with the character of presently utilized labor.) This would require, however, that the available labor contain its full complement of all presently utilized skills and experiences. It would contain its full share of experienced secretaries, experienced bookkeepers and accountants, experienced toolmakers, factory foremen, insurance salesmen, engineers, and so on.

Manifestly, this is not the case. Glaring shortages exist right now for many types of skilled and experienced persons. At the same time, two-thirds of the increased additions to the labor supply—the numbers that are beyond our previous experiences in digesting into the labor force—are the immature, the inexperienced, the unskilled. Not until they are 25 years of age and beyond will they be what business and industry usually regard as "average producers."

It seems impossible to escape the conclusion that we have a very real and very large oversupply of the immature, the inexperienced, and the unskilled.

With respect to the provision of education and training facilities, our efforts to cope with the baby boom so far have left a good bit to be desired. As rational beings, we of the human race have developed through the centuries some guiding principles through which our intellect performs its miracles. One of the most universal of these guiding principles is that if you don't look at a problem it will go away. To the baby boom we have quite consistently tried to apply this principle.

When the youngsters were born in 1947, we might have suspected that they would be starting to first grade in 1953. However, when they showed up in 1953, we were astonished to see how many of them there were; and we usually voted down one or two bond issues and one or two extra millage requests before we acknowledged that they were really there and should have a teacher and a place to sit.

They began to invade the high schools around 1961, and again their numbers were apparently a complete surprise to us. We continued to resist bond issues and extra operating millages until the school board threatened to cut out basketball.

We have now reached the last battleground in our 18-year war against the facts of the baby boom. The first wave of the vast new horde will graduate from high school this June. When the college attendance figures are released next fall, they will be quite a surprise to us, of course—though an alert newspaperman could have written the headlines in 1947. We are already too late to provide adequate facilities for next September's crop; so the question is the same as it has been: How must too late will we be this time?

But the 4-year college problem is not the only one. About 30 percent of the youngsters go on to college. Some drop out during the high school years and present special problems. The rest—the vast majority—are high school graduates. As always, they are necessarily immature and inexperienced, and they are mostly untrained. By comparison with our past experience, the main problem is simply that there are so terribly many of them. In addition, many manpower students say that these young people are entering a working world in which the number of unskilled jobs is drying up. To the extent that this is true, a problem which would have been acute anyway is simply that much worse.

Despite all that we any many others are saying, it may still not be easy for a lot of people to understand just what is happening to the younger generation. Why is it suddenly such a problem? For a moment, let us consider some percentages—all of which are encouraging—and then return to the numbers. For years we have had very encouraging increases in the percentages of young people who stay in school long enough to graduate from high school. That is, smaller percentages are dropouts, and larger percentages graduate. (The upward trend toward staying in school has been quite phenomenal among Negro youth.) Of those youngsters graduating from high school, larger and larger percentages go on to college; go on to finish college; and go on to graduate training.

Nothing is out of line but the numbers. Despite all these encouraging percentage trends, the numbers of all sorts of young people are—and will be—far beyond the numbers we have been accustomed to. There will be larger numbers of the culturally deprived, functionally illiterate, for whom such programs as the Job Corps and the Neighborhood Youth Corps may offer hope and aid in adjusting the youths to the world at work. There will be larger numbers of delinquents. And there will be enough immature, inexperienced, and untrained youngsters to glut the job market. Every avenue of training—vocational, on-the-job, and many others—which may have been needed on a small scale for many years, is now suddenly a large-scale problem.

We have said nothing so far about company-sponsored training programs, carried on by business and industries strictly to meet their own needs, to develop skilled employees whom they can't find in the labor market. Nobody knows in detail how vast these training efforts are, but they are recognized to be a big factor. Moreover, by comparison with public institutional training programs, industrial programs are highly adaptable to change. If anything may make the job outlook for youth more promising than it now seems, it is likely to be the extent to which industrial training may prove to close the gap.

But let's return to the matter of institutional training and education. We hear serious talk these days in every sizable urban center about the need for community colleges, devoted to vocational training as well as to 2-year academic courses. We hear of the need for comprehensive high schools, for areawide vocational training centers, for postsecondary training on a sizable scale. And

the need is not just for more training, it is also for vastly more realistic kind of training, geared to the job requirements of the mid-20th century. Although the problem of excess unemployment cannot soon be resolved completely, it will be vastly mitigated if these efforts are pushed to success. Both a humanitarian regard for our children and sheer economic self-interest attest to the urgency of this task.

A sizable share of what can be done to mitigate the problem of excess unemployment really is a job to be done at the local level. If we as citizens are truly concerned—as we should be—an important task will be waiting for our attention when we get home from this meeting tomorrow.

PREPARED STATEMENT BY DR. ELI GINZBERG, PROFESSOR OF ECONOMICS AND DIRECTOR, CONSERVATION OF HUMAN RESOURCES PROJECT, COLUMBIA UNIVERSITY

To assist the members of the subcommittee in the selection of questions to pursue, I am setting out below a series of deliberately sharpened formulations:

A. SOME SHORT AND LONGER TRENDS

1. Despite the very good gains in employment, particularly in the last 9 months or so, there is little prospect of the unemployment rate dropping below its present range.

2. The odds are that in the near future the unemployment rate may again go up, reflecting a somewhat less buoyant economy and a rising number of new entrants into the labor force.

3. It should be recognized that the unemployment rate is by no means indicative of the labor force potential, people able and willing to work. To those counted as unemployed must be added those working part time for economic reasons, men of working age who have dropped out of the labor force, young people in school and in special training programs who would prefer and would be better off working, married women at home who want jobs, the agricultural underemployed, and persons in good health who have been forced out of the labor market because of age.

4. Historically, it is necessary to note that since 1929, employment in the goods-producing sector has hardly increased. All gains have occurred in the services. Agriculture and mining have had declining work forces, and manufacturing only reached the World War II peak early this year.

5. Moreover, the blue-collar component of manufacturing is down.

6. Advances in computer technology appear likely to slow the rate of expansion of employment of clerical workers—previously a fast-growing area.

7. The ability of the service sector to keep growing depends on the expansion of enterprises that are not exclusively in the private sector of the economy; health, education, recreation, etc. There are many difficulties involved in effectively dovetailing the profit and not-for-profit sectors, although on balance we have done well on this front.

8. Employment gains since 1929 have been very much affected by the expansion of government—State and local as well as Federal. In each decade, employment in government grew faster than in the private sector. Between 1950 and 1960, 9 out of 10 new jobs were accounted for by the growth of the not-for-profit sector.

9. If defense levels off, it is highly questionable whether the private sector will be able to grow at a sufficiently rapid rate to absorb all of the "released" manpower resources.

10. When migrants raised in the poor agricultural South come into the large urban centers of the East and West, they are often two generations behind in their preparation for work. This is a major cause of difficulty in matching men and jobs.

11. The "hopelessness" characteristic of many Negroes, reflecting centuries of oppression and intolerable living conditions, results in many adolescents and young adults not even trying to fit themselves into the economy. They have no hope of succeeding.

12. The shift of the middle class to the suburbs has resulted in the relocation of many service jobs. The poor, stranded in the middle of the city, cannot fill them.

13. The long period of business prosperity has probably resulted in many firms carrying excess people who, if profits fell, as happened with the petroleum companies in 1958–59, would be "shaken out."

14. The most serious immediate problem facing our economy is job expansion at a rate that will absorb the vastly greater numbers of young people reaching working age.

15. No democracy that values its future can afford to tolerate large numbers of youngsters out of school and out of work. This is one lesson we should have learned from the Nazis.

B. WITH RESPECT TO POLICY

1. Congress should not assume that the several training programs now underway will of themselves solve the employment problem. Congress may soon find it desirable, or necessary, to provide useful work opportunities under public auspices parallel to regular economy.

2. Congress should undertake a critical review of the interrelations between public welfare, governmental training programs, and job opportunities. There are both gaps and contradictions here, and an alinement of objectives and incentives is long overdue.

3. The experimental programs with mobility allowances should be closely followed, and if they prove constructive, they should be expanded.

4. Congress should not anticipate that financial and monetary policies can do more than keep the unemployment rate at approximately the present level, considering our balance-of-payments problem and the inflationary potential which we face. Specific economic and manpower policies will be needed if the unemployment rate is to be reduced.

5. Congress should hold hearings on the prospects of young people now growing up on farms. Probably only 1 in 10 will be able to remain there. Special help will be needed to assist the others to prepare for urban work and life.

6. Congress should act to make overtime more expensive. A reduction in hours is a necessary and desirable adjustment for bringing about a balance between demand and supply of labor.

7. Congress should move to establish minimum criteria in all federally supported programs, such as education, health, etc. Otherwise many of the people who most need help won't get it.

8. Congress should require the executive departments to plan their operations in a way which would reduce dislocations in the labor market. Based on the experience that is gained, Congress should consider new legislation affecting the private economy, including requirements for early reporting of major changes affecting employment.

9. Congress should hold hearings to discover whether new institutions could be developed which would make people, who are forced to move because of economic dislocations, potentially more mobile by enabling them to carry their deferred benefits with them, preventing their having to sell their houses at sacrifice prices, etc.

10. Congress should take the initiative in creating new corporate instrumentalities involving Federal and State Governments and private enterprises, which would open up prospects for large-scale investments—in regional rail transportation, etc.—which are now blocked for a variety of reasons, particularly because of the multiplicity of governmental units.

PREPARED STATEMENT BY FREDERICK H. HARBISON, PROFESSOR OF ECONOMICS AND DIRECTOR OF THE INDUSTRIAL RELATIONS SECTION, PRINCETON UNIVERSITY

I am Frederick H. Harbison, professor of economics and director of the Industrial Relations Section at Princeton University. My remarks will deal mainly with the elements of an active manpower policy and the necessity for building a long-range, integrated strategy of human resource development in the United States.

At the outset, I wish to state that I strongly support the idea of an annual manpower report of the President, and I note with enthusiasm the great improvement of the 1965 report over the two previous reports. In particular, there appears to have been greater participation by departments and agencies (other than the Department of Labor) in preparing the 1965 report, and thus it is a more comprehensive "consolidated statement" on the Nation's manpower than was the case with the previous reports.

A COMPREHENSIVE AND COHESIVE MANPOWER POLICY

In the broadest terms, manpower policy should be concerned with the development, maintenance, and utilization of actual and potential members of the Nation's labor force.

The development of manpower is the process of man's acquisition of skills, knowledge, and capacities for work. For example, vocational education is obviously an instrument of manpower development. But general education is even more important. It is true, as educators and humanists rightly assert, that the broad purpose of education is to prepare people for life rather than simply for employment. Man does not live by bread alone. Yet, as Confucius is reported to have said, "It is not easy to find a man who has studied for 3 years without aiming at pay." Thus, to the extent that general education is necessary for and oriented toward preparation for gainful activity, it is a central concern of manpower policy. Beyond education, manpower is also developed in the course of employment as persons acquire skill, knowledge, and experience through formal or informal training on the job.

The maintenance of manpower is the process of preservation and continuous renewal of man's capacities for work. It could also be thought of as continuous development of manpower. For example, a major objective of unemployment compensation is to maintain a person while he is seeking new employment. The purpose of rehabilitation programs is to restore the capacity for work. The preservation and improvement of health is also important in maintaining the capacity for work. Retraining programs are designed primarily to maintain the ability of persons to participate in the labor force in the face of rapid changes in jobs and required skills. In this age of sweeping innovation, the productivity of the labor force must be maintained by continuous retraining, education, and renewal of human skills and knowledge.

The utilization of manpower is the process of matching men and work in accordance with their level of development. Even under conditions of near full employment, the matching process is imperfect. For example, scientists and engineers may perform tasks which are beneath their knowledge and skills. Unemployment may persist in some localities while vacancies exist in others. Discrimination may favor certain groups in employment. Persons with high potential may not advance as rapidly in an enterprise as their capabilities would permit. Whether because of inadequate information, insufficient mobility discrimination, or lack of proper incentives, manpower may be and often is used inefficiently. Manpower policy, therefore is concerned with improving the utilization of human resources. It encompasses measures such as the provision of employment and placement services, efficient managerial practices, labor market information, counseling, encouragement of mobility, and the use of incentives to attract persons into useful and productive activities.

A comprehensive manpower policy would encompass all programs or activities directly related to the development, maintenance, and utilization of the labor force, and a cohesive manpower policy would call for a logical and consistent strategy to guide all activity along these lines. This would be a large order. It would require the coordination and integration of thousands of policymakers—private employers, local school boards, community action groups, State education, labor and welfare departments, a wide-ranging group of Federal Government agencies and institutions, as well as the Federal, State, and local governments as direct employers of manpower. In a pluralistic society characterized by decentralized decisionmaking, manpower policy is almost everybody's business.

To most people, the very idea of a comprehensive and cohesive manpower policy of any kind is confusing and disturbing. Manpower policy is viewed simply as a derivative of other policies. Some equate it with employment, and assume that if aggregate demand is sufficiently high, unemployment and hence the manpower problem will vanish, provided that some measures are taken to eliminate skill bottlenecks. Or, in order to promote economic progress, it may be necessary to find ways and means of making manpower more productive. This displacement of workers through automation raises the question of training and retraining. In order to wipe out poverty, it may be necessary to provide special kinds of education for disadvantaged persons in general and youth in particular. If it is important to step up scientific research, it follows that attention should be given to the production and better utilization of scientific and engineering personnel. There is thus a manpower dimension in most economic, social and political policies. But manpower, as such, is seldom the central focus of concern.

SOME CRITICAL PROBLEM AREAS

In looking ahead for the next decade, it is obvious that a manpower policy, if it evolves at all will be a sort of aggregated product of decisions and actions taken in a number of critical problem areas. Let me briefly identify six of them.

The first relates to aggregate demand. To what levels can unemployment be reduced by monetary and fiscal measures, without incuring skill bottlenecks which will generate inflationary forces? Is 3 or 4 percent a reasonable goal, or must we settle for about 5? And under varying assumptions what part of the job must be achieved by measures aimed at better development, maintenance, and utilization of manpower?

The second and most spectacular is automation. It is eliminating jobs and distorting skill requirements. As previously suggested, it is one of the major causes of the manpower revolution, and it will have a profound impact on education and training policies. Some people even predict that it will "liberate" a large proportion of the labor force from work. Fortunately, the period of excitement and alarm is coming to an end, as energies are devoted to more systematic study of the problem. But, answers need to be found for major questions: What industries are most likely, or least likely, to be affected by automation? What kinds of jobs are most likely to be eliminated? In what fields will automation actually create new employment opportunities? Will the expected expansion of the so-called "knowledge industries" provide as many new jobs as those eliminated in the automated industries? And what will be the respective "skill mixes" in such industries?

The third problem area is the expansion and improvement of general education. Today the economy seems to have an almost insatiable appetite for highly educated manpower—for scientists, engineers, teachers, doctors, managers, counselors, and a wide variety of technicians and subprofessional personnel. To some extent, the supply of such high-level manpower creates its own demand, as well as a demand for supporting personnel. At the other extreme, the economy is rejecting those with less than a good high school education. Many people argue, therefore, that in relation to the country's present and expected levels of economic and technological development, the labor force is underdeveloped. In other words, the gap between education and employability is widening because the education system fails to keep pace with changes in the world of work. What then are the appropriate remedies? Is a massive, across-the board increase in education necessary to adequately develop the Nation's manpower? Should free public education include post-high-school education, either in technical institutions or in colleges, for 2 or 3 years, so that 14 or 15 years of education is available to all at public expense? Or, should the expansion and improvement of education be more selective, giving priority, as J. Kenneth Galbraith suggests, to improving substandard schools in the poorest and most disadvantaged areas? Should more resources be devoted to identification of the gifted and education for excellence? What are the appropriate means of financing programs of expansion and improvement of education? And how will the required teaching personnel be developed?

Unlike most other industries, education becomes more labor intensive as it modernizes. Teacher-student ratios rise; new courses are added; remedial programs and counseling are expanded; and more time is allocated to research. In education, therefore, the critical problem will be the shortage of qualified persons rather than manpower surpluses. Thus, all programs for expansion and improvement of education have manpower implications, and most must be justified, in part at least, by manpower considerations.

A fourth problem area is the role of training and retraining. Almost all prescriptions for manpower problems contain training as the active ingredient. Congress has been liberal in providing funds for this purpose. In addition to the Manpower Development and Training Act, there is the sizable expansion of funds for vocational education. Training lies at the heart of the Economic Opportunity Act. There is, however, uncertainty about the relationship between general education, training, and employment. And there is confusion about how responsibility for training should be shared. In preparation of persons for various categories of occupations, what is the appropriate mix, and the relative opportunity costs of general education, vocational training, and on-the-job development? Should retraining programs be organized primarily for the unemployed, or should a retraining system be an integral part of in-service develop-

ment and maintenance of all employed working forces? To what extent should employing institutions, both public and private, be responsible for training and retraining? What incentives are appropriate to encourage private industry to assume a larger share of the burden of training and retraining? Under Manpower Development and Training Act and the Vocational Education Act, there are funds for research and experimentation with various kinds of training. But there is need also to examine the basic assumptions of the respective roles of general education, vocational training, and in-service development in preparing people for productive participation in the labor force.

A fifth problem area is mobility. There is general agreement that the labor force of the future must be more flexible and adaptable. But what kinds of mobility are required, and how can they be developed? The first is occupational. Within limits, many persons may have to change their occupations from time to time. The second is geographical. Most persons may have to live in several different places during their working lifetime. The third is internal, or movement within the establishment. This implies that persons must be prepared to move upward or sideways within the career pathways which an employing establishment (either public or private) may provide. And the fourth is intellectual. This requires an attitude of acceptance of change and a willingness to prepare for new kinds of employment. These questions then arise: Under what conditions is geographical mobility desirable, and how can it be encouraged? What are the respective roles of general education nad training in developing intellectual mobility? To what extent is continuous education and retraining necessary for occupational mobility? Under what circumstances should mobility be discouraged rather than encouraged? The state of knowledge in this field is quite undeveloped; there is a plethora of opinion, but as yet no solid information upon which to base policy.

A sixth critical area is "job creation" or "job tailoring" for the unskilled. Even under the most favorable conditions of aggregate demand, the problem of finding employment for certain kinds of unskilled labor is likely to persist. In 1960, nearly three-fifths of the adult population (25 years of age and older) had less than a high school education. It may be practically impossible to update the skills of most of today's poorly educated older workers. There will always be youngsters unable to complete high school. And there are mentally and physically handicapped persons who need work. The purpose of a job creation program would be to use disadvantaged groups, unlikely to be otherwise employed, for performance of useful and necessary work, unlikely to be otherwise performed. The types of work most frequently discussed include conservation and reforestation; rehabilitation of rundown buildings, streets and parks; services for private households such as building maintenance, gardening, and housecleaning; and assistants in hospitals, schools, and playgrounds.

Various community action groups, with the encouragement of the Office of Economic Opportunity, are embarking upon job creation programs, and aready serious questions have arisen: Can useful and important work be identified which might not otherwise be performed and which would be suitable for disadvantaged persons in combination with measures to increase their literacy and skills? In a "job creation" program, what should be the role of private employers, the employment service, local, State and Federal Governments, and private community organizations? Should private enterprise be subsidized to employ and train disadvantaged groups, and if so, what specific arrangements should be made? How can problems such as wage determination, property ownership, or finding the necessary cadre of skilled and supervisory personnel be handled? Is it desirable to place youngsters on jobs which are only temporary and which may be "blind alleys"? What combinations of education and work experience are most appropriate for different categories of disadvantaged persons?

A final problem area is the role of the employment service. This overburdened, understaffed, and widely maligned organization inevitably must play a key role in implementation of any kind of manpower policy. To be sure, it reaches through its placement, counseling and testing services only a small proportion of the labor force. Most employers prefer to hire directly than through the service. Private employment agencies have been vigorous if not unscrupulous in attacking it. Yet, the employment service is the primary source of information on local labor markets. It is burdened with handling problems which private enterprise is either unable or unwilling to tackle—employment of migratory farm workers, selection of trainees under MDTA, establishment of employment

centers for disadvantaged youth, job placement in connection with poverty programs, and many others. Schools and colleges expect the employment service to provide information about existing jobs and to make forecasts of future employment opportunities. In many cases, the service is expected not only to perform functions but to provide leadership for community action programs, to combat poverty, to attract new indsutry, or to eliminate discrimination in employment. Certainly, the employment service needs to be strengthened, but at the same time its central functions must be reexamined. These questions, in particular, are worthy of consideration: Is the primary mission of the service to make referrals and placements, or is it rather to facilitate the placement process by providing information, counseling, testing, and other services? What additional powers, if any, must be given the employment service to make it more effective as a collector, analyzer and distributor of labor market information? What changes in organization, staff, and financial support would be necessary to enable the service adequately to perform its principal functions as they might be redefined?

There are other important problem areas in the manpower field. In all, however, these are questions for which there are as yet few answers. There is thus little basis for a clear-cut policy in any of these areas.

Fortunately, however, a substantial amount of money and effort is now being poured into manpower research. Congress has been generous in providing funds for research on training under MDTA, as well as on all aspects of vocational education. Money is available for experimental and demonstration projects in the poverty field. There is a torrent of funds from many sources for research on various aspects of automation. Education at all levels is now being studied as never before. In the next 10 years, we are certain to have active manpower research, even if we are unable to construct an active manpower policy. This research is bound to extend the frontiers of knowledge and to suggest more definitive courses for action.

A COMMISSION TO BUILD A LONG-RANGE STRATEGY OF MANPOWER DEVELOPMENT

Research on particular problems in critical areas, will only develop policy in pieces. In order to have a comprehensive and cohesive manpower policy, the pieces must be fitted together. And this can be achieved only by unifying ideas. Therefore, some effort must be devoted to integrative thinking about manpower policy in addition to research on critical manpower problems. Here lies a real challenge.

I propose that provision be made to commission a small group of manpower planners to develop some unifying ideas in manpower policy. Starting from the premise that an active, comprehensive and cohesive policy of developing, maintaining, and utilizing human resources is an end in itself, this group should attempt to come forth with concepts for integrating our expanding knowledge about manpower into a logical and meaningful structure. Its terms of reference should not be limited to evolving a manpower policy for the Government; they should include as well an attempt to lay the foundations for a nationwide consensus on manpower policy. The group might be constituted as a Government-sponsored task force, a non-Government planning organization, or some other combination of public and private interests.

This manpower policy planning group should be composed of both "thinkers" and "doers." Its membership might include persons from the academic and research community, private enterprise, organized labor, as well as Government personnel. With the help of a small staff, it should operate as a task force rather than an advisory committee, and its members should devote considerable time not only to reviewing research in the manpower field, but to writing position papers as well. It should be a policy-oriented idea group, and it should be receptive to new thinking and new research findings as well as closely related to ongoing operations in the manpower field.

The formation of such a manpower policy planning group would indeed be considered a rather modest and unspectacular approach toward solution of such a mammoth problem. It might even escape notice for a few years. And perhaps because of this, this approach might in the end bring the greatest returns.

The manpower policy planning group could maintain close contact with agencies such as the Department of Labor, the Office of Economic Opportunity, the National Science Foundation, and the President's Committee on Manpower. It could explore systematically with industry and labor appropriate measures for

securing more responsible involvement of the private sector in manpower policy-making. And it could feed ideas to Congress.

This manpower planning group might perform several specific tasks. For example, it might first build a "model" of the labor force in 1975 setting forth manpower demand by major occupational categories, and making assumptions about the extent of automation and growth rates of the economy. For this model, it should construct targets for expansion and improvement of general education at all levels, and suggest a system of continuous education and training for all members of the working forces, in which employers, individuals, communities, as well as State and Federal Governments would share responsibility. It might provide for maximum flexibility of the labor force through a variety of mobility-promoting measures. It should attempt to identify a pool of unskilled jobs with bright futures for that proportion of the labor force expected to be disadvantaged, and invent a scheme for matching men and jobs based upon gatherable information and utilization of both private and public efforts to facilitate the process of placement and transfer. Finally, it should estimate the costs of all this in terms of GNP and availability of strategic manpower, and work out a plan for raising the necessary funds.

In more specific terms, I propose that some part of the research funds available under MDTA should be earmarked for research on fitting together the various pieces of manpower policy. In this way, we might make considerable progress toward the building of a long-range strategy of manpower development which would be both comprehensive and cohesive.

PREPARED STATEMENT OF SAR A. LEVITAN, THE W. E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

It is always an honor to testify before a congressional committee. I am particularly delighted to participate on this historic occasion of the first formal hearings on the Manpower Report.

The usual caveat concerning my remarks should be stated. The board of trustees of the W. E. Upjohn Institute for Employment Research accords its staff freedom to express individual views in the best academic tradition. The trustees and director of the institute should not be held responsible for the views expressed here.

The following testimony deals exclusively with the "Report on Manpower Requirements, Resources, Utilization, and Training" prepared by the U.S. Department of Labor. This is the third of a series of reports required under section 104 of the Manpower Development and Training Act. In this brief period the report has become a basic document in the field of manpower. Rarely has a Government document received such wide acceptability and recognition within such a brief span of time. It is indeed a tribute to the Office of Manpower, Automation, and Training and the other agencies within the Labor Department that they have succeeded in developing in barely 3 years such expertise and excellent reporting of manpower developments.

The report, of course, is not perfect. It tends to reflect the institutional interests of the Manpower Administration within the Department of Labor. Manpower problems are largely viewed in the limited context of the formal responsibilities of this office, for example, the report does not contain a single word about minimum wages, which happens to be within the jurisdiction of another part of the Labor Department.

The report also suffers from obvious constraints, being limited to a discussion of issues on which formal administration position have been stated. This is, of course, a necessary limitation of Government documents and cannot easily be corrected. But the scope of the report could be broadened by including issues which are not within the domain of the Manpower Administration.

I shall try to develop these points by responding to one of the 18 searching questions raised by the committee staff. The question referred to is No. 5 in the list and it reads as follows:

"What are the components of an active manpower policy? How many of them are presently being used in the United States?"

The question indicates that a manpower policy has many facets. I believe it involves at least the following eight components.

1. EQUAL AND ADEQUATE OPPORTUNITY FOR EDUCATION

Our society is justifiably proud of providing universal free education from grade school through high school and in many cases even through college. It has long been recognized, however, that many intellectually gifted high school graduates are unable to go on to college because of economic reasons. The report cites a study which found that 1 of every 4 1960 high school graduates who ranked in the top 30 percent did not enter college. We are now attempting to provide economic assistance to qualified high school students enabling them to continue with their college education. However, the report discusses only the work-study program of the Economic Opportunity Act and omits any mention of the National Defense Education Act loan program for students. Still, there is no reason to question the conclusion of the Manpower Report that "presently authorized programs fall short * * * of providing the financial assistance required to enable all needy young people of high ability to obtain a college education" (p. 113).

At the other end of the educational spectrum, we are becoming increasingly cognizant that formal education should not be delayed until the child reaches his sixth birthday. To paraphrase Talleyrand, the education of children may be too important to be entrusted to their mothers. This is no place to talk against motherhood, but many educational authorities have suggested the need of providing free education at the kindergarden and prekindergarden age. Such facilities are extremely limited and unavailable for the majority of children. This is particularly true for children in impoverished homes. The Office of Economic Opportunity is trying to correct in a very limited way this present void in child education. Project Head Start, aimed at preparing children from poor homes to enter school, will be a major undertaking of the Office of Economic Opportunity during the summer.

Similarly, with regard to primary and secondary education, we are also becoming increasingly aware that chlidren in poor, and slum neighborhoods do not get the same quality of education as chlidren from more prosperous areas. While we have legally rejected the evils of equal but separate facilities doctrine, inequalities persist, and they are by no means limited to Southern States. Again, the Education Act of 1965, the first Federal legislation to aid primary and secondary schools, is a major step toward improving the quality of education for children of impoverished families.

2. CONTINUING TRAINING AND RETRAINING

Early education and preparation for the world of work is, of course, essential, but frequently it is not adequate for a lifetime of work. Testimony on the accelerating obsolescence of skills has been presented before the Senate subcommittee in connection with its hearings on the manpower revolution. Opportunities must therefore be offered to retrain workers for new jobs as their skills become obsolescent, or as their unskilled jobs disappear.

The major portion of retraining is being performed by private industry. As the report points out, most large firms offer retraining opportunities. Private industry spends billions of dollars for the retraining of its employees; the exact amount is not known. Regrettably, private industry does a poor job in publicizing the vast contributions it makes in this area. But the responsibility for retraining of workers cannot be left to private industry alone. Congress has therefore enacted the MDTA in 1962 and broadened the scope of the original legislation twice. We lack any precise information about the extent to which retraining is necessary, but for public policy consideration this should not concern us too much at the present time; thus far, we have hardly scratched the surface. When MDTA was enacted, vocational education facilities were woefully inadequate and much still has to be done before we reach an adequate level of vocational training and retraining.

A definite shortcoming of training under the MDTA has been that it is largely limited to institutional training and little has been done with the more promising on-the-job training, which the report recognizes as being superior to institutional training and can be achieved at a lower cost to the Government. The report candidly recognizes the past failures of OJT and most of the reasons that have contributed to the slow development of this type of training. Promises are made that efforts to intensify OJT will be made in the future. However, the report fails to acknowledge at least one serious impediment to the expansion of OJT which is inherent within the Department of Labor. Its clientele consist

mostly of unions and labor, while a successful OJT program requires continuing contact with management. A study conducted by the W. E. Upjohn Institute for Employment Research in Erie, Pa., indicated that many employers are not familiar with the OJT provisions of MDTA and there is no evidence that adequate efforts have been made to acquaint these employers with Government subsidized OJT. An educational campaign to reach employers is essential for a successful OJT program.

The original MDTA required that training be limited to preparation for immediate employment. Early experience has shown that many unemployed workers lack rudimentary education and cannot be properly trained. Accordingly, the 1963 Amendments to the MDTA provided for a maximum of 20 weeks of training in basic education as preparation for training. The report does not indicate how effectively this amendment to MDTA is being implemented. However, a U.S. Department of Labor report published a few months prior to the Manpower Report recognized the difficulties of training the illiterate, and acknowledged that the congressional intent "could not be implemented in time to be fully reflected in the fiscal 1964 statistics." Whether MDTA training can be adapted to equip large numbers of those disadvantaged by lack of education to fill existing job vacancies in the future remains debatable. If the answer turns out to be in the negative, it would have serious policy implications to the antipoverty program. We would have to rely more upon income maintenance programs, rather than training, to provide for many of the poor.

3. THE PUBLIC EMPLOYMENT SERVICE

A viable public Employment Service is central to a manpower policy. We have had a public Employment Service since the enactment of the Wagner-Peyser Act in 1933. The system is federally financed, but operated by the States. There is a network of 1,900 local employment offices throughout the Nation.

Despite its 32 years of activity, the Employment Service has yet to develop an adequate system of operational statistics and this is amply reflected in the Manpower Report. At best, the reader can get only a hazy picture of the Employment Service operations from reading the report. The reader is told that the Employment Service made 6.3 million nonfarm placements during 1964, including 2 million placements of 3 days or less duration. But, no information is supplied about the duration of the other jobs, or the wage scales obtained by the workers placed, and very little is given about the characteristics of those placed. Similarly, we are told that the Service screened 760,000 persons and that 134,000 were referred for training. How did the selectees differ from those who were rejected? What were the criteria for selection?

Recent emphasis upon the needs of the poor and the uneducated in the labor force indicates that the Employment Service is inadequately geared to minister to the special needs of these groups. While the unskilled account for nearly 3 of every 10 placements, it is apparent that existing techniques are aimed at selecting the most qualified applicants. This is to be expected. The testing and counseling services of the public Employment Service are oriented to the needs of employers who naturally tend to seek the best qualified employees to fill existing job vacancies. It is, however, an established fact that many of the poor and unemployed have at best a limited education. In 1963, 44 percent of all families whose head had less than 8 years of education received an income below $3,000. If the public Employment Service is to provide more for the needs of the latter group, it will have to adopt new techniques to service the poorly educated. The report does announce that after 32 years of operations the Service has developed a nonverbal measure of learning ability. But it isn't clear whether much use has already been made of this new test.

While the report recognizes the inadequacy of the Employment Service in aiding the poor and those with a limited education, and promises the old college try to help these groups in the future, it fails to point out that to carry out this promise would require considerable additions to the resources of the Service. The reason for this omission is obvious; the administration budget request for the coming fiscal year does not contemplate any major expansion of the Service and it would be unrealistic and undesirable for the Employment Service to neglect its present services. A meauingful expansion of the Employment Service activities to minister to the needs of the poor and the poorly educated would require the recognition that these services would be costly and that the resources allocated to the Employment Service would have to be increased. Otherwise,

the expansion of special services to the poor will lead to the neglect of the Employment Service regular functions.

To expand the operations of the Employment Service along the above lines also indicates the desirability of changing the basis of funding the Service. At present, the public Employment Service is financed from a payroll tax. Prospective increased payroll taxes now pending before Congress, and the suggested expansion of Employment Service activities, raise doubts about the wisdom of continuing financing the Employment Service from a payroll tax. It would seem desirable and expedient, therefore, to finance the public Employment Service from general revenues rather than by the payroll tax.

4. UNEMPLOYMENT INSURANCE

Some forced idleness is inevitable in a free dynamic society. During the past 8 years we certainly have had more than our share of unemployment. Despite the recent welcome decline in unemployment, one can hardly disagree with the conclusion of the report that "Unemployment problems remain severe among many groups in the labor force" (p. 8). Provision must therefore be made for income maintenance of the unemployed during their period of idleness. The report is silent on this question. Whether this is due to the fact that the administration has not yet presented its expected program for overhauling the unemployment insurance system or whether the authors of the report considered this problem outside the scope of their responsibility is not known. Reasonable people may disagree about the role that unemployment insurance should play in providing income maintenance, but even a cursory examination of the present program would indicate serious gaps in our unemployment insurance system. About 15 million currently employed workers are not covered by this system, including more than 6 million workers engaged in domestic service, farm and agricultural processing, and those employed by small firms with 3 or less employees. These groups may need the protection of the system even more than the 43 million workers who are now covered. There are many technical and other reasons which have delayed the extension of unemployment insurance to these groups. An adequate manpower policy requires that unemployment insurance coverage should be extended to additional millions of workers.

5. DEPRESSED AREAS

The persistence of depressed areas even during periods of general prosperity and high employment points to a need for programs to rehabilitate the economy of such areas. In too many cases efforts at local self-help have not succeeded. A number of States have inaugurated programs to aid their depressed areas and 4 years ago the Federal Government embarked on a similar program.

The proponents of Federal aid to depressed areas have advanced persuasive justification for the program. Considerable social capital is invested in depressed communities and the deterioration of the economic base of a community involves abandonment and underutilization of available facilities with accompanying economic waste. Moreover, the report concludes that reliance upon outmigration as a solution to the problems of many of the unemployed in depressed areas is unrealistic. Outmigration tends further to deteriorate the economic base of depressed areas since it is highly selective and heavily concentrated among the "younger, better-educated workers—leaving unskilled and older workers stranded" (p. 147).

However, the report's evaluation of the Area Redevelopment Administration operations during the past 4 years leaves much to be desired. It repeats the official claims of the agency that ARA-backed jobs will eventually create 115,000 new jobs in depressed areas. A more careful study of ARA operations would make it difficult to substantiate these claims. There would be no point in dwelling on the validity of these statistics, but new legislation is now pending before Congress to extend the depressed area program. It is, therefore, important to examine objectively the accomplishments achieved under the present program and to appraise the weaknesses of the present legislation before the new law is enacted. This is not the proper place to evaluate the details of the newly proposed legislation. However, in discussing manpower policy, it is important to point out that the new legislation would continue to spread the resources allocated for the depressed area program too thinly and thus continue to dilute the Federal efforts to aid depressed areas. The need for an effective program to aid depressed areas is evident, but Congress would do well to modify the pending proposal and to limit the aid to truly depressed areas.

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6. TRIGGER MECHANISM RELATING EMPLOYMENT TO DEMAND

Economic recessions during post-World War II period have been relatively mild and of short duration. We are now experiencing the longest peacetime continued growth period in our history. However, we certainly cannot lay any claims on having completely eliminated business cycles. And the chances are that before too long we'll have to go through another recessionary period. Past experience has indicated that Congress may act too slowly to avert periods of economic decline. An effective manpower policy would therefore suggest a need for establishing a trigger mechanism which would relate employment to demand. As demand drops or fails to grow adequately and unemployment increases, provision should be made for immediate filling of the slack. This can be achieved through appropriate fiscal and monetary policy, public works, extended unemployment insurance, and other measures. President Kennedy tried to establish such a mechanism in 1962, but Congress chose instead a bird in the hand and enacted the Accelerated Public Works Act, leaving any action on measures pertaining to the next recession to the future. We can only hope that Congress will act in time when that comes.

7. WAGE POLICY

Wages and hours of work certainly have a direct impact upon employment and are important ingredients in a manpower policy. Whether we need guideposts for collective bargaining will remain unanswered here. However, an appropriate minimum wage policy assumes an increased significance in the present commitment to combat poverty. Congress has acted cautiously, and possibly wisely, in applying minimum wage legislation. At present only about half of the wage and salary workers in the United States are covered by the Fair Labor Standards Act. More than 10 million working people in the United States now receive less than $1.50 an hour and for millions of workers, including about 3 million family heads, the low wages are determinants of income throughout their lifetime.

As mentioned earlier, the report ignores the issue of minimum wages completely, though the Secretary of Labor, W. Willard Wirtz, has taken a strong position against importing foreign labor for work in agriculture. In this case the Secretary's position was that adjustments in the price structure for certain agricultural commodities would enable food growers to raise agricultural wages sufficiently to make jobs in agriculture attractive to American labor.

Existing minimum wage legislation has raised the income of millions of workers, but economists disagree as to the extent that minimum wages have tended to eliminate low-paying jobs. This raises the question whether positive Government action can be pursued more effectively to raise minimum wages and whether the protection of this legislation might be extended to millions of workers who are not now covered by minimum wage legislation.

8. ADMINISTRATIVE STRUCTURE

Aside from the substantive programs, there remains the problem of establishing the appropriate machinery to administer the manpower programs. In a Federal system the settling of appropriate responsibilities for specific programs at the different levels of government involve complex problems which are not easily resolved. Jurisdictional frictions among Federal, State and local authorities and within the Federal establishment have certainly been an impediment to the efficient operations of the diverse programs relating to manpower, particularly those which have been established within the last few years. Not surprisingly, the report fails to touch upon these thorny and sensitive problems.

Closely related to the problem of administration is the need to train personnel to administer the new programs. Until the enactment of the 1965 amendments to the Manpower Development and Training Act, it was apparently assumed that all that is needed is to fund programs and that personnel will be available to administer them. The 1965 amendments authorize the establishment of university manpower centers which would hopefully train personnel to administer the programs. This was a belated recognition that a policy to train manpower technicians is needed to administer manpower programs.

CONCLUSION

If the above listing of essential ingredients of a manpower policy are not too far off the mark, then it becomes evident that serious gaps still exist in programs to achieve a comprehensive manpower policy for the United States. However, significant measures have been enacted during the past 4 years to fill some of the gaps. It is also evident that the 1965 Department of Labor Report falls short of the congressional mandate which requires that it deal with the broad issues of "manpower requirements, resources, use and training."

PREPARED STATEMENT OF NATHANIEL GOLDFINGER, DIRECTOR OF RESEARCH, AFL–CIO

I appreciate this opportunity to participate in these hearings on the President's Manpower Report of 1965.

At the very outset, I would like to commend the members of the two subcommittees for holding these hearings. As you know, the AFL–CIO has urged that the President's Manpower Report be made the subject of hearings before an appropriate body of the Congress. It is my hope that hearings on future manpower reports will be held annually, because the subject matter covers a key area of social and economic developments and policies—an area that warrants systematic attention and review of trends, requirements, and policies.

The past year and one-half has been a welcome improvement in the unemployment situation. But the size of the improvement has been relatively small. And it has proceeded neither long enough nor deeply enough to bring us even close to full employment.

For experienced wage and salary workers and for married men—two groups whose unemployment situation has recently improved—the unemployment rates are still about 30 percent to 50 percent greater than in 1953, the most recent year of reasonably full employment. For Negroes and teenagers—two groups that are extremely vulnerable to the impact of unemployment and labor displacement—present unemployment rates are about double those of 1953.

Despite the improvement of the past year and one-half, the basic problem still remains. With the spread of the technological revolution, with the installations of a large volume of new plant and equipment and with the sharply accelerating growth of the labor force—with these developments, the persistent high rate of joblessness, more than 4 years after the low point of the most recent recession, remains dangerous. Yet most economic forecasts predict a slowing pace of increase in sales and output in the latter part of this year, which could halt or possibly reverse even this recent, slow improvement of the unemployment situation.

The Government's manpower policy, therefore, must place primary focus on policies and programs to reduce unemployment and to achieve full employment as rapidly as possible.

I am sure that some participants in these hearings will place their major or overwhelming emphasis on education, vocational training and retraining, manpower relocation, and an improved public employment service—necessary and worthy objectives, all. But they create few jobs. And, in themselves, they can do only little to reduce the present level of unemployment, unless they are accompanied by major job-creating efforts.

In the past 4 years, as a nation, we have begun to make significant headway in improving individual opportunities to compete in the job market and in improving the functioning of the job market. The adoption of the Manpower Development and Training Act was one such advance; the Vocational Training Act and the Economic Opportunity Act were others. The Civil Rights Act of last year and the Education Act of this year are landmarks of great, although much-belated, achievements in improving individual opportunities. But unless jobs become available in increased numbers, the improved opportunities will lack fulfillment and the social tensions of unemployment will grow.

Neither the demands of Negroes for jobs at decent wages, nor the like demands of the growing tide of young people entering the job market—nor those of the other unemployed and underemployed—can be met without a substantial and sustained increase of job opportunities. This is still the key manpower problem. It remains the major unmet manpower policy requirement.

Although last year was a period of increased job opportunities, employment in several key areas of the economy was still substantially below 1953.

Between 1953 and 1964, farm employment dropped 1.8 million. While hundreds of thousands of farmers and their families left the rural areas for the towns and cities, employment dropped in most major nonfarm activities that had previously provided employment for immigrants from foreign lands and for earlier groups of farmers who sought their futures in urban areas.

In that same 11-year period, 1953–64, the number of factory production and maintenance jobs fell 1.3 million; the number of railroad jobs declined over 500,000; and the number of people employed in mining dropped more than 200,000. In the rapidly expanding telephone industry, employment in 1964 was about the same as in 1953. And in the similarly expanding electric and gas utilities, the total number of jobs rose only 30,000. Despite great increases in the volume of construction, the number of construction jobs rose about 400,000 between 1953 and 1956 and merely 100,000 since then.

While employment in these major categories dropped or remained relatively stable during most of these recent years—while the labor force grew more than 10 million—employment in several other categories increased. But the job growth that occurred was not great enough and much of the employment increase was in part-time work at low wages.

The 3.2 million increase in Government employment—State and local governments, particularly in education—provided jobs for entrants into the labor force, but very few job opportunities for displaced farmers, factory workers, miners, and railroad workers. In finance, employment increased 400,000—mostly clerical and sales, with little benefit for workers displaced from other parts of the economy. In the services and in wholesale and retail trade, the number of jobs increased 2.6 million and 2 million respectively, but a significant part of this increase was low-wage, part-time work.

Obviously, in 1953–64, the economy did not provide enough job opportunities for a growing labor force in a period of job-displacing and materials-saving technological revolution. In the period ahead, the situation will be even more difficult as the technological revolution continues to spread and the number of youngsters, entering the labor force shoots up.

Let us examine the size of the problem.

Last year, there were 3.9 million unemployed. In addition, 2.5 million people were compelled to work part time because full-time jobs were not available. Moreover, an additional 1 million or more people were without jobs, but not counted as unemployed, because they had given up the job search, since jobs in their communities were so hard to find.

In addition to the need to substantially reduce this level of unemployment and underemployment, there is the simultaneous need to provide jobs for the rapidly growing labor force and to offset the job-displacing impact of improving productive efficiency. With the labor force growing about 1½ million a year in the coming years, according to the President's Manpower Report—sharply up from about 1 million to 1.2 million per year in the past several years—the Nation's employment problem is being compounded.

To reduce the present level of unemployment and underemployment to a 3 percent jobless rate by 1969—certainly, ample time to achieve the employment objective—it would require an increase of about 1.9 million new jobs a year between 1964 and 1969. Achievement of a 4-percent unemployment rate—the administration's interim goal—by 1969, would require the addition of approximately 1.7 million new jobs each year in the 5 years, 1964–69.

We can get an idea of the size of this task, when we realize that except for 1955 and 1959—as the economy bounced up from recessions—there were only 2 years, since 1953, when the employment gains were anywhere as great as the number needed in 1964–69. In 1956, the employment increase was 1.8 million and in 1964, it was 1.6 million.

To achieve yearly employment increases of about 1.9 million a year between 1964 and 1969, the real volume of total national production would have to grow about 5½ percent annually—to offset the job-displacing impact of rising productivity, as well as the creation of the needed number of new jobs for the growing labor force. Even if the target were set lower—about 1.7 million new jobs each year—the real gross national product would have to grow approximately 5.2 percent a year between 1964 and 1969.

In round figures, therefore, an economic growth rate of about 5 percent to 5½ percent—or close to such growth rates—is required between 1964 and 1969 to reduce unemployment to the administration's interim goal of a 4-percent jobless rate or the Manpower Report's full employment target of a 3-percent unemployment rate.

These conclusions are roughly similar to those of last year's report of the Senate subcommittee, headed by Senator Clark. Such projection of job and economic growth requirements should be presented in the Manpower Report, as well as the Economic Report—along with needed policies.

Unless we can achieve economic growth rates reasonably close to 5 to 5½ percent a year in the next several years, the economy will remain with significant job shortages and an unsatisfactory level of unemployment. Should the actual rate of economic growth prove to be substantially lower than required, joblessness will increase and social tensions will mount.

The size of the task of substantially reducing unemployment can be seen in clearer focus when we realize that the real volume of total national production rose 4.6 percent in 1964—a relatively rapid rate by comparision with the experience of recent years.

How can we sustain a rate of economic growth of about 5 to 5½ percent a year in the next several years? I am convinced that such sustained rate of economic growth is possible, if we adopt the needed job-creating programs. Moreover, to the extent that we fail to adopt such expansionary, job-creating policies, we can and should reduce working hours rapidly enough to achieve and sustain full employment.

The No. 1 goal of the Nation's economic policy should be full employment—which I define as an unemployment rate of about 2 percent to 3 percent of the labor force, with unemployment due to such temporary causes as seasonal changes, people moving from one job or from one part of the country to another and the temporary joblessness of new entrants into the labor force.

However, I doubt that we can achieve a growth rate of about 5 to 5½ percent for 5 successive years and I doubt that we can sustain full employment without significant changes in economic policies. It is doubtful that we can sustain the needed rate of economic growth or reduce unemployment to a minimum unless we change the GNP mix.

What is needed is an emphasis on economic activities that utilize large volumes of materials and that create large numbers of jobs, particularly unskilled and semiskilled employment opportunities—to offset the labor displacing and materials-saving impact of the technological revolution in this period of accelerating labor force growth.

In the past, when the need was not so great as it is at present, the development of public utilities and urban transit provided such an emphasis in the early 1900's; the development of the auto and radio industries in the 1920's; and the surge of business investment, consumer buying and home building in the early postwar years. Today, in the absence of vast new job-creation and materials-utilizing private industries, increased public construction offers an important and essential potential for reducing unemployment substantially and for sustaining rapid economic growth.

The U.S. Department of Labor's studies of the manpower requirements of public construction indicate that $10,000 of such public investment directly creates about 2,000 man-hours of work or one job. That translates into 100,000 jobs per $1 billion of public investment.

Moreover, the Labor Department's studies indicate that such direct job creation is approximately 40 percent on the construction site and 60 percent off the site. The jobs on the site include employment opportunities for unskilled and semiskilled workers, as well as skilled craftsmen. The off-site jobs—in the production, distribution, and maintenance of building materials and equipment—provide job opportunities for workers of all skill levels in manufacturing, transportation, wholesale trade, and the services. An investment of $1 billion in public construction, therefore, directly creates 40,000 on-site jobs and about 60,000 jobs off the site—including substantial numbers of unskilled and semiskilled job opportunities.

In addition, as these workers and business firms, spend their earnings, the economic impact spreads and multiplies. Indirectly, the $1 billion of public construction investment creates an additional 50,000 to 100,000 jobs. The total direct and indirect job creation of $1 billion of such public investment is about 150,000 to 200,000 jobs.

Here is an effective and prudent way of stimulating the economy and creating job opportunities—providing an offset to the impact of the technological revolution and a substantial economic impact per dollar cost to the Government. Moreover, such investment is needed in its own right—to meet the need of an increasingly urban population for improved public services.

The major route toward job creation and rapid achievement of full employment—obviously not the sole remedy, by any means—is increased Federal investment in meeting the needs of a growing population for urban renewal, mass transit, low-cost public housing, education and health facilities, community facilities, natural resource conservation and development.

Another aspect of manpower policy that is often ignored is the need to extend the coverage of the Fair Labor Standards Act to millions of low-wage jobs that are now outside the law's protection and the simultaneous need to raise the Federal minimum wage above $1.25 an hour—to improve the attractiveness of the lowest wage jobs by bringing them more into line with average wages and salaries paid in the American economy in 1965.

Such improvements in Fair Labor Standards Act would also have a generally stimulating effect on the economy and on job creation. The low-wage workers, benefited by such improvements, spend all or nearly all of their earnings. Wage increases for them would be quickly spent for consumer goods—lifting the demand for goods, services, and jobs.

To the extent that we fail to adopt sufficiently expansionary, job-creating policies and measures, it will be necessary to spread job opportunities by rapidly reducing hours of work The reduction of working hours has slowed down in the past 25 years. In the face of the persistent unemployment problem—and the accelerating growth of the labor force—a faster pace of reducing hours of work is needed.

Above all, the top-priority need of an active, national manpower policy should be an effective commitment to full employment. We still have a long way to go in living up to such commitment, despite the improvements in manpower policy of the past 4 years. America's primary manpower requirement is still jobs—employment opportunities, at decent wages, for all people who are willing and able to work.

Mr. O'HARA. Senator Clark, would you care to extend a welcome from the greatest deliberative body in the world?

Senator CLARK. Thank you, Congressman O'Hara. Only to say it is a real pleasure to welcome old friends down here to tell you that so far as I have been able to read your prepared statements, I think they make a very real contribution to this complex problem and I hope that our seminar type of discussion this morning will result in our picking your brains more effectively than we can do it by the written word.

Mr. O'HARA. If this procedure is agreeable to the witnesses, I suggest that perhaps they could make brief statements emphasizing the points in their prepared statements which they feel they would most like to place before the committee. Following these brief statements, that Senator Clark and I and any others, who might in the meantime make their presence known could begin the learning process in the Socratic fashion by asking a lot of questions.

So, Dr. Ginzberg, your name appears first on my list. I wonder if you would care to lead off.

STATEMENT OF DR. ELI GINZBERG, DIRECTOR, CONSERVATION OF HUMAN RESOURCES PROJECT, COLUMBIA UNIVERSITY

Dr. GINZBERG. There are six points of analysis and six points of policy in my statement that I want to stress.

The first is that I do not expect the unemployment rate to go down significantly from where it is now if the present situation is maintained; if the forces currently operating continue. In fact, I would say that the chances that the unemployment rate could reverse itself and go up some tenths of a percentage point are just as likely. I say this because we have been having a very long and sustained boom and I am a sufficiently old-fashioned economist to believe that it does not have to go on forever.

In this connection I do not think that we can move very much further with fiscal and monetary policy without running into inflationary and balance-of-payment troubles.

I think the unemployment rate does not adequately reflect the manpower potential. The figures do not pick up certain groups that are interested, willing, and able to work. The most conspicuous of these are the significant number of Negroes who have fallen out of the labor force, as the Manpower Report of the President indicates; the large number of youngsters kept in school or just out of school who are not yet counted in the labor force. Some of the older people who are retired are still able to work but cannot find a job. There are a fair number of married women who want to work and there are many uncounted unemployed in the farm regions. If you add all those people up, our underutilization of the Nation's manpower is significantly higher than the unemployment figure indicates.

The third point is the impact of technological change on the manpower scene. Automation hit agriculture first, then mining, and manufacturing. The service industry, which still uses many people, has been maintaining the employment level for a long time by expanding very rapidly.

With regard to the new computer utilization, without being too bearish, I see a possibility that the new technology in the white-collar area will at least slow up the rate of gains in that area, which would intensify the employment problem. I do not expect white-collar employment to keep climbing quite the way it has climbed in the past.

Fourthly, I think we have underestimated the extent in this country to which the defense program and defense-related activities have lent tremendous support in the past two decades and a half for the maintenance of a high level of employment. If we begin to level off and we hope that one of these days there may even be some decline in that part of our budget, I do not think that the adjustments that will follow will be automatic. There is some evidence of spotty troubles in placing highly trained people even at this moment out on the west coast. And the defense figures do not really indicate any significant decline as yet.

The next point refers to the mobility. People who left the farms are two generations behind in terms of their education and training than those in an urban community like Chicago, New York, San Francisco. Farmers do not fit into a modern urban technology with care and we cannot just assume that they will be automatically fitted in.

The gap between the background of these people, and the society in which they have come to live is much greater, from many points of view, than that facing the immigrants who came over at the turn of the century.

Finally, if my caution about the economy's ability to maintain this very high level of employment is justified, there may be one fortunate sequela. In good times such as we have been having, industry carries a lot of extra people; they only shake them out if profits go down.

This happened in 1958–59 in the petroleum industry. Profits dropped in the oil companies and a lot of employees were released. I think we have to realize that there is a kind of protection of employment in a period of high profits such as we are now having.

If you add up those six points, the present scene may seem potentially much less encouraging than it would look if you just looked at the figures which are very good.

I have not mentioned other factors such as the number of young people coming into the labor market, all of which leads one to be much more cautious about the implications of the present situation than the very good gains in employment of the past year might indicate.

Now I want to come to six policy considerations.

The training efforts which the Congress has been supporting since the ARA of 1961 and the MDTA; the improvement in vocational education, and the OEO and so on, are all desirable. They ought to shake down one of these days and we ought to learn what is really good and bad and indifferent about them. But it will take a while. In any case, I do not think you can cope with the employment problem solely through training, which should be considered simply an assist. I want to move from an understanding of the fact that training is a constructive but limited instrument to raising a fundamental proposition with you. That is, whether we may be entering a stage in the development of our economy in which there will be groups of marginal people who will never be effectively employed in terms of minimum wage structures and other standards of employment in the private economy. They simply are not going to be fitted in as regular workers. I suspect that that may be true although I cannot prove it. Nevertheless, we ought to begin at least to think about the question of creating sheltered employment opportunities for people who may only be 50, 60, or 70 percent effective, and make appropriate adjustments.

I do not like this. I wish it were not true, and I hope that I will be proved wrong. But we must consider it.

There is some considerable evidence in Western Europe, with an even earlier stage of technological development, that they see some of these necessities.

This suggests a consideration of whether the Employment Act of 1946 may soon need, in addition to the training dimension which the Congress has been very responsive to, an employment dimension which will involve more serious experimentation with the opening up of employment opportunities for marginal workers.

The third point——

Mr. PUCINSKI. Would you yield on that point?

Dr. GINZBERG. Yes, sir.

Mr. PUCINSKI. Would you think, then, that perhaps the Labor Department ought to start preparing greater figures in depth showing the extent of the problem? Right now basically we get the employed and the unemployed.

Do you think that the third dimension ought to be added, the temporarily or functionally unemployable, then an analysis of why in their present state they are unemployable, to pinpoint the problem that you are discussing here?

Dr. GINZBERG. I would say, Mr. Pucinski, that the important statistical data are in these shadowy areas between employment and unemployment.

We need to know much more about the people who are on the periphery of the labor force, the people who drop out, the people who come back in; these very sizable swing groups. We surely want to

know more about those Negroes between ages 25 and 55 who dropped out of the labor force. Who are they? How are they living? We do not know much about them.

Next point. The Congress passed a lot of welfare legislation in the late thirties and has amended it since. Now, I think we need to re-evaluate the whole welfare structure, which provides income for people who are not working, in relationship to the work-incentive problem and the wage structure.

It seems wrong to have a welfare structure built up and elaborated, and an approach to employment and wages elaborated separately. There are sufficient problems here, very complicated ones, that ought to be looked at together from the point of view of whether we are encouraging or discouraging people to continue to work, and under what conditions.

Fourthly, I have been a long-term protagonist in favor of making overtime more expensive. I do not expect that shorter hours alone will significantly affect the unemployment figures. But in a dynamic economy such as ours it simply complicates the problems of balancing demand and supply if we do not continue to reduce the workweek.

You might think about it backwards; had we not been reducing hours, we would today be in real bad trouble.

There is also a creative aspect to reducing hours. More leisure time will create employment opportunities in the recreational, educational area, so that there would be a double advantage.

Shorter hours would open up potential demand which otherwise would not exist.

Next point, we need new kinds of enterprise structures which involve both the private and the public sectors. For example, a group of businessmen in my neighborhood decided that the New York, New Haven & Hartford Railroad cannot continue to operate alone, and have asked for Government help. We need more imagination about new kinds of enterprise structures which involve cooperation between different kinds of governmental units—State, Federal, and local—and the private sector. We have had one example of that in the Comsat operation, but we need many more, because, as we get the new enterprise structures, we will get more employment.

The final point is that we now have a large number of federally supported programs for training, education, and so on. I would not like to see them run as loosely as some of them are —with no minima. Wherever the Federal Government provides money for the States, certain minimum conditions should be established because, otherwise, I am frightened that the people at the local level who need much help may not get it, or get only a little. There does not seem to be any interference with States' rights here, where the Federal budget is involved and Federal financing is involved, I see no reason why the Federal Government should not state minimum conditions as to who gets what, and who does not get what.

The States can administer these programs, but it should be done in accordance with Federal criteria.

I do not have any easy answer to how we push the numbers of unemployed down; I do not think there are any single answers. I have never believed that monetary and fiscal policy could do it alone,

although such policy is a necessary instrument. This is an ongoing process of adapting our total institutional fabric to changing problems.

Mr. O'HARA. Thank you very much, Doctor.

Mr. Goldfinger, in alphabetical order, it seems that you are next.

STATEMENT OF NATHANIEL GOLDFINGER, DIRECTOR, RESEARCH DEPARTMENT, AFL–CIO

Mr. GOLDFINGER. Thank you, Congressman O'Hara.

I also seem to have, I think, six major points, or at least, while Professor Ginzberg was speaking, maybe I caught the bug of the number six and outlined what seems to be six points.

First, despite the employment improvements of the past year and a half we still have the basic problem, and that is the problem of relatively high levels of unemployment continuing. And if you look at the breakdown of this condition some people point to the reduced unemployment rates among married men, for example, and experienced wage and salary workers; however, when I compare this with 1953, which was the most recent year of reasonably full employment, I find that the unemployment rates among those two groups are still about 30 percent to 50 percent above 1953; and for Negroes and teenagers, two groups that are vulnerable to displacement and job shortages, the unemployment rates at present are about double those of 1953.

The basic problem still remains, and furthermore, most economic forecasts predict a slowing pace of increase in demand in the latter part of this year.

Now, if we get that kind of slowdown in the pace of rising demand later this year, we could well either halt or even reverse the recent slow improvement of the unemployment situation. And if, furthermore, we should get into some kind of recessionary decline, it is my feeling, as it is apparently of Professor Ginzberg, that we would get a considerable shake out of employment as we did during the 1958 recession, because this time, as in 1955, 1956, and 1957, we are getting quite a buildup of business investment in the latest and most modern plant and equipment, which could have, and probably will have, a significant shake-out effect on employment, particularly production and maintenance employment if and when the rise in sales and output slows down.

Secondly, my second point is that in the past 4 years we have begun to make a good deal of headway in improving individual opportunities to compete in the labor market and in improving the functioning of the job market.

Examples of such improvements are the work of your two committees—the adoption of thet Manpower Development and Training Act, the Vocational Training Act, the Economic Opportunity Act. These were great improvements in helping to prepare individuals to compete in a better fashion within the job market.

The Civil Rights Act of last year and the Education Act of this year are tremendous landmarks along the same lines of improving individual opportunities. However, the improvement of individual opportunities to compete in the job market and the improvements in

the functioning of the job market are not sufficient because in themselves they create very few jobs and unless we get an increase, a substantial and sustained increase, of job creation, the improved opportunities for individuals will lack fulfillment and, in fact, could well lead to frustrations and increased social tensions as unemployment grows.

The demands of the unemployed for jobs, the demands of Negroes for jobs, and of young pepole for jobs, these demands cannot be met without the substantial or sustained increase of job opportunities.

Now, third, as we look at what has happened to employment in recent years, we find that between 1953 and 1964, despite the fact that 1964 was a year of improvement employment, between 1953 and 1964 we have had a substantial decline in most major economic activities that had previously provided employment for immigrants from foreign lands. We had a drop in farm employment at the same time, a substantial drop in farm employment, so that people left the rural areas and the farms, coming into the cities and towns looking for work. The traditional forms of work that previously had adjusted such groups of people and had provided employment for immigrants, those areas of economic activity provided dwindling job opportunities. There was a drop in agricultural employment, a substantial drop in production and maintenance employment in factories, a substantial drop in mining and railroad employment. Even when you look at the telephone industry you find relative stability in employment in this period of time. Public utilities, electric, and gas, also relatively stable in employment, and despite the great increase in the volume of construction, the number of construction jobs rose significantly between 1953 and 1956, and since then a very small increase of only about 100,000.

The areas of job increase in this time centered around State and local government employment which provided job opportunities for entrants into the labor force, but not many job opportunities for displaced farmers and displaced industrial and commercial workers.

The problem is really one of job creation. We had an increase in the labor force of over 10 million in this period of time; substantial declines in key traditional forms of economic activity, and insufficient employment increases in the other areas of the economy. Furthermore, in the services and in wholesale and retail trade, where employment did increase, frequently the increased number of jobs involved low wages and often part-time work.

Fourth, when we look at the size of the problem that we face, and I have tried to go into this in some detail in my paper and I am merely summarizing here, what we find is that if we set a goal of 5 years between 1964 and 1969, certainly ample time to reduce unemployment substantially, if we attempt to get to a 3 percent unemployment rate by 1969, or the administration's unsatisfactory interim target of a 4-percent unemployment rate, we find that we would need increases in employment each year of about 1.7 million a year to get to a 4-percent unemployment rate by 1969, or 1.9 million a year to get to a 3-percent unemployment rate by 1969.

When we look at the experience of recent years, we find that except when we bounded back from recessions, we have only had 2 years where employment increased anywhere close to that number, in 1956, when

it increased 1.8 million, and in 1964, when it increased 1.6 million. We have a serious problem ahead in terms of the spread of the technological revolution and in terms of the sharply accelerating growth of the labor force.

In order to achieve the goal, we would need a sustained increase of real gross national product of something like 5.2 percent a year to reduce unemployment to a 4-percent level by 1969, and about a 5½-percent increase of real gross national product per year to get to a 3-percent unemployment level by 1969.

How can we get or achieve these kinds of goals and these kinds of targets? I do not think that we can do this simply on the basis of relying on the traditional Keynesian aggregate policy. We have to change the GNP mix, we have to change the mix of demand both for goods and for labor, and I think that the way to do this is provided in the area of public construction. In the past, when things were considerably easier than they are now, we did have large increases in employment and in investment and in the employment of unskilled and semiskilled workers. In the early 1900's, with development of the public utilities and the urban transit systems, and in the 1920's with the development of the auto and radio industries, and in the early postwar years with the surge of consumer durable goods and home building and business investment.

Today, we do not have these kinds of vast new job-creating and materials-utilizing industries. I think we have to place increased emphasis on public construction.

The Labor Department has made studies of manpower requirements in public construction and indicates the large-scale employment increase both on the site and off the site. For a $1 billion expenditure in public construction, according to these studies, we directly create about 40,000 on-site jobs, including unskilled and semiskilled jobs as well as employment opportunities for skilled craftsmen, and about 60,000 jobs off the site, in manufacturing, transportation, the services, in producing and distributing building materials.

Of course, there is a multiplier effect which could as much as double that employment increase so that the total direct and indirect job creation of a billion dollars of such public investment, I think, is about 150,000 to 200,000 jobs. I would suggest that not only is this an important way of beginning to meet the essential needs for job creation; it also could begin to meet the urgent needs of a growing and increasingly urban population for public services, for urban renewal, for mass transit, low-cost public housing, community facilities, natural resource conservation and development, and certainly education and health facilities.

I think we can meet both of those needs simultaneously and begin to reduce the unemployment rate. And also get at some of the problems that Professor Ginzberg was indicating because I am not convinced that there is any sizable number of unemployables in the labor market today; the problem is one of job creation and of creating the kinds of job opportunities in areas where there are urgent needs.

Now, sixth, in addition to the emphasis on public investment, I would suggest that we also have to look at the minimum wage, at the Fair Labor Standards Act, and extend the law's protection to millions of low-wage jobs that are now outside of the law's protection and

simultaneously to increase the minimum wage above $1.25 an hour—to improve the attractiveness of the lowest wage jobs in the economy, and bring them more into line with average wages and salaries paid in the economy in 1965.

Furthermore, in the past 25 years we have had a considerable slowdown in the pace of reducing hours of work and I would say that in the face of the persistent unemployment problem, this is an area in which we have to move—to step up the pace of reducing working hours. To the extent that we fail to adopt sufficiently expansionary job creating policies and measures, it will be necessary, and I would suggest urgently necessary, to spread job opportunities by very rapidly reducing hours of work.

Furthermore, in the area of overtime, there also is a way of spreading job opportunities, I would certainly agree with Professor Ginzberg that it is time to make the scheduling the overtime more costly in order to discourage employers from scheduling such overtime work and to encourage the hiring of additional workers.

Finally, above all, I would stress that the key area of manpower policy which is underplayed in the Manpower Report of 1965 and which remains the key unanswered area of manpower policy, is the need, the urgent need, to move as rapidly as possible to full employment. Thank you.

Mr. O'HARA. Professor Harbison.

STATEMENT OF PROF. FREDERICK H. HARBISON, DEPARTMENT OF INDUSTRIAL RELATIONS, PRINCETON UNIVERSITY

Professor HARBISON. Thank you, Congressman O'Hara.

I would like to say at the outset that I strongly support the idea of the Manpower Report of the President, and I note with considerable enthusiasm the great improvement of the 1965 Report over the previous reports.

In particular, I think there appears to be more participation by agencies and departments other than the Department of Labor in the preparation of the 1965 Report; it is more, I think, of a comprehensive, consolidated statement, if I can use that term, on the Nation's manpower problem than we have had before.

I would like to state, however, that I think we are a long way away from the kind of perspective on our total manpower situation which would provide for us any general cohesive strategy for manpower policy in the United States.

I would like to mention just six or seven critical problem areas. The other speakers here have already indicated some of the measures which might be taken in these problem areas.

Then I should like to conclude, not with six recommendations, but with one.

I think the first problem area relates to this matter of aggregate demand and the extent to which we can reduce unemployment by measures designed to increase aggregate demand.

I think a good deal of work is being done in this field, research funds are available, we should know more about this in the future.

The second, and perhaps more spectacular, critical problem area is that of automation. The country today, I think, is excited about auto-

mation; the Congress has provided for the establishment of an automation commission to study this particular problem.

I believe that a great deal of funds are going into research on automation; I am worried that automation is going to be studied as automation without perhaps too much reference to the context within which it fits.

A third basic problem area, critical problem area, in manpower development, as we know, is that of the expansion and improvement of general education. Here again this year and in the past year, we are taking giant strides to improve our educational system—both the elementary, secondary, higher levels, and also vocational education. This indeed is a very important step forward and I note with pleasure that funds are being made available to provide more inquiry and research in education so that we will know where we are going.

I would like as a fourth point of analysis to raise a critical area the role of training and retraining in the development of manpower.

Almost all prescriptions for curing manpower problems today contain training as the active ingredient. Congress, I think, has been quite liberal in providing funds for this purpose. In addition to MDTA, there is a sizable expansion of funds for vocational education, training also lies at the heart of the Economic Opportunity Act, but I think there is a great deal of uncertainty about the relationship between general education and its development, formal training, and employment.

And there is a great deal of confusion today about where training responsibilities should be placed and how the responsibility for it should be shared.

For example, in the preparation of persons for various categories of occupations, what is the appropriate mix and the relative opportunity cost of general education, vocational training, and on-the-job development?

Should retraining programs be organized primarily for the unemployed or should a retraining system be an integral part of in-service development and maintenance of all of the working forces?

And to what extent should the employing institutions—and I include in this Government agencies as well as private institutions as employers—be responsible for training and retraining?

And what incentives are appropriate to encourage private industry to assume a large share of the burden of training and retraining?

Both under the Manpower Development and Training Act and the Vocational Education Act there are funds for research and experimentation with various kinds of training, but there is need, also, I think, to examine the basic assumption of the respective roles of general education, vocational training, in-service development, and the proper relationships between them.

A fifth problem area is that of mobility, the extent to which additional mobility is needed or not needed in the development of the labor force.

And a sixth problem area is that of job creation or job tailoring for the unskilled; I have something about that in my paper but since Professor Ginzberg and Nat Goldfinger have already touched on that I will not elaborate on it.

Finally, I think we have a real problem area in thinking through the future role of the U.S. Employment Service.

Is it primarily to be a placement agency or is the employment service to be primarily an agency to facilitate the employment process, to provide information necessary for the effective operation of the labor market, and so forth?

Now, as I indicated, I think that we have made a great deal of progress in providing funds for research and inquiry into these and many other areas where there are critical problems, but the result is that we are developing manpower policy in pieces. We are not making a great deal of progress toward what I would like to see, namely, the development of a strategy, an integrated and cohesive strategy for the building of a comprehensive policy of manpower development in the long run.

So I would like to conclude with one I think rather modest suggestion, and I would like to propose the desirability of the appointment of a commission to develop some unifying ideas taking a look at all of the pieces of the manpower problem and putting them together. I think a real challenge lies in the work for such a commission. More specifically, I would propose the commission be a small group of manpower planners charged with the responsibility of developing unifying ideas in manpower policy and starting from the premise that an active, comprehensive, and cohesive policy of developing, maintaining, and utilizing human resources is and end in itself.

This might then attempt to come forth with concepts of integrating our expanding knowledge about manpower into a logical and meaningful structure.

This group, I think, might be constituted as a Government-sponsored task force or a non-Government planning organization or some other combination, perferably of both public and private interests.

I think that the manpower policy planning group might be composed of both the so-called thinkers and so-called doers; its membership might include persons from the academic and research industry, private enterprise, from organized labor, as well as Government personnel, and with the help of a small staff this group should operate as a task force rather than as an advisory committee; its members should devote, I would think, considerable time not only to reviewing research in the manpower field, but to writing interim papers as well, particularly focusing attention on the longer run strategy problems in the manpower field.

The manpower policy group, of course, should maintain close contact with agencies in the Government such as the Department of Labor, the Office of Economic Opportunity, the National Science Foundation, the President's Committee on Manpower, and other agencies that have a stake or a part to play in the manpower development process.

Just as an example of some of the specific tasks that might be given to this group, it might build a so-called model of the labor force in 1975 setting forth manpower demand by major occupational categories and making assumptions about the extent of automation and growth rates of the economy.

For this model, it might construct targets for expansion and improvement of general education at all levels and suggest a system

of continuous education and training for all members of the working force in which employers, individuals, communities, as well as States and Federal Government agencies would share responsibility.

It should also integrate with the problem of technical and scientific manpower. It might attempt to designate a pool of unskilled jobs with bright futures for that proportion of the labor force that we expect to be disadvantaged, and perhaps invent a scheme for matching men and jobs based upon gathering information and utilization of both public and private efforts to facilitate the process of placement and transfer.

Finally, it might estimate the cost of such cohesive strategy of manpower development in terms of GNP and the availability of strategic manpower and work out a suggested program for raising the necessary funds.

Therefore, Mr. Congressman, in conclusion, more specifically, I propose that some part of the research policy now being made available under these various acts, educational extension, vocational education, MDTA, and, indeed, a small part of these funds, be earmarked for research in the process of fitting together the various pieces of manpower policy, and that we could have a more strategic way of looking at this problem in the long run. In this way, I think, we might make considerable progress toward the building of a long-range strategy of manpower development, which would be both comprehensive and cohesive.

Thank you.

Mr. O'Hara. Thank you very much, Professor Harbison.

Mr. Levitan, would you care to proceed?

STATEMENT OF SAR LEVITAN, THE W. E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

Mr. Levitan. Thank you, Mr. Chairman.

Since my prepared statement is already part of the record, instead of summarizing it I would like to concentrate or focus on one point only; namely, the scope and contents of the Report on Manpower Requirements, Resources, Utilization, and Training, the technical part of the Manpower Report prepared by the Department of Labor.

I join Professor Harbison in my admiration for the high technical quality of this report, and the contribution it makes to studies on manpower that are now going on, but I am very much concerned with the sections of this report that deal with the operation of existing programs.

Professor Ginzberg has already pointed out that we need a closer examination of these programs, and I am afraid that the technical part of the Manpower Report really does not make an adequate contribution to understanding these problems.

I would go even further to suggest that the report is really misleading as to what these new manpower programs are achieving.

The appraisal of existing manpower programs repeats each agency's official claims about its programs. And as a result, the report is of little help to us in evaluating the accomplishments and problems faced by these programs. I think this is very unfortunate because it is very important that Congress, as well as the public, receive an objective ap-

praisal of the progress made by the manpower programs, and we do not get this from this report.

When accomplishments are meager, there are all sorts of ways by which facts can be obfuscated. For instance, we know that Congress has stressed in the 1963 amendments to the Manpower Development Act and in the 1963 Vocational Act special programs to aid the poor and uneducated.

Apparently, little has been accomplished along this line thus far. This is no criticism of the Department of Health, Education, and Welfare, and the Department of Labor. As Dr. Ginzberg has pointed out, it will take years to get results in these areas.

But apparently in the high enthusiasm to show results, the report presents statistics which are misleading. For instance, the appendix of the report presents a table on page 251 which reads:

> Individuals served in experimental and demonstration projects, 50,310.

Now, that would lead anyone to believe that "served" means somebody was "helped" by the experimental and demonstration projects.

Well, what does "serve" actually mean? You turn to page 130 of the report and you find that altogether experimental and demonstration projects were approved for 6,000 trainees.

Now, again, "approved"—it does not mean that the 6,000 were trained or that they got jobs, or that they were helped. It means only that projects were approved, and the chances are that many of the projects have not even started.

Obviously, these people were not served. They were just picked for some kind of a program; possibly at some future date they may be helped. I am suggesting that the technicians who prepare the Manpower Report would do a much greater serivce if they would point out the real difficulties and not try to play the numbers game.

Another illustration of questionable statistics deals with the area redevelopment program. The Senate Committee on Public Works is now holding hearings on extending this legislation.

Let me make it very clear, I am for extending this legislation. ARA has already done a lot of good, and the present proposed legislation would considerably improve the program. There are certain problems with the administration-proposed bill, but since hearings are being held on this bill this is not the place to talk about the public works and economic development bill.

On page 173 the report says:

> It is estimated that these ARA-assisted projects will help in the creation of about 115,000 new jobs in depressed areas—jobs which previously did not exist anywhere.

Now, this is really a new type of reporting. If you cannot show any accomplishments in the past, you project what will happen in the future.

How are the 115,000 jobs arrived at? ARA does not really claim that its projects will create 115,000 jobs; it claims only that all the projects which it has assisted, when they are fully in operation, will create 70,000 direct jobs. But, apparently ARA thinks that the creation of 70,000 new jobs is not enough, so a new figure is created. We know that the new jobs will generate additional jobs. We do not know what the multiplier effect will be in depressed areas. So, ARA assumes that

for every anticipated 100 direct jobs, an additional 65 will be generated. The result, a total of 115,000.

Now, I really do not think the Congress or the intelligent public would expect that ARA was able to accomplish so much in 4 years with its limited resources; nobody expected that ARA would actually establish 70,000 jobs in less than 4 years.

These are two illustrations of the type of reporting that I think does considerable harm. The exaggerated claims tend to confuse Congress and the public about the true nature of the federally supported manpower programs.

I think that these two illustrations are adequate to indicate the weaknesses of the report in evaluating existing manpower programs. Instead of taking more time in presenting additional examples, I would prefer to stop filibustering and thus leave more time for discussion.

Senator JAVITS. Mr. Chairman, may I have one second, because I have to do something else——

Mr. O'HARA. Let me say that Congressman Pucinski, Senator Javits, and Senator Murphy have joined us in that order since we started.

Senator JAVITS. Thank you. I am happy to pay my respects to the working committee, but I did want to call to the committee's attention the presence here of Prof. Eli Ginzberg, of my home city, a professor at Columbia and a longtime worker in this field, who is associated with J. E. Zellerbach of the Crown Zellerbach Corp. of San Francisco, former Ambassador to Italy, leader in other Government posts, and in this very work years ago. I am delighted to see Professor Ginzberg here, and I shall pay very strict attention to the things that he says. I also would like to join my colleagues in thanking the other members of the panel for being here. I do not think even you gentlemen realize how important is your cooperation and expertise and the frankness with which you spoke.

Thank you, Mr. Chairman.

Mr. O'HARA. Thank you, Senator. My admiration for Professor Ginzberg is unbounded especially since he supports the principles of my doubletime for overtime bill.

Senator JAVITS. I do not know whether I will go along with that, though.

Mr. O'HARA. There are not many of us. That is why I am so pleased.

Gentlemen, I want to express the appreciation of the entire committee for having you here and I am going to keep my remarks brief, because I know the other members of the committee wish to join in this discussion. I might say, however, that if any of my questions display a gross misunderstanding of economic factors, Professor Harbison cannot escape from all of them. My recollection is that my misconceptions of economics came in the first instance from a misreading of his text in the basic economic course at the University of Michigan some years ago.

Professor HARBISON. That is the wrong Harbison, sir.

Mr. O'HARA. I was not perhaps the right student, either.

Senator Murphy, do you have any comment you would like to make or questions you would like to ask?

Senator MURPHY. No. I would like to listen to the exchange. I may make a comment as we go along. For instance, having had experience in the past on both sides of the bargaining table, some day I will have lunch with you, if I may, and explain some of the problems attendant to overtime and some of the actual considerations both from the side of the employer and the employee. You gentlemen may not know this, but I am probably the oldest member of the labor union who ever joined the U.S. Congress, since I joined the United Mine Workers in 1921. In 1923 I was with the Tool & Die Makers, with the Auto Workers in Detroit, and then I went on to become the head of a couple of unions, so I have a great deal of practical experience. In the last 10 years I have been on the employer's side. For instance, there are many cases where I can recall that the matter of overtime became part of the contract. This had to be guaranteed. In the considerations of labor and management problems, you always have to get down to the rank and file, the important fellow.

Mr. O'HARA. I can assure you that as a practicing politician, I am more interested in those rank and filers, because of their numbers, necessarily, than anyone else.

Senator MURPHY. I agree. These are the ones who deserve and need the consideration.

Mr. O'HARA. Congressman Pucinski, would you like to ask questions.

Mr. PUCINSKI. Yes. Gentlemen, I want to thank you for coming before this committee. I think this committee is developing some extremely interesting information on this whole problem of manpower retraining, and I would like to congratulate the gentleman from Michigan, Mr. O'Hara, and the Senator from Pennsylvania, Senator Clark, for arranging this joint series of oversight hearings, because I think they are going to help us strengthen this bill. I wish that perhaps we had these hearings before we renewed this legislation, but, nevertheless, this gives us something to work on.

I am very much concerned about our work here. We are now in the process of holding hearings on the poverty bill, and we have just concluded hearings on the education bill, and there is a tremendous emphasis in the country today to train and educate those who are unemployed, but from the statistics that I see here before us, I think that we have an even greater problem. I wonder if one of you would venture an opinion, as I am almost fearful that there is a crisis in this country in the proliferation of new job opportunities.

On the one hand, we are training a great number of people, but the question is "Are we doing enough to create or encourage the creation of new concepts, new basic industries?" And if you have the red book there is front of you, the manpower report, I should like to refer your attention to page 234, and the table on page 234. Incidentally, I would like to congratulate the Labor Department for preparing this excellent booklet of statistics which I think contains a wealth of information. You will notice on table C–2, on line 3, we had a net loss of manufacturing jobs between 1946 and 1947; and 1964, we have an increase of nonsupervisory workers in selected industries; in 1964 there were 12,806,000; in 1947 there were 12,990,000.

Now, what distresses me and disturbs me is that it is becoming quite apparent that the increase in job opportunities is most profound in the Government agencies at the local, State, county, and Federal level.

However, the heart of the Nation's economy, the manufacturing or nonsupervisory sector, is going down at the same time that the labor force is increasing substantially.

I do not have the figure at my fingertips, although I am sure it is in this book, as to what the labor force in America was in 1947, but I would guess it was probably somewhere in the vicinity of 45 to 47 million, and it is now at 71 million. This indicates to me that this manpower training program perhaps needs another dimension; perhaps somewhere in here we have to start thinking about how can we encourage the creation of new industries, new job opportunities, to absorb the men and women whom we are training in this excellent program.

I wonder if any one of you wants to comment on that.

Mr. GOLDFINGER. Congressman Pucinski, I dealt with this a bit in my statement. I believe that there is a key problem here and the key problem is the problem of job creation. Unless we do a good deal more than we have done in the area of creating job opportunities, I am afraid that the programs that you spoke of—very worthwhile programs, like the Economic Opportunity Act, the education program, and the vocational training program—could lead to frustration and increased social tension if, at the end of the road, after, let us say, a year or two of youngsters serving in the Job Corps, if there are no jobs; if there are no jobs after vocational training.

The key issue is in the area of job creation. I believe firmly that in the absence of the development of vast new job creating and materials utilizing private industries—and we do not have such developments either present or on the horizon at this time—I think the area of public investment and public construction offers the opportunities to create large numbers of job opportunities for unskilled and semiskilled workers, as well as for skilled workers, and to stimulate private activity. Such public construction not only meets the needs of a growing population for public services, for schools, hospitals, urban renewal, housing, and so on, but it also utilizes large amounts of materials such as steel, aluminum, copper, zinc, and so on. It would provide not only jobs in those private industries, but stimulate those private industries, and furthermore, as we provide those kinds of improved public services, we provide additional opportunities for private businesses. The road construction program, for example, has provided numerous opportunities for motels, hotels, restaurants, recreational areas, and we need a good deal more of this kind of activity on the part of the Federal Government to stimulate the economy directly through job creation, through materials utilizing and job creating kinds of activities.

Mr. O'HARA. Will the gentleman yield for a moment?

Mr. PUCINSKI. Yes; go ahead.

Mr. O'HARA. I thought perhaps we could put this in a somewhat broader context. The gentleman from Illinois has suggested specifically the possibility of increasing the number of jobs in manufacturing and has pointed to the decline in manufacturing employment as being significant, which it doubtless is, in our total jobless picture today.

I notice that Professor Ginzberg in his statement indicated that he envisioned the possibility of a need to provide shelter, what he

described as sheltered employment opportunities; Professor Harbison more or less concurred with that view in one of his recommendations, describing particular types which might relate to conservation and other matters. Mr. Goldfinger seemed to dwell more on public construction as a method of creating job activities. We have in effect three suggestions—the manufacturing, construction, and shelter work opportunities of various kinds.

I wonder if the panel in general could comment on the need for job creation and perhaps on the method which might be the least expensive or method having the greatest social utility. What about this: Do we need job creation and how can it best be obtained?

Is it in manufacturing, construction, or is it in some sort of special job opportunities?

Mr. PUCINSKI. Could I add a footnote to that, and, perhaps, you can direct your answer to the whole question.

I am wondering, is there really a crisis in the birth rate of new job opportunities in this country, and, perhaps, then we can develop this—if you will address yourselves to those two questions.

Dr. GINZBERG. I have just recently returned from the Second International Conference on Automation in Germany where I delivered a paper in which I tried to get a little longer perspective than 1947. If you look back and ask what has been happening in American economy since 1929, the thing that impressed me most is that trouble has been building up on the employment front for a long time. Roughly, we increased our output in manufacturing, in 1954 dollars, from roughly about $122 billion of output in 1929 to $311 billion of output in 1963 without adding a single person in the goods producing sector of the economy.

Now, that is an important point. We have increased our output in the goods sector very rapidly since 1929 but the employment, trend is even worse than suggested above during that period we used more and more white-collar workers, such as draftsmen, accountants, and so on, in manufacturing and the number of blue-collar jobs in manufacturing, relatively speaking, has gone down.

The service sector, however, has been doing well. The number of people who had jobs in the sector in 1929 was almost doubled in 1963. We added 25 million people in that sector.

Mr. PUCINSKI. Looking at these figures, could you not assume that while it is true that the only significant increase has been in the service sector, particularly in wholesale and retail, unfortunately, their wage standards continue to be depressed, therefore, creating a serious drag on our whole economy.

Dr. GINZBERG. I do not know whether you can say it is a serious drag. In parts of the service sector people are very well paid; that is, the better parts of medicine, even some of the professions, although we should not admit this publicly.

Mr. PUCINSKI. I mean the wholesale and retail industry.

Dr. GINZBERG. The dispersion—let us put it that way, Congressman—the dispersion of wages goes further down; it is a wide range. Within the hospital you have the whole range, from the surgeon, who earns a quarters of a million dollars, to the nurses aid who carries bedpans and who does not make a living wage.

We have done quite well on the expansion of services, but the question is whether we can accelerate the opportunities in this sector to take care of the increased numbers of people who are looking for jobs. One of the problems here results from the recent changes in the composition of our cities since the middle class has moved out to the suburbs. Even in San Francisco, which I think is the nicest city in the United States to live in, the middle class is moving out. There remains then a lot of people with limited skills and limited education in the heart of the city, because the middle class has carried a lot of service jobs with them out into the suburbs. The poor people in the middle of the town cannot even bid for these jobs; they cannot do the painting, the house repairs, they don't get the jobs in the drycleaning establishments. A lot of jobs are pulled away from the people who most need them by virtue of this split between the people left in the city and those who have moved to the country.

There are a lot of jobs in Westchester County in New York for those who live in that county. I have a feeling that if we could stimulate some entrepreneurship to corral these unemployed people in Harlem, put them on trucks, find the jobs for them in Westchester, take them out and bring them back every day, which we have done in a few fields, we would at least expand the service possibilities.

I have some questions about Mr. Goldfinger's position on public works. I am bothered about the fact that the location where you need the new public buildings and the locations where the people who need the jobs most are, not always as nicely balanced as we would like to have them. We are going to do a lot of public works now in Appalachia, and I suspect that a large number of people who are going to get the jobs in Appalachia are going to be highly skilled construction teams that are coming into Appalachia. There will be some spillover, but only some.

Mr. PUCINSKI. Would you agree now in the public works bill now pending before Congress there is a provision to give some assistance directly to these urban areas and bring it down to the local level. For instance, I represent a city district. We have a lot of WPA streets built 30 years ago and badly in need of complete renovation. We have a lot of bad curbs, and we need sewer work. We need various other things that 30 or 35 years ago were done by the WPA or the PWA.

Now, in this accelerated public works program there is a provision to bring that kind of public works right into the local neighborhoods where jobs will be created at the level where they are most urgently needed in these urban areas. I imagine it would affect many of the people with whom the manpower retraining program is working at this time.

Would that alter your opinion?

Dr. GINZBERG. I am definitely in favor of that kind of a move. There are one or two developments on the Manpower Development and Training Act that you may be interested in that have relevance to some of this discussion.

The National Advisory Committee met recently and feels very strongly that we ought to push in favor of more on-the-job training, as the Congress thought, so that we tie together the training and the job possibilities much more closely from the start.

We are trying to encourage the employers to get much more actively involved with us in large training programs. There is the big Chrysler training program for auto mechanics and so on. So we are moving in that direction.

On another point, I think there is something in what Sar Levitan said about the importance of getting a more critical view of some of these expensive experimental and demonstration programs.

Our Research Subcommittee meeting has on the agenda for our next meeting the question of technical consultants who will be available to take some very hard looks on this, not from inside but outside of the Government. That is another way in which we want to see what is happening with the dollars that are involved here.

Professor HARBISON. May I add a few things, Congressman, to what has been said?

I think one of the difficulties of MDTA or the poverty program is again we take a very limited view of the prospects for employment in this country.

There are a good many jobs in this country available that are not being filled, but they are not in the manufacturing industries, they are not in the obvious things for which we have provided funds for training. They are in quite different areas.

Let me give you an example of perhaps one of the largest industries in this country, an industry that exceeds the combined employment of electrical manufacturing, steel, and automobiles—and that is the education industry. It employs about 3½ million people.

Now, with the money that is going into education and as we know we are getting more education, we are going to be increasing jobs in the education industry at a very rapid rate. One of the interesting things about the education industry in contrast to the manufacturing industry is that as it modernizes, it uses more and more labor. You use more teachers for a given number of students, more specialized services, more research, and so on.

Now, what we are going to find, perhaps as a result of legislation already passed by the Congress, we are going to find tremendously increased employment in the education industry. I fail to see where this is taken into consideration in our manpower planning for the future, because so much of our perspective is on traditional service industries or manufacturing industries.

One of the difficulties, of course, is this: Here is an area with widely expanding employment opportunities, but the training that we are providing, particularly for young people, may not necessarily be that training which is best suited to putting people into the education industry.

Another tremendously expanding industry is the health industry. In many respects, this is almost as large as the education industry. You take health services throughout our Nation, they are one of the most rapidly expanding areas that there is.

You can take most of the so-called knowledge industries and you will find that they are expanding quite rapidly, anywhere from communications, radio and television, to publishing; the publishing business is expanding and so forth.

So, again, I would say that while I agree with Professor Ginzberg that we need to think in terms of job creation in the more traditional

sense, we also need to account for the numbers of jobs that are going to be created in these large, so-called knowledge or health industries.

And it is for this reason that I have pressed the point of the need for a broader integrative look at the manpower development problems, rather than always as we have done in the past taking a look at it in pieces.

Mr. O'HARA. Mr. Levitan.

Mr. LEVITAN. My answer to your question, Mr. Pucinski, whether we are facing a manpower crisis, is, "No." I do not think that it is appropriate to discuss the question in terms of the data presented on page 234 of the report which deal with nonsupervisory employment. I certainly would not stress trends of employment in manufacturing alone. It would be more appropriate to look at table C–1, the preceding table, which presents total employment in nonagricultural employment. According to this table, nonagricultural employment between 1947 and 1964 increased by 14.3 million, I think, rounding it off.

Now, that is quite a considerable growth. It does not mean, of course, that we do not have very serious job deficits; obviously, unemployment has been high for nearly 8 years, and as Dr. Ginzberg has indicated, there is a lot of hidden unemployment.

I think what is needed is greater emphasis on problems of minorities, specifically Negroes. One of the major manpower problems which has recently come to the fore was hidden in the rural areas, mostly in the South. When the Negroes came to the North, when they came to the large cities, their inferior position in the work force and high unemployment, accompanied by the civil rights movement, have given emphasis to longstanding problems. However, the fact that the problem is old does not diminish its significance and we certainly cannnot afford to ignore it any longer.

As for Mr. Goldfinger's emphasis on public works, I would agree with Dr. Ginzberg, and not put too many eggs in the public works basket. Certainly, we do have a lot, as the usual phrase goes, of unmet needs. Public works are not geared to aid directly the unemployed and uneducated poor about whose difficulties you expressed concern. For instance, the Accelerated Public Works Act of 1962 that you mentioned emphasized heavy construction and largely ignored the creation of jobs for people who need them most.

Most Congressmen who favored that type of legislation are liberals, and when they passed the APWA they added the Davis-Bacon provision to it. If you adhere to Davis-Bacon provisions, you create little employment for the hard-core unemployed who are more likely to benefit from projects which would provide employment to unskilled workers. I am referring to stream-clearing projects, improving city parks, and related projects.

With the expansion of jobs, which Mr. Goldfinger is speaking of, generated by a massive construction program, you would, of course, create additional jobs for some who can gain employment now only under sheltered work programs. But the job generation for the hard-core unemployed under a Davis-Bacon program smacks of a "trickle down" approach.

Mr. GOLDFINGER. I vigorously disagree with that.

Mr. O'HARA. We were sure you would.

Mr. GOLDFINGER. I think the facts would refute it. I am sorry to break in.

Mr. PUCINSKI. Mr. Levitan, I wonder in view of your answer that we do not have a crisis. I wonder if you would like to comment on the fact that of the approximately 15 million increase in the labor force between 1947 and 1964 in nonagricultural employment, that there were 11 million of that number in either government or the services?

Now, I have always been under the impression that in a free economy such as ours, profits come from production. The services are the things that cost you money, but it is the production that really gives you the profits. What has disturbed me is the revolution that has occurred in America in the last 10 years or so where we shifted from a production nation back in 1947 or thereabouts. If my memory is correct, about 56 percent of our labor force was in production, and about 44 percent was in services. Today the figures are just reversed and I believe 57 percent of our labor force is in services, and only 43 percent in production.

Now, just looking at your table 1 that you cited, you look down at the very bottom of that page and you will see that one of the biggest increases in the total labor force from 1947 to 1964 is in the government; in 1947 we employed 5,474,000 people in all levels of government; today in 1964 we employ 9½ million. Now, I think you and I can agree that while these people are important, and certainly they are all performing a very important service, it is the taxpayer that has to maintain this labor force in the government at all levels.

I think that the economy would be more durable if you had this same sort of an increase in the production sector of our labor force, because that is where the taxes are generated. While we may be impressed with the fact that the government labor force has increased by 4 million, where is the wherewithal coming from to support this labor force of 4 millions? This is why I say that in my judgment, with a million young people coming into the labor force every year, and another 700,000 being dislocated by various forms of automation and new concepts and new policies, discrimination against the aged, and whatnot, with 1,700,000 new jobs required every 12 months, I am disturbed that on this table 2 we show a net loss in the nonsupervisory workers and the creation of jobs for nonsupervisory workers. This is the area to which I wish we could confine ourselves, though I certainly respect your views.

Mr. LEVITAN. I really do not see that these are acute problems and I'm not particularly concerned about the increase of employment in the government sector. We want more education. We want more services from the State, and the increased employment in the government sector is a product of these demands. For example, I would view increased expenditures for education as a wise investment.

I also don't believe that the decline in jobs in some sectors of the labor force since 1947 has necessarily been limited to high paying industries. There has been a very large decline in agricultural employment, an industry which has traditionally paid the lowest wages.

Obviously, there has been a very real change in the composition of the labor force, but the fact that we have now more persons employed in trade or services does not necessarily indicate a rise in the proportion of low wage or low productivity industries; as Dr. Ginzberg has

pointed out, services are a complex group. It includes high paid doctors and domestics who are low paid.

As to the problem of low wages that still prevail in services and trade, over which you expressed concern, I would suggest that Congress will soon have an opportunity to alleviate this problem. We expect that Congress will soon get a message from the White House on labor problems—at least that is what I read in the papers—and it is reported that the President will recommend extension of minimum wage coverage. I would not suggest immediate application of FLSA to all of the 20 million that are not covered, but Congress can start doing something in that area, covering additional millions of workers, who need the protection of the law most.

I personally am not now in favor of raising minimum wages for those already covered, but that is a different problem.

But, again, if we look at the problem of low wages in the proper perspective, we find that even most people in the service and trade industries do not get any lower wages today than workers in manufacturing got 10 or 20 years ago.

Mr. PUCINSKI. But I wonder if you and I would agree that perhaps we need more imaginative thinking in this program. Let me give you an example.

Mr. LEVITAN. We always need more thinking.

Mr. PUCINSKI. President Kennedy came before the country and said we needed three things: accelerated depreciation allowance, 7 percent tax credit on new investment, and we needed an across-the-board tax cut. As we look over the hearings held by the Senate and the House, we will find that there were those who seriously questioned this concept, but I contend this full, imaginative program laid down by President Kennedy has paid off.

Now the question is, Do we need more of that kind of thinking in this manpower program to create new jobs? The gentleman over there gave us some areas to think about—the merchant fleet in this country for instance. Why are we a 10th-rate nation when it comes to a merchant fleet? There are fantastic job opportunities if we would just face up to the problem and start building an adequate merchant fleet to carry America's exports around the world.

I want to try to find out from you, because you are in this Institute for Employment Research, whether or not this Manpower Training Act needs another dimension in terms of some leadership for creating new job opportunities to absorb the people we are training either through tax incentives or some other programs. This is what I am trying to find out from you gentlemen.

Mr. O'HARA. I think we have a couple of witnesses who are going to burst unless they get a chance to say something.

Dr. GINZBERG. By the end of next month I will be able to send you a book called "The Pluralistic Economy," which will clarify some of your concepts which I think are not correct.

My argument in that book is that the services sector can be as productive as the goods-producing sector.

It is interesting you mentioned shipping, which technically gets counted as a service.

Mr. PUCINSKI. But building the ships is a production.

Dr. GINZBERG. I think this is an old Adam Smith fallacy. He said that if Horowitz plays a concert in New York for which people stand all night to buy tickets, that is unproductive. But the person who builds the piano Horowitz plays on is productive. This is an error. It is an old error in economics to contend that the only wealth-creating part of the economy is that connected with the physical output and that the services are not productive.

We have had a productive manufacturing sector. That is what our problem is. As I have quoted to you, we have increased our output of goods in fixed dollars from $122 million to $320 million since 1929 without adding any people. That is good.

We think about the automobile industry as private economy—Ford, General Motors, Chrysler—but there would be no automobile industry in this country unless a lot of State legislatures appropriated money for roads and the Federal Government appropriated money for roads. The concept of the Government as negative and the private industry as positive, and to assure that the Government does not create any wealth is a very antiquated notion. It does not fit with our history at all. The first important transportation system in the United States was the result of New York State's appropriation to build the Erie Canal, because private industry could not do it.

I think we have to get a more realistic model of the economy, and a more realistic model of the economy includes a private sector, a nonprofit sector, and a government sector all of which are productive. There would be no Du Pont or General Electric laboratories if it were not for the university (nonprofit or government) producing scientists. These profit institutions could not make money, if they could not get people trained by nonprofit institutions.

Mr. O'HARA. I would like with that excellent statement, to let Senator Clark get in the act.

Senator CLARK. Thank you very much, Mr. Chairman.

I just want to comment that my heart bleeds for you gentlemen of so underprivileged a class. Dedication, of course, makes up for that lack of salary.

Gentlemen, I have a few questions to each of you. I will start, if I may, Mr. Chairman, with Mr. Ginzberg, and ask you if you would turn to page 4 of your prepared statement, subheading (b), with respect to policy, No. 2, in which you say:

> Congress should undertake critical review of the interelations between public welfare, Government training programs, and job opportunities. There are both gaps and contradictions here, and alinement of objectives and a study is long overdue.

I assume you are enticing Congressman Pucinski, Congressman O'Hara, and myself to hold some more hearings and get you gentlemen down again.

Dr. GINZBERG. No. I don't want to come down.

Senator CLARK. I wish you would expand on that a little bit and put yourself in our situation, what kind of critical review do you have in mind, and in a little more detail than in your statement.

Dr. GINZBERG. I think we have problems in different pieces of legislation. You have amended the Social Security Act once to say that men could leave work at age 62 with 80 percent benefits.

The possibility of making the upper end of retirement from the labor force somewhat more flexible with regard to social security is one facet of this, but I really had a different matter in mind.

We developed a public assistance system in this country in the 1930's against a mass unemployment picture. I would argue that it is fundamentally bad for a democracy to have what I would call a British dole system; that is, to provide relief rather than work relief, especially for younger people.

Senator CLARK. What are you going to do about the lame and the blind; they will always be with us.

Dr. GINZBERG. This comes back to my other part of the argument. We should move in terms of Professor Harbison's point, that employment is good in itself. I think we need a lot of sheltered employment for marginal groups in this country. I do not think that because somebody is a little backward mentally, he should be out of the labor force permanently. I think it is a dangerous situation for more and more people to live on the periphery of work in the society.

Senator CLARK. We have the State and local programs for the handicapped, do you think they are not enough?

Dr. GINZBERG. The point is, Senator Clark, that I do not think the private economy at present and prospective wage levels will be able to employ many of these marginal people, and they may be in the millions by now.

Senator CLARK. What would you do about it?

Dr. GINZBERG. Do like the Dutch have done—develop special, useful, sheltered kinds of employment opportunities, I could conceive that the Federal Government could say to a group of public institutions such as hospitals, "We will underwrite the difference between what these people are paid and their productivity." A lot of these people could be used if you did not have to meet the going wage rate since many of them cannot meet the prevailing productivity standard. I would start more experiments on really creating opportunities for them to work in manufacturing, even if they cannot meet more than 50 percent of standard productivity.

Senator CLARK. Do you think we are at the point where we could undertake such a critical review? I find a little difficulty in grasping whom you would ask to testify, what the questions would be, and how would you go about it.

Dr. GINZBERG. You could get Ray Hilliard, who runs the public welfare system in Chicago or Ellen Winston to come in here. There are a lot of people in the welfare area who have had some experience with this. It is difficult to fit many of the people who are being trained in these experimental and demonstration programs into the private system. I think we have to look at the fact that there are a large number of people who are really just existing in our society.

Senator CLARK. We did quite a bit on that, I am sure the Congressmen will agree, in connection with the Juvenile Delinquency Act extension.

Congresswoman Green's bill. Maybe we ought to be doing more. I have not felt this need you have, and I suspect you are right.

Mr. LEVITAN. In Pennsylvania, there is quite a lot being done now to rehabilitate recipients of public welfare.

Senator CLARK. Mr. Ginzberg, take a look at the last sentence. I better read the whole thing:

> Congress should not anticipate that financial and monetary policies can do more than keep the unemployment rate at approximately the present level, considering our balance-of-payments problem and the inflationary potential which we face. Specific economic and manpower policies will be needed if the unemployment rate is to be reduced.

I realize I have missed about an hour of these hearings and perhaps you gentlemen will develop that in more specific detail. If you have, just skip the question; if not, I would like to ask you, Mr. Ginzberg, what policies will be needed to reduce the unemployment rate?

Mr. GINZBERG. No. 10 spells out one little illustration of that.

Senator CLARK (reading):

> Congress should take the initiative in creating new corporate instrumentalities involving Federal and State Governments and private enterprises, which would open up prospects for large-scale investments—in regional rail transportation, etc.—which are now blocked for a variety of reasons, particularly because of the multiplicity of governmental units.

Can you think of an example other than regional rail transportation?

Mr. GINZBERG. Another kind of economic and manpower policy that I have in mind here relates to improved mobility assistance. We have an experimental program. If it works we should explore other improvements in the labor market functioning.

I am very bothered about the young people who are growing up on farms.

Senator CLARK. I was going to ask you next about your No. 5 where you say:

> Congress should hold hearings on the prospects of young people now growing up on farms.

I suspect if we try to do that we will have a little trouble with Mr. Cooley and Senator Ellender. One of our problems is this manpower problem cuts across a wide variety of jurisdictions and they are jealously guarded so the problem is: can we bring it in by the back door?

Mr. GINZBERG. Professor Harbison made a strong plea in his presentation which I would like to associate myself with. We are now at the stage in the development of manpower in this country where some more thinking about a comprehensive view of how the pieces fit together is surely needed.

Senator CLARK. This could probably best be done by the executive branch, can it not, through a commission such as Professor Harbison has suggested?

Mr. GINZBERG. I would trust your judgment as to what the best kind of machinery is. I think it needs something. The academics also have a responsibility to do some thinking.

Mr. O'HARA. Would you yield?

Senator CLARK. Yes.

Mr. O'HARA. Yesterday I tried to direct the attention of the Government witnesses to the incredible mish-mash of training efforts and the nearly impossible task of coordinating, creating and adapting them to the real needs, of which, I might add, we are unaware.

We have so many slots in one program and so many in another. We intend to fit people into these slots.

I am bringing this point up in the hope that we could obtain some sentiment for consolidating our training efforts of various kinds and inserting a good deal of flexibility into those efforts.

Senator CLARK. Would the Congressman yield?

Would you agree it is not even broader than training, it covers the whole field of manpower policy?

Mr. O'HARA. I think Professor Harbison's idea is good. What I have suggested is the grand though limited objective, I do not think we really know enough to approach intelligently that objective and the job itself is certainly much larger.

Senator CLARK. I would like to have the attention of Congressman Pucinski on this, and I wonder if he agrees that while certainly one of our major objectives must be that we need to get jobs for the hard-core unemployed, and we have not done enough in that area, this is a field there are a few uncertainties and we need imaginative thinking to get these problems in focus.

Mr. PUCINSKI. Yes, I am in complete agreement. That is the thing I was trying to develop here. We have created this manpower program; we have created the funds for it, the wherewithal. We are creating this poverty program, but I think that the need now is for either an agency within manpower or the President's Committee.

Senator CLARK. That is only on technology. What concerns me is everybody is taking a piece of the pie and nobody is looking at the whole thing.

Mr. PUCINSKI. I am delighted to hear you say that. I think you are completely right. I think what we need now is somebody to set off and look at this whole picture and give us some ideas, give us some new concepts. For instance, I proposed and there is a bill before this committee, to establish in this country a national information retrieval system that would take all of our research laboratories and tie them together in a communications network and improve their facilities so that scientists would have more readily available the information that they generate. I think it is a good idea. These are the things I believe we are going to need to create new job opportunities.

Now, Senator, I would like to call your attention to table F–5. This is not in the way of criticism of the Department, I think they are doing a good job, but merely to amplify what the Senator so ably stated, just look at the occupations that we are training people for and they are pretty much the same ones—there is no great imagination here.

Professor Harbison, you spoke about the new opportunities, yet I do not see them being reflected in the occupations for which we are training people in the manpower program.

As I say, this is not a criticism of the Department, but it merely emphasizes what Senator Clark has so aptly stated.

Mr. GOLDFINGER. If I may. This also emphasizes the key problem in the job market itself. I mean, not merely in the lack of job opportunities but also a problem relating to Professor Harbison's point. Sure, the education area is growing, and certainly the health area, but those are miscellaneous areas. You have very high paid people and you have large numbers of miserably low paid people, and miserably low wages do not attract people into employment.

It is fine to speak of the very high wages that professors get or that surgeons get, but what about the thousands upon thousands of cafeteria workers, orderlies, nurses, and so on, who are absolutely necessary for the functioning of the health and education facilities? Those areas would collapse without those people, and yet the wage levels in those areas are miserable and we know it, not merely for the unskilled but also for nurses and orderlies; there is a key problem here in those areas and it is not only an economic problem but a social problem because a good deal of poverty is related to it.

Senator CLARK. What do you do when the hospital is headed by most of the leaders in the community and they come in and say, we have to close our doors, the costs of hospitals are soaring. This is being the devil's advocate.

Mr. GOLDFINGER. Senator, perhaps this whole health area needs some kind of public subsidy.

Senator CLARK. With a $100 billion budget? Do we not get back to this all the time, the fiscal limitations on doing the things we would like to do?

Mr. GOLDFINGER. Obviously, Senator, we cannot live forever with the limitation of $100 billion budgets in a society where the population is growing and the urban population is growing very rapidly.

Senator CLARK. You said it, I didn't.

Mr. GINZBERG. Since I do some work in medical economics I do not want to agree that these voluntary hospitals are always broke and therefore, cannot raise their wage structures. They raised the lack of means to improve nurses pay when I did the New York hospital study in 1949. I think one of the reasons they are managed so badly is because they have been used to living off sweat labor; they have not been paying a decent minimum. I would like to see some wage standards stablished and assume that one of the consequences of establishing such standards would be to put some heat on management to improve. There are illustrations around—I can find them—in which if you get decent standards you would get better all-round results.

Mr. GOLDFINGER. I would agree with Professor Ginzberg and the indications we get are that private hospitals are profitable. Otherwise they would not be in business.

Senator CLARK. At the expense of the patient.

Mr. GOLDFINGER. Also at the expense of the low-wage workers working in the hospitals.

Mr. O'HARA. I was flattered when Professor Ginzberg came out for my double time bill, and now when he comes out for the hospital bill I am overwhelmed.

Senator CLARK. That gets back to point 7 on page 5 which you just touched on:

> **Congress should move to establish minimum criteria in all federally supported programs, such as education, health, etc.**

When you speak of criteria you are talking about wage scales?

Mr. GINZBERG. No; I had a different point in view. I do not think it is a good idea for the Congress to move money to the States, let us say, for education without specifying certain minima. There have been funds for agricultural extension work for years, but the Negro institutions in the South got a very poor share of it.

Now that we are a little bit more aware about a lot of these problems I would not leave to the States the redistribution of Federal moneys without some kind of minimum directions about who gets what. Otherwise, the people who need it most are not going to get it in many instances.

Senator CLARK. This points up what I think is a weakness, that none of us up here at the Federal level—we think we are right, we think they are the weak link in the whole structure. On the other hand, they have this great information of Federal encroachment on their sacred rights, and it is a constant struggle back and forth. My own experience has been, I do not know whether my colleagues will agree, that you can do more with the Congress than you can with State legislatures.

Mr. PUCINSKI. Senator, I wonder if you would yield on that point, perhaps Professor Ginzberg would like to reply.

He stated maybe we should established more criteria. Perhaps the answer lies in loosening this bill up. I have a lot of confidence in the people running our Government, but as I said yesterday, we tighten these bills up, set up so many provisos, so many restrictions that too often the average, long-dedicated Federal employee is afraid to move for fear he is going to make a mistake and if he makes a mistake the whole wrath of the Congress, GAO, and the Government is down on his neck.

I am wondering if we should not give these people a little more latitude, let them use their imagination. They are intelligent people, they have had experience and rather than establish criteria, professor, maybe we should go the other way—let us trust these people, let us have some confidence in the people we hire, give them a free hand. If they make a mistake, do not put it in their record and hold it against them for the rest of their lives when they come up for promotion. Instead of putting an employee in a straitjacket as we do now with these complicated bills—and they become even more complicated with the regulations that the department head lays down—we should give him the latitude he needs. This, I believe, creates the inertia that fails to make these programs that we pass so hopefully in Congress not as productive as we had wished when enacting them.

Would you care to comment on that?

Mr. GINZBERG. Yes, I would say that one of the good things about the MDTA as I read the record is that you were very nice to the executive, in general. Given the history of Congress you wrote this more loosely than a lot of other legislation and I compliment the Congress on it and in previous testimony, I have complimented the Congress for having a vote of confidence in the executive.

I believe very strongly that if you have an executive arm, the Congress ought to have ways of controlling the executive other than by spelling everything out in very tight, fine print.

The question I have addressed myself to was standards the Congress set for the States. In the MDTA amendments you just passed I think we will move to decentralized parts of the programs of the States.

All I want to do is have certain kinds of minima established to guide the States——

Mr. PUCINSKI. That is when you get in trouble.

Mr. GINZBERG. Why?

Mr. O'HARA. I think Mr. Pucinski is trying to say: Go ahead and make mistakes, but do not make the wrong ones.

I do not know if Senator Pell who has joined us brought along an ax he wants to grind, but I thought——

Senator PELL. No ax this morning; I require a little wisdom.

Mr. GOLDFINGER. I think that Federal standards are essential, and the experience that we have had with a whole series of legislation like the unemployment insurance system and similar pieces of legislation indicate the utter necessity for Federal standards where Federal grants of funds are made available to the cities and to the States—in terms of labor standards, in terms of standards concerning discrimination and so on.

Mr. PUCINSKI. Would you not agree that many of the problems we have had up to now in the area you are discussing have been created by attitudes within a State which fortunately, because of passage of civil rights and various other legislation, we have hope are going to diminish as we go along?

Mr. GOLDFINGER. We hope they will diminish, Mr. Pucinski, but nevertheless, the different States have different practices and different attitudes, and it is extremely difficult to unravel violations. We have looked into some of these kinds of problems, and although in a strictly legal sense, you are undoubtedly right, from a practical viewpoint how can you unravel the use of a specific Federal grant in aid for a specific purpose once it gets into the State and it is utilized.

Mr. PUCINSKI. Then you go to what Senator Clark said, and he said it very well—do not be afraid to trust these local governments. They are there because they have been elected by the citizens of that community and there is a tendency to think that all wisdom must flow from Washington. I think that these local governments do a pretty good job; as a mbatter of fact, sometimes I wonder how they manage to do as good a job as they do under the circumstances.

Senator CLARK. I quite agree with you, but I am wondering if there is not a compromise between the view suggested by the witness and your own which is that we could, without inhibiting local initiative lay down some rather broad general standards which has been customary in legislation, and still leave them freedom. We are having a time in Philadelphia, as you know, with the poverty program. We got off to a bad start. I think Mr. Shriver was helpful. Now they tell us 6 months later we have about the best program in the country and I am looking forward to this business of trial and error having come up with something good now.

Mr. GINZBERG. I think you will be interested to know we are establishing our regional manpower advisory committees in order to get more local and regional views. We started the Mountain States one in Denver, one in the Southwest, I have just started the Atlanta one, so we now have five of them going, the remaining three will be shortly underway, in order to get more activity at the local and regional level.

Still, I think a certain amount of Federal standards is required; that is all.

Senator CLARK. You may remember, Professor Ginzberg, that our mutual friend, William Fitz Ryan, had an interesting seminar up at Riverside Church some time ago which he asked me to attend. One of

the panels was the response to the question: Is New York City government? And I am not sure whether they concluded it was or not.

Could I make an observation and ask Mr. Levitan to comment, but I would also like to get the views of you other gentlemen.

You, Mr. Levitan, devoted your very useful paper to direct comment on the Manpower Report. I wonder if you have any specific suggestions or whether the other gentlemen do, as to improvements next year in the scope and the format of the report?

My own thought has been, as yours is, that this report is constantly improved each year; it is much better than it was, it is quite a splendid document this year, but it falls short of what may be something that Professor Harbison has been indicating might take 10 years, which is the formulation of an overall manpower policy with the specifics which each of you gentlemen made some contribution in giving, and then a discussion in the Manpower Report not only of that overall policy but of its implication. And this leads me to this comment I would like you to speak on: The enormous difficulty organizing administratively within the framework of the Federal Government the different agencies on a coordinating basis because there is not anybody up at the top, anybody who can formulate the policy and then give the guidelines for implementing it.

This bothered me all last year when we were holding the hearings over in the Senate committee and I wonder if, starting with Mr. Levitan whether you gentlemen would have any useful ideas to give us in that regard?

Mr. LEVITAN. It is obvious that any Government report of this kind will be subject to constraints. The Department of Labor cannot favor programs on which administration policy has not been announced. But I think that within these constraints, the report can be improved a great deal in its evaluation of existing programs. These subcommittees can help in achieving a more meaningful manpower report simply by indicating to the Department of Labor that you do want a broader report; that you do want a report along the lines that Professor Harbison suggested; that you do want a report which would contain not only the problems within the jurisdiction of the Manpower Administration in the Department of Labor, but which includes an evaluation of other areas not covered in the 1965 Report. For example, minimum wages are not even mentioned in the report, except in the President's message in the beginning of the report.

Senator CLARK. Let me interrupt to suggest that a pragmatic difficulty which makes it awfully rough on the Department of Labor; everything they do has to be in accordance with the program of the President. The Budget Bureau sits on top of them like I do not know what. Of course we cannot hold within the limitations of $100 billion budget and I agree with you, but the Labor Department has to pretend we can, and how are we going to get a meaningful report by the Bureau of the Budget which does not state and discuss frankly the requirements for an overall manpower policy in terms—and I think you gentlemen probably agree with me—of a massive accelerated public works program to deal with the employment problem which was started in the Kennedy administration, which ground to a halt, and yet everybody is inhibited because the President in his infinite wisdom, and I am not saying he is wrong, has been persuaded by the Council of

Economic Advisers, perhaps, the Bureau of the Budget, the ceiling is $100,000, you must not talk about anything but stay within the ceiling; that is what bothers me.

Mr. GOLDFINGER. Obviously the Government agencies must live within those constraints. However, I think that within those constraints, the Manpower Report should have greater emphasis on policy. To the exent they do not advocate policy because of the constraints, they could indicate what the policy problems are or where the problem and policy areas are.

For example, one of the things that bothered me in the report—and I think it is an excellent report, an improved report over last year—but one of the things that bothered me is that there is very little here about the problem of job creation, which gets to the issue of Federal expenditures and public works as far as I can see. And this kind of problem, within the constraints, can be taken care of, at least by indicating what the problems are, what the magnitude of the problems are, and what the alternatives are.

Senator CLARK. I think you are right to a very large extent. I point out, though, that we have had two successive extremely able and very courageous Secretaries of Labor, in my opinion two of the greatest Secretaries of Labor we have had in a long, long while. They, I suppose, could have additional coverage and say if we are really going to solve this unemployment problem we have to have a massive program of accelerated public works; it is too bad we cannot have it. But they have not. I wonder how long they would stay Secretary of Labor.

Mr. GINZBERG. Do you need that? I think the Economic Report of the President, is also an executive department document. It will contain nothing that is not in harmony with what the administration wants to do.

I think that if you begin to hold these hearings regularly, each successive year the gap between Congress and the Executive will narrow. There are many ways of skinning the cat.

Senator CLARK. The Congressmen and we on the Senate side have been brash enough to ask Mr. Otto Eckstein to come down here today or tomorrow and perhaps we can worm it out of him.

I always felt there was close coordination between the Council of Economic Advisors and the Manpower Report. At one point we thought we ought to expand the Council of Economic Advisers to get one man there who would be a manpower specialist and give them this job. First Mr. Justice Goldberg did not, and Secretary Wirtz did. We felt it would be better to have somebody. Maybe we ought to have a kind of national council in this area of economic and manpower planning at a level somewhat similar to the National Security Council to deal with these matters. How would you react to that?

Mr. O'HARA. Professor Harbison?

Mr. HARBISON. I would like to speak to that, Senator Clark.

I think we have made progress in this current Manpower Report; as I indicated it is better than previous ones, and it is better than previous ones because there was participating by the National Science Foundation, by many Government agencies in the writing of that report.

Now, there was established last year a President's Committee on Manpower. One of the functions——

Senator CLARK. We got a push on that from our friend yesterday, he seemed to think that was all that was needed, Stanley Ruttenberg, our favorite bureaucrat. He would not like anybody put on top of him.

Mr. HARBISON. I think the difficulty is that the President's Committee on Manpower is a coordinating committee which consists of members who are heads of agencies.

Senator CLARK. We asked him how often it met.

Mr. HARBISON. He said twice, but he said the hard working deputies met more frequently.

They do, you see the organization has no constituency, really, and the money and the thing is in the poverty program or in MDTA, or in education or particularly vocational education, and this is where the actual thinking and planning goes one, again in pieces. I think it is too much ever to expect the Labor Department, with its own resources and its own personnel, to come up with a type of long-range policy analysis that I think all of us agree we should have. And I think you have to have some kind of an organization perhaps tied in with the Government, quasi-governmental, perhaps a commission such as the Automation Commission, with a small staff, with a budget, not a large one but with a specific Commission to put these pieces together.

I do not think it takes very many people to do this, but it takes some people who are going to work full time on the fitting of the pieces through and as Congressman Pucinski has pointed out, coming up with some more imaginative ideas in this field.

Now that I do not think you can by just having a Council or a President's Committee, or a coordinating committee, or even a manpower czar in the Office of the President. It is a think job primarily.

Mr. PUCINSKI. Would you recommend that the Secretary, and I am sure that he has the authority now in this act, establish such a working team right here in this Department because, after all, they are the closest to this problem. They have all the statistics available to them. They have the regional offices that were mentioned here a moment ago. In other words, here is an apparatus that has the tools. Now, perhaps the Secretary ought to—in order to strengthen this program, create such a team right in this program rather than go to another commission which will just take another year to get off the ground.

As you pointed out, most of these commissions are made up of big names, but unfortunately they do not have the drones that do the job. Perhaps we ought to recommend that the Secretary give some thought to establishing a task force right within this program to do that job.

Mr. HARBISON. I would make one suggestion with respect to that, Mr. Congressman, and that is I think such a task force could better be appointed by the Secretary of Labor in his capacity as Chairman of the Committee on Manpower than as Secretary of Labor because we must remember that a great many agencies, other than the Labor Department, have vital concerns and play roles in this field, and one of them, of course, is education, which is extremely important, does not come under the jurisdiction of the Labor Department. We also have the Defense complex, the Science Foundation, and so forth.

Senator CLARK. We are all so status minded, particularly these days, that I would raise the question as to whether such a commission would not be more effective if it were appointed by the President?

Now, this might take a little doing, it might take a concurrent resolution, it certainly would take the cooperation of the Secretary of Labor, but I would think on both sides of the Hill this is a matter our two subcommittees ought to explore.

I would have one question, Mr. Chairman, and then I am through. This question is directed to Mr. Goldfinger. You make a very good case, I think, for the need of the 5½ percent annual growth rate in order to achieve something near full employment. This I think you would agree, would you not, would require a very substantial expansion of expenditures of the public sector of the economy, and does this not make it perfectly clear that we have these two alternatives: Either we continue to live with an unemployment rate probably in excess of 4 percent for the indefinite future or we make up our minds to break the sound barrier and get rid of the $100 billion budget?

Mr. GOLDFINGER. I absolutely agree with you, Senator, and I think the need is urgent. I want to indicate that I disagree with at least the tone of Mr. Levitan's remarks earlier when he said that the problem is not so serious. I think that there is a very serious problem here. I am not speaking of catastrophe and I am not speaking of the kinds of things that came out of the Center for the Study of Democratic Institutions where you see doom around the corner. But I think that there is a serious problem in terms of the current level of unemployment and underemployment, with a particular concentration of Negro unemployment and unemployment among young people, and added to that the continuing spread of the technological revolution plus the accelerating growth of the labor force.

The labor force projections by the Labor Department for the next number of years is 1.5 million a year. This is roughly 40 to 50 percent faster than we had in recent years.

Senator CLARK. You mean 1.5 million a year more than the year before?

Mr. GOLDFINGER. That is right. In recent years the labor force increased to about 1.2 million per year. In the next number of years on the basis of population statistics it is fairly clear that the labor force is going to increase by about 1.5 million a year.

Regardless of what you do, these people are already in the population and they are growing up. We know that they are here and they are entering the labor force. The problem is a growing one.

Once again it is not only an economic problem but it is a social and political problem as well. A good deal of the tensions that are building up in our urban areas are related to these problems of unemployment and underemployment.

Senator CLARK. Would you agree, and I think Mr. Ginzberg made this point, that these tensions are building up on the farm also where the prospect for employment is very poor?

Mr. GOLDFINGER. But they are leaving the farms. That is part of the problem, Senator. I tried to indicate that in the paper that I submitted. The problem is leaving the farm—people are leaving the farm. We have had a large exodus of people from the rural areas into the urban areas, precisely in a period of time in the past dozen years, when the number of traditional unskilled and semiskilled jobs in the urban areas for those kinds of people are now dwindling such as production and maintenance jobs in manufacturing, railroad jobs,

mining jobs, and so on. Even in other areas such as in the telephone industry and public utilities employment is stable instead of growing, so that we are building up for a relatively serious problem here.

Senator CLARK. The companies are growing, their profits are increasing?

Mr. GOLDFINGER. Yes.

Senator CLARK. They are having more gross sales, but the employment is not growing, because of technological advances; is that what you mean?

Mr. GOLDFINGER. That is right. That is why I think we have to emphasize the public sector in order to offset the laborsaving and material-saving inventions that are related to the technological revolution. We can do it. Public construction involves a lot of unskilled and semiskilled labor as well as skilled labor. But in addition to that, public construction also involves a considerable impetus for employment and stimulus to private industry in the sense of using building materials; the production and distribution of building materials; the service, repair, and maintenance of building materials and equipment.

For example, Professor Ginzberg mentioned that one of the problems in our urban areas is that the middle class is moving out into the suburbs. However, we can meet part of this problem and maybe meet a good deal of the problem through a stepup of urban renewal and low-cost and middle-income housing and in addition, the development of adequate mass transportation systems. We do not need, Professor Ginzberg, the kind of class system that you advocated of sending trucks into the south side of Chicago, for example, to move the people out into the suburbs to work and then to bring them back. What we need is an adequate mass transportation system so that people on their own, individually, can go to work and come back at some kind of reasonable cost to themselves. And we can provide these services if we move in the public sector.

Mr. O'HARA. Let me suggest that perhaps Mr. Ginzberg, Mr. Harbison, and Mr. Levitan might have some reservations about Mr. Goldfinger's thesis.

Mr. Ginzberg, for instance, indicated in his presentation, that he felt there were some limits on the viability of fiscal and monetary policy in creating jobs; I think he specifically suggested the creation of sheltered employment which I would think has the advantage of being inexpensive.

Mr. GINZBERG. I think it is more pinpointed. I would go part of the way with Mr. Goldfinger but not the whole way.

I do not think that given the discrepancies between the kinds of people that we still have to fit in and the kinds of labor markets that we have, that just by "increasing the flow of funds" or expanding investments you will necessarily get them all fitted in.

I consider, as Professor Harbison said, and he did not stress it, that employment is itself a major end of a civilized democratic society. We cannot afford to leave a lot of people without work. Ralph McGill told me some months ago when I chatted with him of his nervousness about the South because of its unemployment and underemployment. If you read about the people who are murdering other people or taking shots at other people, I am always interested to see how many of them are not regularly employed.

As a longer range target for the United States we really have to get much more sharply focused on how people of working age, even with their disabilities, can be fitted in, and I just do not think that increasing the flow of investments funds indefinitely will do that.

Mr. GOLDFINGER. I agree in part with what Professor Ginzberg says. However, I think his focus on that issue is wrong. That part of the problem is a minor part of the overall problem. The major need is job creation. We have a good deal of sheltered work. The poverty program is in this area; the ARA program is in this area; and we have other programs of sheltered work.

What do you do, however, to provided regular employment after the youngster leaves the Job Corps? What do you do after the youngster is retrained for a period of time under MDTA?

Senator CLARK. What do you do when they come back from the Peace Corps? That seems to be a problem, too.

Mr. GOLDFINGER. Where are the job opportunities?

Mr. O'HARA. Professor Harbison, do you have a comment?

Mr. HARBISON. I will make a brief comment.

I think I associate myself with the remarks of Professor Ginzberg. I think we are going to have to face the fact that if we are going to have the present or higher minimum wages, and I think I would be in favor of a good, high, minimum wage, that we are going to have to have some subsidies for employment of persons of certain categories.

Now, we might just as well face up to the fact that it is going to be cheaper for us in the long run to subsidize some of these people in employment than to maintain them on relief or in institutions.

At least what we are doing is making taxpayers out of them to the extent that they are in employment and not in institutions or in idleness, on relief, on unemployment compensation.

I think here is an area where more imaginative thinking, to use the Congressman's terms here, is necessary. One of the things that we really do need to consider, I would say, however, that there is a role for expanded public works but I think I would have a broader definition of public works than construction. I would include in public works all kinds of civil developments, including expansion of education. I do not include that in public works. I think that is all I want to say.

Mr. O'HARA. And retraining?

Mr. HARBISON. Sure.

Mr. PUCINSKI. Mr. Chairman, I would like to see if anyone strongly objects to the conclusion I have drawn from this morning's hearing, that these four experts agree that the manpower training people are doing a good job where they are. Your suggestions and the main thrust of your discussion this morning was an exchange of views on how we can create a greater interest in creating new jobs and more jobs to absorb the people whom we are training in this program now; it was rather significant to me, and I should think this would be a great comfort to the Secretary, that none of these witnesses had any serious or major criticism of the administration of the program.

Am I reasonably correct in making that assumption? Unless somebody cares to sharply disagree with me?

Mr. LEVITAN. There is one point, Congressman Pucinski, where I think that the manpower program can be improved considerably, along

the lines already suggested by Professors Ginzberg and Harbison. Greater emphasis should be placed on subsidized employment and on-the-job training. I think that much more can be done within the present appropriations by allocating more funds for on-the-job training in preference to institutional training.

Mr. O'HARA. Gentlemen, I thank you very much for your contributions. I know that you could not continue much longer on empty stomachs. We are going to terminate this hearing for today.

I would like to announce that this joint hearing will resume tomorrow morning at 10 a.m. in room 4232 of the New Senate Office Building, and among our witnesses will be Dr. Otto Eckstein, who is a member of the Council of Economic Advisers; Mr. Stephen Shulman, Deputy Assistant Secretary of Defense; Mr. Doland Bradford, Director of the Office of Economic Adjustment of the Department of Defense; and Mr. William Valdes, Deputy Director, Civil Personnel Policy, Department of Defense.

Thank you again, gentlemen. The joint hearing is now recessed.

(Whereupon, at 12:35 p.m. the committee adjourned to reconvene at 10 a.m., Thursday, April 29, 1965, in room 4232, New Senate Office Building.)

MANPOWER REPORT OF THE PRESIDENT, 1965

THURSDAY, APRIL 29, 1965

CONGRESS OF THE UNITED STATES,
JOINT MEETING OF THE EMPLOYMENT
AND MANPOWER SUBCOMMITTEE OF THE
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
AND THE SELECT SUBCOMMITTEE ON LABOR OF THE
HOUSE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The committee met at 10:05 a.m., pursuant to recess, in room 4232, New Senate Office Building, Senator Joseph C. Clark presiding.

Present: Senators Clark, Randolph, Pell, Nelson, and Javits and Representatives O'Hara and Hathaway.

Senator CLARK. The joint committee hearings will try to get underway, and I would ask this morning's witnesses if you would come forward and sit at the witness table.

Our witnesses this morning are Stephen Shulman, Donald Bradford, William Valdes, Archibald Alexander, and Mr. Edward Salner.

Off the record.

(Discussion off the record.)

Senator CLARK. On the record.

Representative O'HARA (presiding). Gentlemen, I have heard of witnesses who wore the committee members out, but it seems that even before the testimony has begun we are losing one and picking up another.

Senator Nelson has joined up. I am Representative O'Hara of Michigan, a member of the Select Subcommittee on Labor of the House committee, which is privileged to join in these hearings with Senator Clark and his subcommittee.

It would seem to Senator Clark and myself that you could be particularly helpful to the two committees in contemplating some of the implications of defense production and defense technology on manpower policies.

Obviously no manpower policy is complete unless it takes into consideration these matters.

It was our thought that, perhaps, we might concentrate today on that section of the Manpower Report beginning on page 59 which deals with the employment effects of changing defense programs and needed adjustment measures.

If any of the witnesses care to make some brief comments with respect to this situation, they might do so now before questioning begins. Perhaps the witnesses have no prepared statement of any kind and desire simply to start off with some questions.

Mr. Valdes, do you have any statement you wish to make?

Mr. VALDES. No; I have no statement.

Representative O'HARA. Mr. Shulman, do you have?

Mr. SHULMAN. No; I do not.

Representative O'HARA. Mr. Bradford?

Mr. BRADFORD. No, sir; I do not. I will be glad to give a rundown on what we have been doing if that would be helpful, but I have no prepared statement.

Representative O'HARA. Mr. Alexander?

Mr. ALEXANDER. I have no prepared statement.

Representative O'HARA. Mr. Salner?

Mr. SALNER. No, sir.

Representative O'HARA. Senator, if you have to leave, I will give you a chance to get in a few licks.

Senator CLARK. Thank you, Congressman.

I would like to make a couple of observations and then ask for the comments of each of you gentlemen.

As Congressman O'Hara has said, the implications of changing defense programs on manpower policy is very heavy, and as defense needs change and as to some extent there is a prognosis that defense needs may climb, the need to coordinate defense policy with overall national manpower policy, if there is such a thing, and I think one is gradually developing, that has been the purport of our hearings to date, and I think it is the inevitable conclusion of a perusal of this latest Manpower Report, I think I speak for all members of both subcommittees when I say that this is by far the best of the Manpower Reports we have so far received, infinitely better than its predecessors which in turn were pretty good, but we are sort of breaking new ground here, even in the concept of manpower policy.

One of the problems which particularly concerns me has been how we can bring together within the Federal Government in a method which makes some sense all of the elements of the bureaucracy we have a responsibility for some phase of the manpower picture.

I do not use that word "bureaucracy" in any adjective term, at all, because you gentlemen are a part of the operations of the Federal Government, without your hard work and careful thinking we would not be anywhere, but the Government is so huge and the importance of manpower is so great that to some extent we have failed as yet to create the necessary overall manpower policy, to see that it is coordinated, to see that it is adequately disseminated to subordinates, and to see there is a procedure for meeting crash needs which are all too apt to arise in the defense segment when a plant is closed—the Brooklyn Navy Yard, Olmstead Air Force Base, any of the California installaitons and whatever you have—and how can all this be brought into focus with what we are constantly striving for which is a full employment economy.

This is all pretty starry eyed to some extent, whereas you gentlemen dealing with the hard facts of a particular issue would it not be fair to say that our two subcommittees are vitally interested in the grant, to where the grant is going to take us.

We have agreed, at least on our side, and I think Congressman O'Hara was in accord, too, we will not attempt to get into the draft until we get the report which we understand is going to be forthcoming from the Defense within the next few weeks.

But I would like to invite your minds toward some speculative thinking—administrative as well as planning—as to how you think the manpower requirements of the Department of Defense can be met in the foreseeable future in terms of skilled shortages; in terms of the drafting of young Americans; what your overall plans and programs are for handling with the least possible economic dislocation the unfortunate effects of closing of defense plants; what you are doing in terms of creating an early warning system; how the Arms Control and Disarmament Agency views the very important implications of a cutback in defense by reason of arms control or disarmament; its effect on public opinion, on the economy, on the lives of individual Americans; and, generally speaking, what help you could give the two subcommittees in exercising their oversight function with respect to manpower policy.

I guess that is enough to scare you all back to DOD.

Suppose we start off with the man in the middle who is accustomed to being in the middle.

STATEMENTS OF STEPHEN N. SHULMAN, DEPUTY ASSISTANT SECRETARY OF DEFENSE; DONALD BRADFORD, DIRECTOR OF THE OFFICE OF ECONOMIC ADJUSTMENT; COL. G. J. KELLEY, OFFICE OF ECONOMIC ADJUSTMENT; WILLIAM C. VALDES, DEPUTY DIRECTOR, CIVIL PERSONNEL POLICY; ARCHIBALD S. ALEXANDER, ASSISTANT DIRECTOR, ECONOMIC BUREAU, ARMS CONTROL AND DISARMAMENT AGENCY; AND EDWARD SALNER, CHIEF, DIVISION OF MANPOWER UTILIZATION SERVICES, BUREAU OF EMPLOYMENT SECURITY, DEPARTMENT OF LABOR

Mr. BRADFORD. Well, of course, our activity, Senator, as you know, has been working on the base closure problem, including the latest announcements that were made on closures on November 19, 1964, and we have continued to follow the practice that has seemed to work. As I testified last year, it is a kind of shirt sleeve approach, but we have had some pretty exciting results, and the organizational framework within which we work is a team concept in support of the community's objectives.

For example, right at Olmsted, we think we have an exciting thing going on now. We have been working with John Tabor, Cliff Jones, John Hart, and men of that caliber who are working up the objectives of the community for utilizing the base when it closes, for productive uses, and we are working very closely with them to try and phase in opportunities as the Defense Department—the Air Force, in this case, phases out of the base.

Senator CLARK. Could you be a little bit more specific?

Mr. BRADFORD. Yes, sir. I think we have probably had about eight meetings since the 4th of December with them, and they have been preparing their ideas of utilization; for example, they are very much interested in making an industrial complex out of the south portion of the base geared around the airport concept.

They are also interested in a combination of industrial and, at the present time, educational use of the north complex, so what we are engaged in is getting all of the people that are required to have a part

in the transition process in the Federal Government, which includes the General Services Administration, Federal Aviation Agency, the Department of HEW, and all other agencies that apply, and enlisting their resources and help in carrying out this plan.

Senator CLARK. What have you been able to do about taking care of the employment requirements of the displaced employees financial problems which they are faced with as a result of owning their homes, having mortgages on them, having to abandon those homes and move elsewhere, with no particular sales opportunity for the housing unless new industry can be brought in there? What are you going to do in the compassionate sense to relieve their problems?

Mr. BRADFORD. In terms of finding or giving them other job opportunities, Mr. Shulman can address himself to that. I think it has been a very successful program. Of course, at Olmsted the phaseout has not yet started but Mr. Shulman can go into that in quite some depth, and, I think, there is an impressive record there.

As far as the housing situation is concerned, frankly, I think we have not done a job here. We just do not have that one licked. What we have been doing up to date in the housing situation is enlisting local resources to try and hold the level so that the sales can be made—FHA may be very helpful in holding houses off the market in order to sustain the real estate values until opportunities of recovery are in there.

Senator CLARK. Would you encourage us to consider Federal legislation in terms of taking care of the financial problems which result from the closing of a defense base?

Mr. BRADFORD. I would rather defer on that if I might, Senator, because I know that the Department of Defense and the FHA people and the VA people, and GSA people are all working very hard on studying this problem to see exactly what can be done, what might be done.

Senator CLARK. Of course, time is of the essence in this kind of a thing, particularly if we are going to have defense shutdowns, which I guess we are, are we not?

Mr. BRADFORD. Yes, sir.

Well, we have some problems right now on those that have already been announced and there is a very deep awareness of the fact that most people at defense installations are somewhat like ourselves, we are one step ahead of the sheriff and our equity in our home represents a very important part of our assets, and there is a very great awareness of this.

It is being studied very carefully. I am afraid there is a lot of wrangling about what should be done, and this is very healthy. But no position has been arrived at.

Senator CLARK. You can well understand how much heavier the pressure on an elected public official is in this area than on you gentlemen who at least have the illusion of tenure.

Mr. BRADFORD. Touché. It is a very significant problem and there is a great deal of concern about it, and it is under very intensive study and it is one that we cannot defer on. But we have no position at the moment.

Senator CLARK. The problem, of course, is even bigger than the jobs for the individuals who were displaced to move, because the whole

service complex, running from groceries to laundries, to babysitters, affects the employment picture of the whole community when they pull out.

Let me say that I think you people in DOD have done a splendid, first-class job in measuring up to your responsibilities here, I do not mean to be critical, but the problem is a huge one, much broader than just taking care of the needs of the employees and I do not know that it is fair to ask DOD or anybody else to think what happens when an area such as that surrounding Olmsted in Harrisburg—I use that just as an example—from having been an area of practically full employment suddenly becomes an area of chronic and persistent unemployment.

Mr. BRADFORD. Yes, sir; there is no denying——

Senator CLARK. Not yet but persistent any day.

Mr. BRADFORD. We hope it will not become that, we hope these plans that are shaping up now will take care of that but that does not, in any sense, deny the validity of your point.

I would say, however, that the real estate problem is not equally critical in every community. For example, out of the some 35 communities we are currently working with on a regular basis, only about 9 seem to have a significant real estate problem. But this does not deny the fact that it is a serious problem.

Senator CLARK. I think if you had been subjected, and perhaps you have, to the same pressures which I have from constitutents, from newspapers, from political opponents, from everybody in the Commonwealth of Pennsylvania, you would share my sense of urgency that we get something done about this.

Mr. BRADFORD. Yes, sir. They are not my constituents, but I am very much aware, having been in these communities, of this concern.

Representative O'HARA. I was very interested in the statement in the report that you were installing and would have an operation by the first of March a computerized setup for determining what job vacancy exists and, I presume, for matching the classifications and skills of the displaced Defense Department employees with the requirements of other job positions within the proper organizations of Government.

Do you have this sort of thing in connection with interregional and interstate clearance of job opportunities within the USES?

Is such a system operative, and if so, what is your experience with it so far?

Mr. SHULMAN. I will answer that if I may.

We do have the computer operational and it became operational around March 1, so it is now not yet 2 months old on an operational basis. We had pilot tested it in the six State civil service region called the Chicago civil service region, which embraces the six States immediately around Illinois. We found it would work, and we now have it for the Nation as a whole.

It is in Dayton, Ohio, at the Defense Electronics Supply Center. If you would like I will describe to you how it works and what the setup is.

Representative O'HARA. Would you, please?

Mr. SHULMAN. Yes.

The computer registers all employees affected by a closure by their current skill, by up to four secondary skills, by their education, by their security clearance, and that type of personal information.

It registers locations to which they have indicated a willingness to move in the event a move is necessary and it registers the grade levels which they currently hold and which they are willing to accept.

That information is then translated into categories of jobs for which these people are qualified.

These categories are put out weekly on a list called the stopper list which goes to each installation which the people who had registered indicated they had an interest in.

Upon receipt of the stopper list all hiring at that installation is stopped, and if they have a vacancy in one of the categories—I may say that hiring is stopped in the indicated categories, we do not stop it in categories for people not available—if there is a vacancy in the installation in one of those categories, then it submits a punched card to the computer which in turn sends to the installation résumés of the employees who are within the category.

Now, because our program is only 2 months old we do not have an elaborate experience, but the first 2 months have been very, very good and we have every reason to expect that the results will be dramatic, indeed.

The placement program operates first within the commuting area where the computer may or may not be used, depending upon how many installations there are, then within the civil service region. There are 10 civil service regions in the country, then within a zone, we have broken the country into 4 zones, and then nationwide.

We expand the area of placement to the extent that it is necessary in order to solve the placement problem.

It all takes place very quickly, in fact our experience is that the computer is running a little faster than we are. So we are getting stopper lists a little more frequently than the people who are doing the hiring from them can get the information back into the computer, but we are going to handle that.

Placements have taken place under the computer.

Representative O'Hara. Mr. Salner, had you been aware of this computerized effort to match vacancies with the skills of displaced employees? I would hope that the BES is perhaps observing—maybe that is not your department.

Mr. Salner. Well, Mr. O'Hara, it is not my department but I am aware of it and I am glad to report that we are perhaps just a little more than merely aware of it. We have a computerized operation on a tryout basis in California that covers the west coast. It is called lincs west with lincs being an acronym, the names of which I cannot remember, and has been working in much the same way as the Defense Department computer, and quite successfully matching workers and jobs.

The lincs west computer objective now as I understand it, is to extend the operation over the country on a regional basis, and exchange the same kind of job and worker information on workers and jobs in general as is involved in the Defense Department's trial.

Representative O'Hara. This is something in which we would be very interested.

Much of the manpower problem that has come to our attention over the last several years had to do with a very imperfect method of matching unemployed or underemployed workers with jobs which they could fill.

Is this computerized system applicable only to those employees being displaced from bases that are being phased out or is it a department-wide operation? I have in my district a couple of bases which are not being phased out but reductions in force occur on a periodic basis and cause a good deal of difficulty for the individuals involved.

Mr. SHULMAN. Yes. What we call our program for employment stability applies to all employees affected by any sort of reduction in force, or potential involuntary separation.

The placement program, however, varies in extent, depending upon how serious the placement problem is.

If there is a reduction in force at a given installation which can be handled by that installation within its own resources then we do not get involved in the computer. If the military department or defense agency to which the installation belongs can handle it, can handle the placement problem within its own resources then we might not get involved in the defensewide program, although if the problem is of sufficient dimension, we allow use of the computer for one military department alone.

The computer in its full force which stops hiring at all defense activities, irrespective of which activity is the one that is losing employees, is available but is designed for those cases which cannot be handled more locally and for the reason that there is no point in moving people all over the country if there is no need to do so.

Representative O'HARA. I would not say I am skeptical. I have a request in for a report from the Department of the Army on a particular RIF at the Detroit Arsenal that has to do with mobility. The reason I have asked for a report is that I do not want to act on the basis of these several complaints. It would appear, however, if they are a true sample, the first action of the personnel people in coping with this reduction in force was to move everybody down. I recall one instance in particular. A truckdriver had been downgraded and made a janitor. A number of others were brought down within the organization by the same means. The people who were out of luck and out of a job were mostly people of very low skill content who had the lowest grade jobs in the installation.

If the operation works in that manner, it seems to me you are going to be clogged up with janitors and messengers. You are not going to be able to place these people with a dozen computers. Some of these people who had marketable skills, as it were, are not even going to get fed into the computer, if the first priority is on placement even at a lower grade within the particular unit that is affected.

Mr. SHULMAN. That involves some civil service rules, I would like to have Mr. Valdes expound on that.

Mr. VALDES. We have not built this system as a substitute for reduction-in-force procedures which we must follow under Civil Service Commission rules. However, we have provided, and this is relatively recently, we have provided that if in a reduction in force an employee is faced with a downgrading of more than three grades he can be registered in the referral system for placement at another activity.

That may be at least a partial answer to the problem you just discussed.

Representative O'HARA. I am wondering if we should not go further than that. I do not recall if any went down two or three grades.

Mr. VALDES. Most are eligible to have their pay saved.

Representative O'HARA. For 1 or 2 years they receive the pay at the higher grade?

Mr. VALDES. Yes.

Representative O'HARA. But that sort of reaction is going to render very difficult the task of placing these people in comparable jobs. In other words, are we not putting them into an underemployment situation in preference to referring them to a job in some other agency, region, or elsewhere in the same region, which would result in full use of their skill? Should we prefer underemployment to transfer?

Mr. VALDES. Well, our particular problem is not quite that clear cut. We have thousands, we have some 130,000, I think it is, people who are affected by these base closures, either by job eliminations or dislocations. There are many conflicting equities, and it is just a question of which is the highest priority problem. We feel that the man who is going down substantially in grade or is going to be out of a job is the one on whom we are going to have to concentrate our primary efforts in referral to outside activities.

Otherwise we might find ourselves in a self-defeating situation, where we pump in employees faced with limited downgrading and take away job opportunities from employees who have no jobs at all.

Representative O'HARA. What has apparently happened is what has become known in popular parlance as the domino theory. You knock a fellow out of the top and move him down. You knock nobody else out, you keep shuffling downward, until you end up with persons coming out of the bottom of the pyramid for whom you have no positions. Very often they are people who have very little skill, very little education, and who are the most difficult types to place through your referral system.

Mr. SHULMAN. Well, one problem that is involved in that from a policy viewpoint is the reluctance of employees to want to move, and while you have complaints from employees, I gathered, who have gone down some grades in this reduction-in-force process, we have encountered generally that the reluctance to move is the primary concern of the employees.

In that case, to move an employee to another location and protect his grade may very well be something that the employee does not want. Also I believe that these bumping rights are statutory.

Mr. Valdes can check me on that, but I believe they are statutory.

Mr. VALDES. That is right.

Mr. SHULMAN. So we must make them available if a man wants to stay at his present installation.

Now if an employee chooses to exercise the bumping right which we do not take away, to the extent that other employees also so choose, this domino effect will be inevitable.

It is possible that there is some percentage of employees who would prefer to move elsewhere rather than exercise these bumping rights. To that extent it is possible perhaps that we could reduce the domino problem.

Representative O'HARA. I hate to go into this. Let me say, the thing that worries me is that the employees are asked: Do you want to drop down one, two or three grades and bump this other employee or do you want us to find you a job somewhere else?

In other words, he is not given a choice between transferring to another installation at the same grade or bumping down. He is given a choice of bumping down or taking a chance on getting a job at the old or some similar classification somewhere else.

The second point is that it seems to me perfectly justifiable in a social sense to give that employee the chance to bump somebody else. But it is not just his interest that is at stake. The fellow who gets bumped has some interest in this matter, too. If it then ends up that the fellows getting bumped are the low-skilled and low-educated people, who are hardest to place in other jobs and installations, I am not sure this is the equitable way to do it.

Mr. SHULMAN. There are two points I would like to bring out if I may. One point would be from the management viewpoint, and that is that if an installation is a continuing activity which will have continuing responsibilities it may not be entirely desirable to move out all employees who have relatively good grades, and later on find yourself in the position of having to move in employees from some other installation who have had the same type of experience. There are certain management interests in not doing that.

Another point from the employee's viewpoint is that we have not placed all employees affected by closures in their same grade—I must admit that. We have placed most employees affected by closures in their same grade, and it would be, I think, less equitable to guarantee absolutely the same grade for the employee who is not closed out while not doing so for the employee who is affected by a closure.

I do not really know if we could guarantee that the same grade or better will be the result in every case.

The same grade or better has resulted in most cases, but there have been placements below that.

Representative O'HARA. I gather that all of the arguments are not one sided on this thing. It seems this is something that perhaps this committee ought to do something about.

Mr. SHULMAN. This is something we will certainly look into now that you have brought it up; I think it is a good point, but it is a hard point.

Senator NELSON. Did I understand you to say that 130,000 employees were affected by the closing or expected closing or reduction in force?

Mr. VALDES. Not eliminated but affected, this is what we call the total turbulance; either a job is eliminated or it is moved to another location, or in some way dislocated.

The actual figure is 131 000 jobs, of which 69,120 are to be transferred and about 62,000 eliminated.

Senator NELSON. Over what period of time?

Mr. VALDES. This is the number of jobs affected by all the actions announced, some 669, since January 1961, and they do extend over a considerable period of time. This is the effect when all of these 669 actions are completed running through, oh, at least 10 years in the future.

Senator NELSON. You said as of January 1961?

Mr. VALDES. Announced since January 1961.

Senator NELSON. 131,000 plus have been affected by reductions, shifts, transfers——

Mr. VALDES. Will be affected is more accurate—not have been, but will be. A lot of these actions that I referred to as having been announced, extend over a considerable period of time.

Senator NELSON. These are decisions that have already been made?

Mr. VALDES. Made and announced, yes, sir.

Senator NELSON. By what period of time will they all be effected?

Mr. VALDES. Well, some of them extend as far as into 1975. The Portsmouth Naval Shipyard, for example, has a 10-year phaseout period; its closure was announced on November 19, 1964, and it is to be phased out prior to fiscal year 1975.

Senator NELSON. That is a figure, of course, you have to keep updating, 5 years from now?

Mr. VALDES. That is right; as a matter of fact, it does not include a couple of actions that were announced recently that are still in the planning stage. It does not include the numbers of employees that will be affected in changes in the Reserve organization, the transfer of reserves into the National Guard, if this step goes through; it does not include changes involved in the organization of the new Contract Audit Agency.

Senator NELSON. In the breakdown of that did I understand you to say some 69,000 will have been retired and laid off?

Mr. VALDES. Well, 62,000 jobs, civilian jobs, will have been eliminated.

Senator NELSON. Civilian jobs?

Mr. VALDES. Yes, sir. When you talk about both the civilian and military jobs being eliminated or dislocated you are up to 290,000 jobs.

Senator NELSON. In other words, in this period of time 62,000 people either have retired or been out of a job in the military employment?

Mr. SHULMAN. No; our object is to place them. This is an elimination of spaces. That is the definition of our placement problem—there are 62,000 spaces that are going to be eliminated. We would like to see that there are no people eliminated and I might point out in regard to the 130,000 figure that many of those 130,000 will have reached retirement age and voluntarily retired, and that normal attrition will have occurred before we get to them. Most of these closures run 4 or 3 years. The figure that Mr. Valdes gave you is cumulative and includes a large number of people who are affected by closures that have not even begun.

Senator NELSON. But your objective is to see that whatever number of those 62,000 have not retired or quit of their own volition will be placed in another position within the Defense Department?

Mr. SHULMAN. Our objective is to see that every one of them is actually placed; most of them will be placed in the Defense Department.

But it is also possible that many of them will be placed—I should not say many, that some of them will be placed in private industry.

That is one of the things that we have had to do in order to compensate for the reluctance-to-move problem. If we are closing an installation in a given city and there is no other defense installation there, the only way we can continue their defense employment is to move them. The only way we can continue their Federal employment without moving them is if there is other Federal employment in the

city, and when there is we place them in that employment. We get very good cooperation from the other agencies, but for some who will decline to take any opportunity that involves moving, they will be placed in private industry in the local area to the extent we can. And, indeed, some will move to go to jobs in private industry. Some, unfortunately, will refuse job opportunities and not be placed.

Senator NELSON. I read this rather rapidly before I came over here this morning, but in the chart on page 68, which is titled "Placement of Displaced Department Employees—January to November 1964"—if I looked at that correctly, there were 15,636 people and all of them got a job someplace in that period.

Mr. VALDES. That is right.

Senator NELSON. Is this chart telling us that every single person who was involved in a defense installation closing or reduction in force during that period of time received another job in the Department of Defense or non-Federal job?

Mr. SHULMAN. No. The problem is, first of all, this figure includes employees who are not affected by closures but were affected by ordinary reductions in force; second, this chart is of employees who were placed rather than of employees who were affected.

This describes what type of placement took place as opposed to what percentage of affected employees were placed.

Senator NELSON. You cannot help but end up with 100 percent that way?

Mr. SHULMAN. That is right.

Senator NELSON. I misunderstood it, because it said placement of displaced Department of Defense employees, I assumed this was all of the Department of Defense employees for which some positions had been abolished and that you got 100-percent placements. What you are saying you got 100 percent placed of those who got placed?

Mr. SHULMAN. Well, yes.

Mr. VALDES. That is right. There are a great many actions going on within the Department, a lot of retirements, resignations, and so forth, but during this period this number of persons whose jobs were eliminated or dislocated were placed either within the Department of Defense or in other Federal agencies.

Representative O'HARA. If the gentleman will yield for just a moment. You speak of paying the employees' transportation expense. This is something we are trying out on an experimental basis under the Manpower Development and Training Act.

How long has this been the practice in the Defense Department? Is this done for everyone or are there some employees who are not given that offer? Do you have any experience which would indicate the importance of the payment of moving costs in a change, transfer, and placement?

How much difference does it make?

Mr. SHULMAN. Well, all Government agencies have the authority to pay transportation expense for change of duty stations. It has been the policy of the Defense Department to pay those expenses since July 1963 for all employees affected by reductions in force who are placed elsewhere in the Department.

The authority exists in the activity that gains the employees rather than the activity that loses the employees. The Bureau of the Budget

has found it in the interest of the Government to authorize all departments to pay moving expenses when employing workers being released from any other Federal department. That is, if we have an employee placed in, let us say, the Labor Department in another city, the Labor Department can elect to pay the moving expenses. We, the releasing department, are not authorized to pay these expenses.

Our experience is that the payment of transportation expenses is essential to movement and our experience is also that the transportation we pay may not be adequate.

Representative O'HARA. I notice 57 percent of the employees placed, in the chart the Senator has referred to, were transferred with their functions to jobs at other locations.

Now if those other locations were in any way distant requiring a move on the part of the employees, it is certainly a lot higher percentage. I am sure, than found in private employment.

Mr. SHULMAN. "Transfer of function" is a very technical term which describes the situations in which the job and the incumbent are transferred.

This would be a higher figure in the Defense Department than in most private industries because there is no private industry that is as large, and we have so many more installations where we may be transferring jobs from one location to another.

It certainly is true that in private companies that have many divisions there are transfers that go on from one division to another, but they would not go on to the same extent that would be involved in our closures, for example, where there may be an entire function transferred as well as employees affected by the closure itself.

Senator RANDOLPH. Representative O'Hara, could I supplement your colloquy?

Representative O'HARA. Please do.

Senator RANDOLPH. In reference to the transfer, there are pending in the Senate before our Committee on Post Office and Civil Service, of which I am a member, measures which would call for a liberalization or earlier retirement of workers.

Do you think this might be a partial answer to the problem which arises through transfer of workers with the closing of defense installations?

Do you have any comment on this subject?

Mr. SHULMAN. Yes.

Well, we either have or will be commenting on some of the bills that have been introduced in the area of providing liberalized early retirement benefits. There are now early retirement benefits which apply in cases where otherwise there would be an involuntary separation. It certainly is true that if a job is eliminated and a man retires early we do not have the same placement problem that we have if he does not. That certainly is true.

On the other hand, early retirement may not be a satisfactory answer because if the employee is retiring sufficiently early he will have a need for additional employment, because he will have family commitments and what have you.

We are inclined to the view that the best possible solution is to provide continuing employment.

Senator RANDOLPH. It is permissible, it is not voluntary retirement.

Mr. VALDES. It is voluntary, optional retirement, which can be

elected by certain groups of employees. The optional retirement provisions which now exist are fairly liberal, many employees do elect to retire under them, and they do help ease the impact of these base closures.

I think what the bills you are referring to are directed at are making these optional retirement provisions more liberal, more liberal in terms of payments and eligibility and so forth. This, of course, raises acturial considerations and problems of cost, and as a department I do not believe we have formally taken a position on any of the pending bills.

Senator RANDOLPH. I bring this point up because it might be a partial answer to transfer of a worker in some instances, if the worker knows that there is liberalization in connection with voluntary retirement.

In the last 4 years or a little more in this country, the Defense Establishment has closed some 700 bases—I think this is a correct figure—and involved in the completed closures or those being processed are approximately 150,000 workers. These are Federal workers. The matter of transfer and shift is not easy, is that not true? We have been discussing housing today, of course, and its impact both negative and positive. I do think that there is an area here that we must explore very carefully, and I believe you would agree with this.

Mr. VALDES. I certainly do, and I believe the President has a committee which is now exploring this entire area—the Committee on Federal Retirement Systems.

Senator RANDOLPH. I want to carry this just a little further.

Do you have figures for your joint committees which would indicate a breakdown showing the number of unmarried workers as against married workers?

Mr. VALDES. No, sir; we do not have them broken down that way.

Senator RANDOLPH. I believe you have indicated that there are persons who do not like to move. Of course, this is a situation that involves a person regardless of marital status, but there is a feeling that the unmarried person is more able in some instances and desirous of moving than the person with a family.

What is your comment? Do you believe that this could be broken into these two parts—married and unmarried?

Mr. SHULMAN. I think the only way that we could give any statistical basis to an opinion on that, Senator, would be to break down what our actual movement costs have been. We might, somehow, be able to find out how many employees we paid transportation expenses to that exceeded the price of one ticket, thereby indicating there was a dependent involved, but we do not have any statistical basis of which I am aware for a view on that.

It would seem logical that a person without dependents would be more inclined to move or, perhaps, it would be better to phrase it, would be less disinclined to move than someone with dependents.

On the other hand, an unmarried person may very well be the support of an aged relative and feel the same way.

I would like to make mention of two other statistics if I might.

One is you mentioned that we had some 700 closures. We have had more than 600 actions—they are not all closures—and to some extent they are cumulative. One that occurs to me is that we had closed the overseas supply agency which was located at the Brooklyn Army

Terminal, and that counted as one. And we are now closing the Brooklyn Army Terminal, so that we will get at least two counted, if you will, out of that action which really ultimately affects only one base, but that does affect activities within the base.

I also might mention in connection with this 130,000 figure that Mr. Valdes gave that our annual accessions are more than 130,000. We annually hire with the Department of Defense some 136,000 people, but about 40,000 of those represent movement from one defense agency to another—for example, an Army employee being hired by the Navy—but we believe that we have hiring in excess of 95,000 of new people annually, so that there is a gigantic resource in our hiring as well as a very large problem in our closures.

I cannot pretend to say the fact that we have a large quantitative number of new hirings annually means there is a perfect match by employees who will be affected by closure, but we do have a large resource in our hiring.

Senator RANDOLPH. Of course, in West Virginia we have not had this problem to any degree, we are one of the 16 States with less than 0.5 percent defense-related activity. I am not saying that we should have more at the moment; I only desire to indicate this is not as serious as problem in our State as it is in certain areas of the country. Six or seven States, I can see, will receive a very real impact from certain transitions that are taking place in our economic base.

One more point: I am wondering if you feel that we might change the procedures in our Surplus Property Act so that the local communities could benefit from those closed bases more rapidly and more effectively? Do you have any thoughts on the utilization of these?

Mr. SHULMAN. Mr. Bradford would be the gentleman for that.

Mr. BRADFORD. Senator, in connection with the point made about more rapid disposal of surplus bases, we found that it is not too advisable, in our judgment, that there be a flat rule to speed up our closing actions, that it varies by each community situation.

For example, there are cases of where the State legislature will not meet for 2 more years and, therefore, some educational legislation or industrial development-type legislation needs to be passed. In those cases, there would be no advantage to the community to try to hurry up the closing, so that we have found that we do have a capability of some flexibility which includes speeding up the military phaseout.

We speeded up getting out of about four or five different places when the community had something real good they wanted to get in there, but our judgment is that the preferable situations is to be able to either speed up or slow down the phaseout, depending on the objective that the community has in mind.

As far as the Surplus Property Act is concerned, there occasionally arise some pretty sticky problems, but we have found very excellent cooperation on the part of all the Federal agencies that have been involved in this and we think it is working out pretty well, although sometimes it calls for considerable argument and discussion, but generally speaking, the Property Act has worked fairly well. There are opportunities for taking advantage of the public benefit allowances under the Property Act, if communities wish to do this. Some of the procedural matters do take time but we have also been able to cut red-tape on that due to the cooperation of the various agencies.

Unfortunately, there are cases where there are sticky problems, but so far it seems to have worked out pretty satisfactorily; you cannot do it overnight, but it works out within a reasonable period of time.

Senator RANDOLPH (presiding pro tempore). Thank you for your response.

Representative Hathaway?

Representative HATHAWAY. Do you think it would help during this transition period to curtail the commissaries, et cetera, so the whole community would be able to take over those services and increase employment locally up until such time as the base is closed.

Mr. BRADFORD. We have had that question raised by certain communities but not in a very serious sense. They felt there would be some advantage, particularly gasoline dealers and other people in that category, but they have never really pressed the point so we have never really been faced with the problem. I think, obviously, on some of those kinds of services that the local businessman makes out better with the base closed than he does with it open, but I also think that it is a requirement for our own military people, as long as they are on a mission assignment at that base to have these fringe benefits, you might say. They have always had them; they have understood this is part of the compensation for their work; and so it has not been a serious issue that has been raised, but I recognize your point.

There have been people point out that this would mean some more income to the local people during the transition phase, but we also feel we have a responsibility there to our own military people.

Representative HATHAWAY. Of course, they could get additional compensation to make up for this, I suppose, during that period—the military?

Mr. BRADFORD. They probably could. We just have not looked into that one because it has never come up as a significant issue, but we certainly could look into it and see what the problems, if any, are in the question.

Representative HATHAWAY. Good, I would appreciate it if you would. Thank you.

Senator RANDOLPH. Senator Pell?

Senator PELL. I would like to address a question if I may to Mr. Bradford, and speaking as a Senator from the State where I think the highest percentage of people work in defense installations north of the Mason-Dixon line, we have great interest in your office, trusting we never need to utilize the services. I was wondering if you would describe a little bit more to us the operation of your office, how many people you have, and what success has come to your efforts in the last year.

I remember a year ago we were discussing and exchanging ideas. At that point you had great success in some base, I think it was Presque Isle, Maine, where you cited the economy had not changed. I was struck by the fact that your whole office was just you and another man at that time, and sort of hoping that it would get not strength and size, but there would be more logistic support for your operation so you could cope with the bigger problems when they came.

Mr. BRADFORD. Senator, we are now big business, we have gone from three to seven.

We have found, as I testified last year, that people around this country are terrific and we have a lot more cases that are turning out to be as good as this Presque Isle situation that you spoke of.

Senator PELL. Could you break out one or two? For example, are you doing as well in Portsmouth, N.H.?

Mr. BRADFORD. Portsmouth is going to do a wonderful and bangup job. If I may digress for a minute on Portsmouth, that is a very interesting thing because it is really a regional concept. We are involved there with 48 separate jurisdictions and 2 States, and to give you an idea of the people up there, one of the companies has released its vice president for 6 months; they are paying his salary for 6 months to get this show on the road, and so we are quite intrigued. We think they have done a real good job in the early days of this, particularly in the planning, and now moving into an action program.

In addition to Presque Isle, we published a booklet last November which includes some of the others—Decatur, Ill., which has substituted about 2,500 new jobs, civilian jobs, for the 1,200 we took out of there. Greenville, S.C., of course, is a tremendous thing; they were already going because of the nature of their economy, and they have 5,000 new jobs in there instead of the 676 civilian jobs we took out.

Senator PELL. What kind of jobs are these jobs they have put in?

Mr. BRADFORD. At Decatur they have Firestone Tire & Rubber and GE, good production jobs. The same thing is true at Greenville; as a matter of fact, Union Carbide has built a plant on the base.

Senator PELL. Did you use your good offices to get the private industry there?

Mr. BRADFORD. No; this is the work of the local community. We do not engage in direct solicitation for industry; we leave this to the community and they have a bunch of good salesmen in all of these communities.

In San Marcos, Tex., they just opened a Job Corps center; that was a case of where that community wanted to go to another Federal-type activity.

Sunday, we are going out to celebrate the takeover of Benicia Arsenal by the Benicia people and Benicia Industries.

In Greenville, Miss., we are about to wrap up basically an educational concept which stretches from a new airport through a tristate vocational trade school, a branch of the Delta Junior College, and a Mississippi State University technical institute.

Down at the James Connally Air Force Base in Waco, Tex., Governor Connally just announced the establishment of a State technical institute to take over that base. So that is another educational concept.

In Salina, Kans., which is a difficult problem because they only had 6 months, and we announced that in November, and we are out this next month, they are going to multiuse again. There is a vocational school to train the young farm fellows in the technical skills. Again, this is a State that has established a technical institute concept with a planned enrollment of 1,500.

Kansas Wesleyan University is located downtown in an area that has no expansion potential, and they want to open up a branch on the base. Again, there are plans to use the airport facilities for a new municipal airport.

You can go on with quite a few of these.

Basically, it represents an excellent effort on the part of the community people that have enlisted the cooperation of all levels of government—State and Federal.

They all look good.

Senator RANDOLPH. Thank you. Senator Nelson, I know you have further questions and comments.

Senator NELSON. I would like to go back to that chart on page 68, gentlemen, and to a question that was asked by Congressman O'Hara. I am not sure I understand it.

If there is a reduction in force and you had employees at a certain grade but you were not reducing the force of the employees at some lower grade, say, the janitor level, would you, under your policy, permit a person of the higher grade to bump a janitor, so to speak, in the lower grade, and replace him?

Mr. VALDES. Well, the civil service regulations are quite specific as to and individual's reduction in force bumping rights, as they are called. The individual at the higher grade first would have rights to jobs at his grade, but if the best job that can be found for him is at a lower level and he is in a higher retention subgroup, he would have the right to bump out an individual at a lower grade and take his job, that is correct.

Senator NELSON. Without regard to time in service?

Mr. VALDES. No, the retention standing is a combination of veterans' preference, length of service and type of status, career status, and so forth.

In other words, the very top A–1 category on the retention register is comprised of veterans who have career status. Employees in this subgroup are ranked by time in service. All employees in the A–1 subgroup have retention rights over employees in lower subgroups.

Senator NELSON. And the chart again, how many—this chart tells the number of displaced people who you did employ. During that same period of time—January to November 1964—how many people were not placed?

Mr. VALDES. The number of separations in the Department of Defense?

Senator NELSON. I mean involuntary.

Mr. VALDES. I do not have a figure available right now on that. Of course, separation is a term that needs to be defined, people resign, retire, etc. You mean only people who were separated involuntarily?

Senator NELSON. Yes, people who wanted a job but they were not at retirement age and they did not have a job. You have 15,000 you found jobs for in this period of time, how many of them were you unable to transfer to another job within the Defense Department or——

Mr. VALDES. I do not have that figure available, but we could provide it.

Senator JAVITS. Would the Senator yield at that point?

Senator NELSON. Yes.

Senator JAVITS. I came over here for this purpose, and this purpose only. We know that the chart at page 68 deals with your placements of employees who were placed.

Now, we have, for example, in the Brooklyn Navy Yard almost 10,000 employees, and that is a pretty big slug when you compare it with defense installations throughout the country. I would like to join Senator Nelson in the request that we have not only what you have given us but also the figures on total number of employees released by the defense closings and what has happened to them as close as you can give it to us. This just tells a very small part of the story.

If the Senator would indulge me I would like to make one other request. I notice you say your training program may be set up for employees who cannot be placed in their present skills but who, with a reasonable amount of retraining, could qualify for another job category.

I would like to know exactly what is being done under that provision. Are there any being retrained? If so, how many? And so on. Give us all the data you can.

Mr. VALDES. I could comment on that now.

Senator JAVITS. I do not want to interrupt Senator Nelson. Do you want to comment on that right now? That is all right with me.

Mr. VALDES. The retraining is something we go into only if we are not able to place the individual in his present skills. We have been able to offer most people positions in their present skills.

Now, second, retraining is something that has to be worked out on a highly individualized basis in terms of the particular employees or group of employee skills, aptitudes, and desires, and how they can be related to the group of target jobs.

We are accumulating a number of situations where we have found that retraining is useful and will work.

For example, in the consolidation into the new contract administration service in the Project 60, as it is commonly known, we have identified about 500 surplus personnel in the quality assurance area who we know we cannot use in that category in the new organization, and we are setting up a training program to retrain those people in various areas of contract administration. These run in grades from about 7 through 12.

In another situation in Columbus, Ohio, we have an excess of stock control clerks with some 60, I believe, who are being retrained as industrial security clerks. In the tank and automotive center in Detroit, we have some 200 individuals in grades 4 through 12 who are being retrained in supply operations.

I could go on with a good many others.

Senator JAVITS. Give us the facts and figures in a memorandum, would you, for the record?

Mr. VALDES. Yes, sir.

(The information to be furnished follows:)

MEMORANDUM CITING FACTS AND FIGURES ON RETRAINING OF STOCK CONTROL CLERKS, SUPPLIED BY THE DEPARTMENT OF DEFENSE

On the subject of retraining, our experience has indicated that it is necessary to tailor individual retraining efforts to meet specific situations, such as those described in connection with the 500 quality assurance personnel in the Contract Administration Service, the 60 stock control clerks being retrained as industrial security clerks for the industrial security clearance office at Columbus, Ohio, and the 200 supply personnel in the U.S. Tank Automotive Center, Detroit, Mich., being retrained in other supply operations.

Additional specific examples follow:

Card punch operators.—58 employees at the Watertown Arsenal now holding such positions as supply clerk, telephone operator, and clerk typist are being retrained as card punch operators, and will be reassigned to other activities upon completion of the training.

Procurement personnel.—Approximately 150 employees engaged in contracting functions in the Army Mobility Command will be retrained for other positions in the procurement function. Details of this program have not yet been completed, but planning is in process.

Clerks and typists.—60 employees of Fort Hayes, Ohio, which is being closed, are being retrained under the provisions of the Manpower Development and

Training Act for typist and stenographer positions in private industry in the Columbus, Ohio, area. This program has been undertaken through the Department of Labor and all funds, supplies, services, and facilities are being furnished under the provisions of the Manpower Development and Training Act.

Biological plant operators.—Employees from the White Sands Missile Range and Pine Bluff Arsenal are being retrained as biological plant operators. Sixteen employees previously employed in a range of other occupations, including millrights, steamfitters, automotive mechanics, and environmental test operators, have completed the program.

Munition operators.—Combat vehicle mechanics at the Red River Army Depot are being retrained as munitions operators. Thirty-five employees have been entered in the program to date.

Electronics equipment repairer.—Employees at the White Sands Missile Range engaged in such diverse skills as electrician, auto mechanic, welder, supply specialist, painter, clerk, clothes fitter, and waterplant helper are being retrained as electronics equipment repairers. Thirteen employees have been entered in the program to date.

Electronics fire control system repairer.—Employees previously assigned as office appliance repairmen, television equipment installer, and guided missile mechanical installer are being retrained for positions in the Redstone Missile Command as electronic fire control system repairers. Eight employees have completed the training to date.

In addition to these types of group programs outlined above, a considerable portion of the retraining effort is centered around the retraining of individuals, sometimes just one person or a small group of persons, who cannot be used in their present skills but can be retrained to perform a skill that is needed. This retraining may be of a formal nature, including various combinations of classroom and on-the-job instruction, or it may be simply on-the-job instruction. In this connection, under our centralized referral program, we encourage activities to submit requisitions for employees who are not fully qualified for their positions but who, because they have related skills, can perform in the vacant position with a reasonable amount of retraining. Statistics are not available on the number of instances in which this less formal type of retraining is undertaken. The following examples of retraining efforts involving individuals or small groups of employees, however, serve to illustrate this type of retraining effort.

Present job title	*New job title of retrained employee(s)*
Security guard, sales store worker	Firefighter.
Maintenance inspector	Refrigerator-air-conditioning mechanic.
Instrument maker	Physical science technician.
Ironworker helper	Elecronics mechanic.
Production expediter, tool checker	Parts programer.
Artillery assembler	Repair and maintenance mechanic.
Warehouseman	Welder.
Sandblaster, cast room worker	Machine tool operator.
Accounting technician, supervisor production control, freight rate assistant, employee development officer.	Management analyst.
Clerk	Electrical accounting machine operator.
Crane operator	Auto mechanic.
Painter	Equipment mechanic.
Processor	Warehouseman.
Installations maintenance planner	Construction engineer technician.
Machinist	Crane operator.
Telephone operator, supply clerk, statistical clerk.	Clerk-typist.
Explosive operator	Guard.
Munitions operator foreman	Maintenance foreman.
Millwright	Operating engineer (steam).

The above listing, while not comprehensive, illustrates specific instances of retraining accomplished or underway within the Department of Defense. Department of Defense guidelines and policies for the conduct of retraining have been issued. All Department of Defense activities being closed, and activities undergoing reductions or changes which result in surplus employee,s have been directed to examine carefully all possibilities for retraining such employees and to initiate retraining programs where feasible and necessary.

The Department regards retraining as one tool, among many, which is useful in easing the impact of reductions. Experience to date indicates that there is no set pattern that can be followed in retraining employees and that programs must be worked out on an individual basis after full consideration of such factors as the possibilities of placing employees in their present skills, the aptitudes and interests of the employees involved, the identification of target positions, and the willingness of employees to undergo retraining and accept reassignments.

The table showing the different categories of placements made of DOD employees, January–November 1964, appearing on page 68 of the 1965 Manpower Report of the President, includes reductions in force resulting from routine curtailment of work at continuing activities as well as base closures. The following table has been compiled to indicate the specific disposition of employees, by types of placements and separations, at bases where closure action has been completed. The table includes those bases announced for closure December 12, 1963, April 24, 1964, and November 19, 1964, where action has been completed (most actions announced have not yet been completed because of phaseout periods of 3 to 4 years):

Placements and separations of career employees affected by closures (announced Dec. 12, 1963. Apr. 24, 1964, and Nov. 19, 1964) at bases where closure action has been completed

[14 completed closures]

Type of placement	Number	Percent distribution
Accepted transfer with their functions to jobs at other locations (primarily at same grade)	910	33.7
Placed in DOD at same or higher grade	1,075	39.8
Placed in other Federal jobs at same or higher grade	172	6.3
Placed in DOD at lower grade	423	15.7
Placed in other Federal jobs at lower grade	90	3.3
Placed in non-Federal jobs	32	1.2
Total placements	2,702	100.0

Type of separation	Number	Percent distribution
Retirement	204	29.5
Resignation	75	10.9
Separation for cause	6	.9
Separation after declination of transfer offer	80	11.6
Separation after declining job offer [1]	303	43.9
Separated without job offer	0	0
Other separation (death, enter military service, etc.)	22	3.2
Total separations	690	100.0

[1] Includes employees who declined placement assistance.

Senator JAVITS. Thank you very much, Senator Nelson, for allowing me to interrupt.

Mr. SHULMAN. I might point out, in addition, that on an estimate basis, to give you a feel for the figure that we will come up with, we are generally running about 80 percent placements in our closures. Now, of the remaining 20 percent, X percent, I cannot say how much, will be retirements, and a certain percent will be people who resigned because they found jobs of their own and did not want help.

Senator JAVITS. Eighty percent of those laid off because of changes or consolidation have been placed?

Mr. SHULMAN. Yes, sir; we have run about 80 percent. I cannot promise you that is exactly accurate, but I was running through some completed closures and we were running around 80 percent placements, with more than 75 percent continuing in Federal employment.

Senator JAVITS. But you will give us the information?

Mr. SHULMAN. Yes; we will.

Senator PELL. Is this replacements in the Federal Government or in private employment?

Mr. SHULMAN. This was total placement, Senator.

Senator PELL. In the Federal Government?

Mr. SHULMAN. No; this is Federal and private, but more than 75 percent are placed in Federal and probably more than 90 percent of that are placed within the Department of Defense.

Senator CLARK (presiding) . I wonder if I could ask Mr. Alexander in the interim of my running back and forth to the Foreign Relations Committee, what the ACDA is doing in the way of research thinking with respect to the employment and manpower implications of a possible, rather substantial, reduction in defense expenditure occasioned by the successful conclusion of your agency's mission?

Mr. ALEXANDER. Senator Clark, we have a considerable program of research into different aspects of the problem that would arise in the happy event that you describe.

Some of them touch on something that has been testified to already this morning.

For example, the matter of what happens to workers in this case of private companies when defense contracts terminate—so-called labor mobility studies? We have three of those underway by arrangement in two cases with the Department of Defense, one deals with the Dyna-Soar termination and the raw material on that is in now and the summary of it is being completed between the Department of Defense and ourselves and that will then be published and will indicate the sort of thing that Senator Randolph was asking: Did the married or unmarried move more easily, and so on?

The other two studies relate to Denver and to Long Island where the consequences of the Republic Aircraft contract termination are being studied under contract with us and the Department of Defense by the New York State employment people. And among other things, the manpower retraining experience there will be examined.

In other words, we will have three comparable studies from three different parts of the country to show what happened, not now base closings, but contract terminations. I think we can draw some deductions from that and certainly give you some statistics.

There is one other thing which we are planning to do very shortly which is to study by sampling the results of the package of 80 domestic out of the 95 base closings which Secretary McNamara announced last fall.

We would like to get the labor mobility results, the same ones you have been talking about, with regard to the Federal employees, but also, we want to study in a handful of representative communities what happened to the communities after the people, perhaps, moved away. How successful are the remedies now available, and what else, perhaps, should the Federal Government be doing.

We understand the extremely good work being done by the Office of Economic Adjustment, that they are glad to have us do this study to get a broader picture of this package of base closings. We are not responsible in any way for, obviously, these base closings, there is no disarmament that caused them, but they represent an opportunity in real life to study the sort of thing that would happen if you get an arms control and disarmament agreement.

(The information referred to follows:)

Economics Bureau research on economic impact of changes in defense spending

[From U.S. Arms Control and Disarmament Agency]

Title	Description	Estimated date of completion	Contractor dollar amount or man-year level of effort
FISCAL YEAR 1962			
Economic impacts of disarmament	Report of panel (Prof. Emile Benoit, Chairman)	Published January 1962	
FISCAL YEAR 1963			
The economic and social consequences of disarmament.	U.S. reply to the inquiry of the Secretary General of the U.N.	Published July 1962 (republished with revised statistical tables in June 1964).	
FISCAL YEAR 1964			
Studies to measure the economic impact of changes in defense spending (in collaboration with DOD which is contracting for the work).	This joint research effort with DOD is to develop the means of measuring and defining the effects of defense expenditures on the economy and the impact of changes resulting from revised military programing, whether or not attributable to arms control and disarmament. In addition to DOD expenditures, the effort will be directed to the spending of AEC and NASA. As part of this general effort, the Census Bureau in August 1964 sent a questionnaire to plants in the principal defense-oriented industries requesting them to identify insofar as possible their sales of key products destined for ultimate inclusion in goods sold to U.S. Government agencies, broken down by agency. The results of the questionnaire are expected to provide a basis for analysis of the industrial composition and geographic dispersion of a major portion of defense-related economic activity.	Continuing	ACDA share of cost, $75,000.
Regional economic adjustments	The study will evaluate the need for and effectiveness of selected public and private policies, programs, and types of administrative machinery which could be used for dealing with transitional and long-run regional economic adjustments to assumed changes in national defense expenditures. The study will concentrate upon the adjustment problems of the New London-Norwich-Groton (Conn.), Baltimore (Md.), and Seattle-Tacoma (Wash.) metropolitan areas but will draw conclusions as to further study and planning necessary for regional adjustments generally to changes in defense spending. In covering the major economic adjustment problems, particular attention will be given to the problems of reemployment, income maintenance, and economic re-	August 1965	National Planning Association, $133,205.

	development which would have to be faced under the assumed changes in national defense expenditures and to the need for and feasibility of adopting new adjustment policies, programs, and administrative machinery.		
Do	The study will evaluate the need for and effectiveness of of selected public and private policies, programs, and types of administrative machinery which could be used for dealing with regional economic adjustments to assumed changes in national defense expenditures. The study will concentrate upon economic redevelopment problems in the State of New Mexico but will draw conclusions as to further study and planning necessary for economic redevelopment in similar economic areas in the event of reductions in local income and employment from defense expenditures.	Mid-June 1965	Kirschner Associates, $31,824.
Implications of reduced defense demand for the electronics industry.	The contract calls for a study which will analyze the problems and opportunities for the electronics industry under conditions of reduced defense demand. In addition, conclusions will be drawn pointing toward appropri te action to minimize adjustment difficulties and to develop r lternative marketing opportunities.	August 1965	Battelle Memorial Institute, $107,000.
Labor impact of Dyna-Soar contract cancellation (in collaboration with DOD which is contracting for the work).	The study will (1) characterize the electronics industry as it is presently composed; (2) examine the effects on the industry of major reductions in military demand for its output; (3) consider problems of the adjustment of industry resources to different patterns of output and marketing; (4) examine efforts made thus far by the industry to reduce its dependence upon military demand; and (5) provide a planning guide which will suggest possible actions to be taken by Government, industry, and labor to ease the impact of defense demand reductions.	May 1965	State of Washington Employment Security Department, ACDA share of cost, $12,-500. DOD (contractor) put up similar amount.
Survey of national and regional econometric models.	The purpose of this project is to secure information on the effects on the labor force of the Dyna-Soar contract cancellation. The study should develop information as to what kinds of workers were directly affected; the length of their unemployment if they became unemployed; the occupations, industries, locations, and values of new jobs they secured; major obstacles they encountered in seeking employment; and the most significant assistance they received in seeking employment.	Completed January 1965	University of Michigan, $4,065.
Study of World War II industrial reconversion.	The contract calls for a survey-type study of national and regional models of economic activity. The study is designed to assist ACDA to determine the uses which can profitably be made of these models in predicting the impact on industries and communities, and on the country as a whole, of changes in military programs and in assessing the relative value of various offsets to reductions in defense spending. The broad survey of techniques will facilitate consideration of Government support of existing or new forecasting systems which can contribute to ACDA's planning needs.	October 1963	In-house.

Economics Bureau research on economic impact of changes in defense spending—Continued

[From U.S. Arms Control and Disarmament Agency]

Title	Description	Estimated date of completion	Contractor dollar amount or man-year level of effort
FISCAL YEAR 1965			
Industrial conversion case studies	The purpose of this project is to prepare a series of case studies regarding industry's experience in the conversion of product lines and distribution methods in a transition from military to civilian markets. This series could then be used as the basis for a program of management seminars on industrial conversion problems, and providing advice on appropriate actions or programs which Government should follow to aid future industrial conversion.	November 1965	Denver Research Institute, $53,739.
Industrial conversion potential in the shipbuilding industry.	The purpose of this project is to study the industrial conversion potential of the defense sector of the U.S. shipbuilding industry. The study will identify areas of production which will most efficiently use the resources of the shipbuilding industry now employed for defense purposes and offer the greatest probability of being marketed successfully. The study should arrive at conclusions for appropriate action to minimize conversion difficulties and maximize the possibilities of successful conversion attempts.	December 1965	Midwest Research Institute, $84,314.
Reemployment experience of terminated employees of Martin Co., Denver.	This study will obtain information on the reemployment experience of Martin Co. workers whose jobs have been terminated at the Denver plant as a result of changes in missile procurement.	July 1965	Martin-Marietta Corp., $12,587.
Impact on the Long Island labor force of defense contract phaseouts (in collaboration with DOD).	This study will (1) through a mailed questionnaire determine the kinds and characteristics of workers affected by defense layoffs, the nature of their experience in seeking and obtaining new employment, and their labor force status after termination, with a view to identifying factors affecting their occupational, industrial, and/or geographic mobility; and (2) determine the degree of transferability of defense-related skills to civilian-oriented occupations, possible retraining needs, and wage and salary data for comparable defense and civilian jobs.	April 1966	State of New York, Department of Labor, Division of Employment. ACDA share, $40,000 (additional $40,000 transferred to ACDA by DOD).

Defense conversion problems of small R. & D. firms (in collaboration with DOD and SBA).	The purpose of this project is to determine the management and marketing problems, possible solutions, and growth potentials of small R. & D. firms in New England. The contractor will develop original case material built around defense conversion problems and directed toward the needs of the owners and managers of businesses. The contractor will also develop instructional material for use in a management workshop.	October 1965	Small Business Administration under contract with Northeastern University (ACDA and DOD contribute $15,375 each).
Geographic tabulation of selected electronic and associated products.	Special tabulations for the electronics industry by company, plant, and geographical area of 1963 census data.	February 1965	Bureau of Census (transfer of funds to), $1,750.
Studies to measure the economic impact of changes in defense spending (in collaboration with DOD).	Continuation of fiscal year 1964 project		ACDA share of cost, $200,000 ($125,000 in fiscal year 1965).
Study of post-Korean industrial conversion and adjustment process.		Draft, September 1964	In-house (work done by summer intern).

NOTE.—Table prepared at request of John J. McCloy, adviser to the President on disarmament.

54-965 O—65——10

Senator CLARK. Your agency has been under some criticism, unjustly in my opinion, for spending a lot of money on studies which had no particular attention with reality. I disagree with that criticism, as you know. I think it is important you be able to tell us, once you get these studies, what you are going to do with them and how you are going to formulate them into policy and program, and what is the potential of your agency to make a contribution to the very serious manpower dislocation which is already existing in connection with merely changes of design and changes of strategy and which have become even more critical in the event we have some reduction of defense spending as a result of an arms-control agreement.

Mr. ALEXANDER. I think the best answer to that is to refer to the President's Committee on the Economic Impact of Defense and Disarmament, of which Gardner Ackley is the Chairman. That committee meets regularly to consider just the sort of question you spoke of from the point of view not just of the Arms Control and Disarmament Agency or of that and the Department of Defense, but Labor and Commerce and the other parts of the Government that are involved.

I hope that that committee's first report will be going to the President without great further delay and you will find a great deal in that which will speak to the kind of question you asked.

I think our agency's contribution is sometimes in getting in the hair of the other departments and needling them, or being a catalytic agent or perhaps being able to conduct this kind of research which, as far as possible, is based on real life.

Senator CLARK. One further question. What progress report can you or any of the other gentlemen here give us as to the activities of the Ackley committee which was established to cut off Senator McGovern's desire to have a much more comprehensive study as to the disarmament question?

Mr. ALEXANDER. Could I reply to that? I was the person who thought there ought to be a committee like the Ackley committee and it was informally organized in July of 1963, at which time I don't think Senator McGovern had drafted his bill. I am not at all sure that the Ackley committee will do all it should do. There may well be need for more, but I do not think it was a device to avoid passage of the McGovern bill.

Senator CLARK. Are you a member?

Mr. ALEXANDER. Yes, sir.

Senator CLARK. How often has the committee met, how far along is it, as far as the agenda, and what are the prospects of a report?

Mr. ALEXANDER. The prospects of a report going to the President within the next month, I think, are very good.

The committee met yesterday afternoon for 2 hours and met 2 weeks prior to that time. It has met 8 or 10 times and has done a great deal of work, in addition, through subcommittees.

Senator CLARK. Thank you, sir.

Senator NELSON (presiding pro tempore). I do not know who should respond to this question, but, pursuing this matter a little further, I know that the Defense Department is concerned, as we have been discussing here, about the placement of persons who may be displaced by reduction or a closing. I note that DOD is prepared to offer retraining or transportation to another job. Let me pose this kind of

question: The Defense Department does have employees of the Defense Department within a private plant that is doing defense contracting—inspectors or various kinds of employees—so, within that plant you would have employees who are exclusively within the employ and control of the Defense Department.

Now, if a plant doing defense contracting is closed, the Defense Department then will do all the things that we have been discussing here to retrain, transfer, pay moving costs, and so forth, of a Defense Department employee to another job somewhere else in another plant or within the Defense Department, or elsewhere within the Federal Government, retrain them, or something else.

The privately employed employees within that plant may have an opportunity to take—probably the easiest case is to discuss an opportunity within another plant owned by the same company in some other part of the country.

There may be a job opportunity there for a job in the same skill that he has, or grade, or there may be a job that he could get if he were retrained. But there will be an expense for him to get there or get retrained in either event.

If a private employer tackles this problem in the same enlightened way that the Defense Department is tackling this problem for its own employees it adds to his costs. That is, he is a competitive bidder for defense contracts, he is an enlightened employer, he is willing to do some retraining, he is willing to take all the employees he can to another plant of his elsewhere in the country, he is willing to pay the transportation costs.

Has there been any consideration given to this factor in the bidding process? In other words, if a private employer is attempting to do as enlightened a job as the Defense Department, this does add to his costs in bidding. Has any consideration been given to that factor in his bid? Or, in other words, eliminating that cost for purposes of determining whether or not he is entitled to win that award with the lowest bid, eliminating this cost that a competing employer does not have.

We do quite a bit of that in Government now, you know. We require in many State governments and in the Federal Government in Federal contracting, for example, that the prevailing wage in the area be paid by contractors. We have built into our system the principle that when you submit your bid you have to pay the prevailing wage in the area in which the work is being done. Has any consideration been given to giving recognition of this factor to an enlightened employer who is trying to meet the same kind of problem that the Defense Department is trying to meet?

Mr. BRADFORD. Well, we have under review now—as a matter of fact, it is in draft form—a policy on contract terminations, but if I understand your comment correctly, Senator, we have not gone as far as adapting to private industry, because it is private industry, the same degree of personnel training, movement costs, et cetera.

What we are trying to do is to provide more advanced warning so that there is a greater time element involved so that the individual private firm can conduct better planning, but I do not know, unless you do, Steve, of any thought of including as part of the contract termination cost the kind of things in the depth that are involved in our own personnel employment program.

Is that the question you were asking?

Senator NELSON. You said in termination costs; I do not understand how you are using that phrase there.

Mr. BRADFORD. Well, in contract termination costs, for example, on the Dyna-Soar, to take a specific illustration. This was a research type of contract, prototype type of contract rather than a normal production. In other words, in the normal production you have an order running for a certain period of time and then there is another competitive bid to continue on with it. Well, the Dyna-Soar was not that kind of thing. The Dyna-Soar was an experimental type of weapons system which was really in the research and development state.

This contract termination policy that I am talking about is designed to retain the best skills that are needed in the company for continuing work of that type and to provide more notice, or a longer phaseout, where that type of a contract is terminated because the weapons system is not needed.

But it does not include the kind of personnel procedures we have adopted for the career civil service because they are not our employees.

Senator NELSON. I am trying to pose the question as it would apply to an employer who was exclusively engaged in defense contracting.

Mr. BRADFORD. Right.

Senator NELSON. We have a number of industries in this country that were simply built—they may be owned by General Motors or some other company, but this particular plant in this particular part of the country has no cause for existence whatsoever excepting for the defense contracting that they do.

So, except in name, these people are all being paid by the Federal Government. There is a private employer, privately contracting, but all the money, all the salaries, all the costs, all the business done is defense contracting.

Mr. BRADFORD. Right.

Senator NELSON. Now, there is a reduction in force in this particular plant, and an expansion with the same company at another plant in another part of the country.

The employer says, "Well, I think we ought to have an enlightened policy here of retraining some of the fine employees we have had here in Chicago and put them out in that California plant. We ought to pay their transportation and retraining costs if required. Why shouldn't these cost factors be included as part of the prevailing wage, so to speak? That is part of the contracting costs that you would require in an exclusively defense oriented industry? Is there any difference?"

Mr. BRADFORD. I think there is a difference, but I would like to comment that there is an allowable cost in the contract where they are changing or shifting work from one plant to another for some of these employees to go; is that correct, Steve?

Mr. SHULMAN. I think there is.

Mr. BRADFORD. I am not sure, but in terms of the type of personnel allowance for movement and things like that, for a terminating contract where there is no longer a contract to be with the firm, we do not have that comparable to our own employees, but I do believe if I could ask one of the men who came along with me, they may have the answer on this, I do not.

George, do you know whether it is an allowable cost?

Colonel KELLEY. Contract termination, you have to approach the matter from the cost to the Government—let us go back to the Dyna-Soar and explain it a little bit more fully.

The Dyna-Soar was, say, 60 or 70 percent through the research and development stage. At that time, it was determined that there was no need for further research and development, the Boeing Co. had several thousand employees. The decision was taken to terminate that complete effort. It was taken on rather short notice.

The current procurement regulations and procurement guidelines involved—I think the Boeing Co. sort of fits your bill, Senator, with regard to being primarily defense oriented—the most expeditious possible termination of further cost to the Government. This happened to be a cost-plus contract, so all costs incurred by the contractor were costs to the Government.

The question arises now, what should the Government have done in this case to assist the Boeing Co.—if at all possible—in enabling them to take these several thousand people and apply them to other Boeing Co. projects? What costs do we think the Government should have accepted here?

Under current procedures they accept, for all practical purposes, none, other than those which involve an orderly termination of the Government-sponsored and funded activity.

There have been no changes in policy of any significance since, for example, the Dyna-Soar program.

Consideration is being given to possibly giving them earlier notice. This would allow Boeing to make plans to move these people and they could have done it in a somewhat more orderly fashion.

The question, though, really comes up to the fact as to whether or not in dealing with the private sector of the American economy you want to retain all the aspects of the private sector, leaving the company or the firm privileges and lesser control or the minimum amount of control.

If you go through the corporate structure down to the employee and adopt this same sort of responsible employer program which we have for our own employees, there is a possibility that you are going into areas normally reserved to the private sector.

Senator NELSON. I do not have a viewpoint on this matter because I have never explored it thoroughly, but it just occurs to me that the policy adopted by the Defense Department here has broad approval across the country and is certainly an enlightened policy of attempting to replace employees who become displaced because of a closing of some installation. If we do not do that, we have recognized that we create a numer of very serious employment and social problems that will be serious and expensive in any event.

Thus it is intelligent and sensible to attempt to work out a creative policy such as the Defense Department has been working on here.

I am just trying to figure out what the difference is between the responsibility of the Defense Department and the responsibility of a private employer. I assume that we all would like to encourage and see the most enlightened employers do everything possible to help in the job adjustment of their employees who are displaced.

Many employers already do a very fine job of retraining and looking after their employees, seeking to see that they are properly placed and so forth. I am not sure that I see the distinction that you draw.

Our system has all kinds of things built into it. We consider in all our contracting that the minimum wage has to be paid, we consider prevailing wage has to be paid in defense contracting. In the prevailing wage we include a whole lot of factors depending upon, I do not know what the Federal Government requires, but in Wisconsin, we require quite a few factors. The prevailing wage will involve what is being paid into the pension fund, what is being paid for health insurance, what the hourly wage is, whether you get paid time and a half in that part of the country, and how much vacations are allowed.

The prevailing wage in many States involves, as you know, not just the amount paid per hour, but all of the fringe benefits which may be substantial.

Now, because of the tremendous amount of money we spend—in defense about $50 billion a year—and also $15 billion in research and development expenditures in private industry as well as in the universities, this continues to be a very serious, important problem.

I think it will rise along the way most frequently, perhaps, in this kind of a situation where, say, a union has negotiated an agreement with an employer. The employer is both in the defense business, some percent of his work is defense, and the rest of it is completely and exclusively in the private sector, but the employer recognizes that these things ought to be a factor, and he agrees with the employees.

He either does it on his own or he agrees with an employee organization that, "We will help retrain, we will pay transportation to a new job, we will do a number of factors here." He is a competitor in all of his bidding, he has been the most enlightened fellow, he has added to his cost of production.

Now, he has been the kind of employer, made the kind of agreement that all of us would respect and consider an enlightened approach, just as the Defense Department is doing.

Suddenly, he is competing now for a defense contract that involves 10 percent of his total employment. But this cost factor has been added, it has become part of the prevailing rate that he pays within his plants around the country.

Is there not some rational reason to take this factor into consideration as part of the prevailing rate, so to speak, so that if he is doing these things that cost will not be counted in his competitive bid against another plant which is not doing these things? I refer just to defense contracts.

That is the question I am trying to get at.

Mr. SHULMAN. Let me see if I can be helpful at all on that.

One problem in connection with eliminating one class of costs of the type you have mentioned from consideration in competitive bidding is that at the current time, the relevant prevailing wage legislation does not include fringe benefits. There are two prevailing rate statutes, one is the Davis-Bacon Act for construction and the other is Walsh-Healey for manufacturing. What we are talking about here is manufacturing.

Recently, the Davis-Bacon Act was amended to include fringe benefits, the Walsh-Healey Act was not. And the prevailing rate require-

ment is only with respect to wages. So, I think there would be some question whether or not we would have the power to do what you are suggesting, Senator, because it may very well be as you point out, that these costs are just one class of fringe benefits—retraining, relocation may be no different from vacations, retirement, and what have you.

We are not allowed to require administratively any type of compensation practice. There have been times in the past when it was tried.

Senator NELSON. I am not familiar with what is included within the prevailing rate in Federal contracting. I am familiar with my own State, but you do not include vacations——

Mr. SHULMAN. No.

Senator NELSON. Just wages?

Mr. SHULMAN. Not under the Walsh-Healey Act, just wages. And what you pay, and what the Walsh-Healey Act requires is the prevailing minimum rate, not the prevailing rate.

Senator NELSON. Prevailing minimum rate in that part of the country where the contract is being let or prevailing minimum rate where?

Mr. SHULMAN. Well, it involves the prevailing minimum rate in the relevant area which frequently is nationwide. The Davis-Bacon Act, conversely, usually involves a rate at a particular location at a particular site. That is construction. Their fringe benefits are included, but in the manufacturing area, they are not.

Senator NELSON. In the construction field, fringe benefits are counted as part of the prevailing rate?

Mr. SHULMAN. That is right, the requirement is for the prevailing rate and fringe benefits. In manufacturing, the requirement is for the prevailing minimum rate.

Senator NELSON. What does a prevailing minimum rate consist of?

Mr. SHULMAN. That is a determination made by the Department of Labor, and it may be that I should yield on this, but they determine the minimum that prevails in an industry, and then the only thing that we require is that each bidder pay no wage below that minimum. But that means that in the higher classifications, the only way that you would get to a concept of prevailing rate would be by there being a relatively constant internal alinement system within the job classifications. You would not necessarily reach a prevailing rate with respect to any particular classification, you do reach a prevailing minimum rate.

Senator NELSON. So, you have, in your judgment, no statutory authority to take the kind of factor we have been discussing here and eliminate that cost from the competitive bid cost in deciding who the low bidder is?

Mr. SHULMAN. That is right. In the past contractors have been required to pay prevailing rates in areas in which there was not a prevailing rate statute, and the Comptroller General has ruled this illegal, and not allowed it to be done.

The only place where we have required the payment of fringes beyond that required by statute is at Cape Kennedy, where a project stabilization agreement was adopted previous to the amendments to the Davis-Bacon Act covering fringe benefits. There we specified the money provisions of the agreement in our contracts and in that

area, invocation of the War Powers Act was necessary to justify it under a ruling of the Comptroller General.

That was, of course, a very special, high-emergency area. Beyond that, there is no authority to require these things from all bidders. You reach a separate question when you are talking about a cost type contract and the issue is whether or not a cost in this area is reasonable. That would be a separate type of question. But to require it of all bidders as a means of eliminating any competitive disadvantage for an enlightened employer of the nature you were talking about, that is probably beyond our authority.

Senator NELSON. Do you have any viewpoint or whether or not the kind of factors I have been raising questions about here should be considered? I am frank to say I do not know. I am wondering if any thought has been given to that?

Mr. SHULMAN. It is an interesting question.

I am not sure exactly how to define the problem. One employer may choose to provide relocation, retraining, and movement to another plant as a means of resolving this problem; another employer may chose to diversify his operations and go into a new field at the same time that he is currently performing the defense contract, so that when the contract is through he immediately springs into a new effort.

Both courses of action may cost the same. I would not think that the one cost was necessarily more desirable for us to pay than the other cost, for example, and yet, on the definition you would pose we would reach only one of those costs.

I think this is very much wrapped up with what kind of inducements should be made in the area of diversification.

What we have done in someway to help in this problem is to engage in these defense industry advance briefings that are now going on throughout the country where the prospective nature of defense procurement in the next few years is given so that there is an opportunity for planning on the part of contractors. And advance planning and notice is really a key to all of these placement problems.

Senator NELSON. I do not have any more questions at the moment.

The hearing will be recessed until 10 tomorrow morning, at the Atomic Energy Committee hearing room in the Capitol, H–403, and I guess we are through with these witnesses. Thank you very much.

(The following material was subsequently submitted for the record:)

U.S. DEPARTMENT OF LABOR,
BUREAU OF EMPLOYMENT SECURITY,
Washington, D.C., May 4, 1965.

Mr. WILLIAM C. SMITH,
Labor and Public Welfare Committee,
New Senate Office Building, Washington, D.C.

DEAR MR. SMITH: Enclosed are documents that relate to the joint committee hearing on Thursday, April 29, 1965. I appreciated the opportunity to participate.

As numbered, the items include:

1. Publication, "Guidelines for Community Employment Development," designed to help local State employment service people, to participate constructively in community efforts to develop local manpower resources, to mobilize manpower information and services for effective community employment development activity.

2. U.S. Employment Service program letter No. 1753, December 30, 1964, transmitting a set of guidelines for action in mass layoff situations and groundwork for USES assistance to the President's Task Force on Community Assistance.

3. U.S. Employment Service program letter No. 1737, December 2, 1964, transmitting copies of the November 1964 Department of Defense press release announcing curtailment of 95 defense installations and requesting information on the employment impact on affected communities.

3(a) U.S. Employment Service program letter No. 1569, January 22, 1964, presenting additional (see 3(c)) guidelines for assistance to communities and individuals affected by curtailment of activities at defense installations.

3(b) U.S. Employment Service program letter No. 3(b), December 13, 1963, transmitting copies of press releases by the Secretary of Defense and the Secretary of Labor regarding plans for Defense curtailments and cooperation in providing assistance.

3(c) U.S. Employment Service program letter No. 1552, December 20, 1963, furnishing initial action guidelines which were subsequently amended by item 3(a).

4. Memorandum dated December 2, 1964, describing community employment development action in the San Bernardino, Calif., area following announcement of the deactivation of Norton Air Force Base, Materiel Division (see 4(a)).

4(a) Memorandum dated November 30, 1964, reporting current details on the Norton Air Force Base phaseout plans and initial community action plans to provide reemployment opportunities.

Items 4 and 4(a) reflect the caliber of local State employment service activity in response to an Air Force base curtailment.

5. Publication, "Community Employment Program Developments, 1963," describing trends observed in survey of community development activity.

I hope these items may be helpful.

Sincerely yours,

EDWARD SALNER,
Chief, Division of Manpower Utilization Services.

[Enclosures]

In reply refer
to EMUC

U. S DEPARTMENT OF LABOR
Bureau of Employment Security
Washington, D. C. 20210

United States Employment Service
Program Letter No. 1726
December 8, 1964

TO: ALL STATE EMPLOYMENT SECURITY AGENCIES

SUBJECT: Guidelines for Community Employment Development

REFERENCES:
1. ES Manual, Part I, Sections 4430-4444 and Part II, Section 6700-6733
2. USESPL No. 1494

In response to recommendations of the State Work Committee on Community Employment Development, which met in Washington, D.C., in March 1963, the enclosed booklet was prepared to help employment service personnel participate more effectively in community economic development activities.

The booklet is a general guide for mobilizing employment service resources to help community development agencies achieve steady and well-balanced economic growth geared to local manpower resources. It deals with three basic topics: (1) employment service participation in community economic development activities, (2) manpower information for community action, and (3) community action to develop manpower resources and generate jobs.

Appendix documents are not enclosed because most of them have already been distributed to State and local offices. We urge users of the Guidelines to assemble a complete set of appendix documents from their files and the sources indicated in the list of appendices.

We are sending enough copies of the Guidelines to provide five copies for each State office and one copy for each local office.

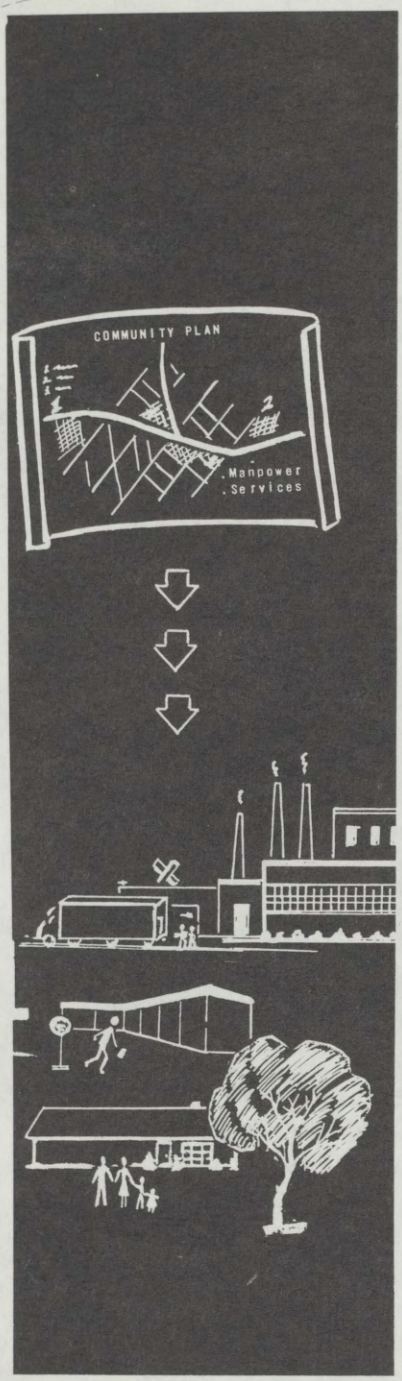
Sincerely yours,

Robert C. Goodwin

Robert C. Goodwin
Administrator

Enclosures
Guidelines for Community Employment Development (5 copies for each State office)

Separate cover
Guidelines for Community Employment Development (one copy for each local office)



October 1964

GUIDELINES FOR *Community Employment Development*

For Administrative Use Only

U.S. DEPARTMENT OF LABOR
W. Willard Wirtz, Secretary
MANPOWER ADMINISTRATION
BUREAU OF EMPLOYMENT SECURITY
Washington, D.C. 20210

October 1964

GUIDELINES FOR *Community Employment Development*

BUREAU OF EMPLOYMENT SECURITY
ROBERT C. GOODWIN, ADMINISTRATOR
U.S. Employment Service
Louis Levine, Director

GUIDELINES FOR COMMUNITY EMPLOYMENT DEVELOPMENT

F O R E W O R D

The purpose of this booklet is to help employment service personnel--especially local office managers--participate constructively in community efforts to develop local manpower resources and generate suitable job opportunities. The booklet was inspired and guided largely by recommendations of a committee of State and local employment service representatives with successful experience in administering community employment development (CED) programs.[1]

The reader, presumably, is well acquainted with basic employment service functions and is willing to reexamine these functions as mechanisms for promoting community economic development.

Mobilizing manpower information and services for economic growth and full employment is the essence of the community employment development program. Inaugurated in 1949, the nationwide CED program has gained momentum since then because of the rise of community development activities and the enactment of legislation to promote area economic development.

Because the CED program varies from area to area, it cannot be defined in precise terms with a complete list of functions and corresponding procedures to follow. The program also varies because of differences in the initiative, imagination, and resourcefulness of local office personnel. Therefore, this report highlights its most prominent features in their economic context.

The accelerated introduction of new production processes, the development of industries, and the great growth and redistribution of the population generate dynamic changes in the economy that profoundly affect local labor markets. As new industries appear, others disappear. As new occupations come forward, others recede or vanish. As job opportunities increase in some areas, they decline in others.

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[1] Notes on the State Work Committee on Community Employment Development, Washington, D. C., March 19-22, 1963. Distributed to State agencies on August 23, 1963

Enlightened fiscal and monetary measures are unquestionably powerful forces for stimulating and controlling the Nation's economic development. When a recession occurs in the national or local economies, the unemployment insurance program helps to stabilize the economy by providing partial replacement of wages lost by covered workers. Yet, we have no automatic mechanism which guarantees that total demand will rise enough to maintain production at full employment levels; nor do we have an automatic mechanism which guarantees that regional and local economies will develop in concert with national trends. Thus, economic development is a local matter in important respects.

The Employment Service has a vital role in community economic development. It is a community catalyst and a stimulating force for creating jobs. Thus, local representatives of the CED program must keep in touch with the key individuals and groups that are dealing with problems that have manpower implications. They must have a clear understanding of local labor market conditions and trends. Further, they must be kept posted on all governmental programs that affect local manpower. Most important, they must be resourceful and imaginative in mobilizing the resources of the Federal-State employment service system for resolving basic manpower problems in cooperation with other local community leaders.

This booklet was prepared in the Division of Manpower Utilization Services, U.S. Employment Service, of the Bureau of Employment Security, by Robert S. David, under the direction of J. Dewey Coates, Chief, Branch of Community Employment Development.

Louis Levine, Director
U. S. Employment Service

GUIDELINES FOR COMMUNITY EMPLOYMENT DEVELOPMENT

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Part I:

Employment Service Participation in Community Economic Development

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PART I

EMPLOYMENT SERVICE PARTICIPATION IN COMMUNITY ECONOMIC DEVELOPMENT ACTIVITIES

The 1900 local offices of the Federal-State employment service system are far more than labor exchanges. In most communities they are emerging as major manpower centers which play a vital role in programs for expanding employment, production, and purchasing power.

In the Great Depression, the nationwide employment service system was an important instrument for executing recovery programs. During World War II, it was the primary agency for mobilizing the labor force. Subsequently, the system was in the forefront of the massive demobilization and peacetime re-employment of the labor force. Now the system is becoming increasingly involved in community employment development and is facing new challenges and responsibilities brought on by basic changes in the economy and the enactment of legislation to cope with these changes.

COMMUNITY MANPOWER PROBLEMS CREATED BY GENERAL ECONONIC CHANGES

Swift-moving social and economic changes have created urgent manpower problems for almost every community in the Nation. These changes stem from population growth, mass migrations, changes in consumers' buying habits, the steady march of science and technology, advances in automation and productive efficiency, and geographical shifts of industry and commerce. They have caused stubborn, long-term unemployment and, paradoxically, serious shortages of certain skilled and professional workers. While bringing remarkable growth and prosperity to some communities, they have brought protracted depressions to others.

Declining communities with shrinking tax bases, high levels of unemployment, rising welfare costs, and attendant pessimism have particularly difficult problems in attracting new business and stimulating economic opportunities. Expanding communities also have adjustment problems--overburdened schools, streets, highways, and other public facilities. Regardless of whether they are declining or expanding, all communities have difficult long-range problems in developing a labor force that can meet rapidly changing demands for skills. In resolving such problems, community economic development organizations are playing a vital role.

More and more communities are developing sophisticated programs for cultivating home industry and attracting new firms. In planning and directing these programs, community leaders commonly recognize that businesses tend to gravitate toward areas with favorable combinations of costs, markets, and living conditions. Thus, the interarea competition for business has frequently sparked community efforts to improve the total business environment through hand-tailored financial assistance, special training programs, research parks, industrial parks, cultural centers, and improved transportation and public facilities.

COMMUNITY ORGANIZATION FOR ECONOMIC ACTION

Since World War II, community development organizations have become increasingly numerous and influential. Today, almost all organized communities have both governmental and voluntary agencies for achieving steady economic growth. In planning and administering economic development programs, these agencies require accurate manpower data and a variety of manpower services which are available at the local employment service office. In 1963, more than 3900 development groups received manpower assistance from 1400 local offices.

The most numerous of the voluntary development groups is the local chamber of commerce (CC's). Operating in about 3,000 communities, CC's engage in a variety of developmental activities--often with the help of local employment service representatives who serve as members or chairmen of industrial development committees.1/

The second largest group of voluntary development organizations consists of industrial or economic development corporations. These nonprofit, quasi-public organizations are operated for the benefit of their communities. Characteristically, an industrial development corporation maintains inventories of local economic resources, develops acceptable plant sites, and provides financial assistance for new and expanding businesses.

1/ In community development activities, many of the local chambers are guided by the following publications of the Chamber of Commerce of the United States (Washington, D.C.): The Community Development Series; Case Studies in Community Development; and A Guide for Community Leaders.

Since the turn of the century, leading railroad companies have been promoting community economic development for the purpose of expanding profitable operations. To help community and private groups generate economic growth, business development departments of many railroads maintain close relations with local leaders and are ready to prepare plant-site data for prospective employers.

Similarly, many large utility companies have departments for promoting area development. They often provide valuable services to prospective employers, including impartial data on plant sites and prospective communities, plant-site tours, and followthrough assistance on technical problems.

Industrial realtors also play a significant role in promoting industrial development. About 900 members of the National Society of Industrial Realtors in communities throughout the United States offer comprehensive real estate services to industry--buying, selling, leasing, appraising, counseling, construction, quick surveys of plants and sites, industrial market information, and executive mailing and standards brochures on plants and sites.

Many of the local economic development groups are associated with county, regional, and national organizations that direct economic development groups.

COMMUNITY EMPLOYMENT DEVELOPMENT PROGRAM

Community Employment Development Branch of the United States Employment Service. Under the Director of the United States Employment Service, the Community Employment Development Branch[1/] provides central guidance for the nationwide community employment development program. The Branch prepares documents (such as this one) and distributes a variety of information to help local office representatives carry out the program. Regional USES Directors and program specialists work with officials of the State employment services in organizing and administering their CED programs.

State Community Employment Program (CEP) Supervisors. Vigorous and imaginative leadership is necessary for a successful statewide community employment development program. Under the State Administrator, a CEP supervisor is responsible for providing this

1/ In the Division of Manpower Utilization Services, Office of Manpower Analysis and Utilization.

leadership. Working closely with other State agency officials, especially economists and coordinators for ARA and MDTA, a CEP supervisor mobilizes the resources of the Federal-State employment service system to stimulate and support local economic development activities.

In addition, a CEP supervisor maintains liaison with various statewide development organizations; e.g., railroads, State chambers of commerce, and certain departments of the State government--particularly industrial development agencies. In this liaison, he, rather than local office representatives, should furnish useful labor market information, employment development information, and statements on the assistance available through the Employment Service.

A State CEP supervisor should maintain regular communications on CEP activities with local and district office managers who are responsible for promoting economic development. Moreover, he should periodically evaluate local office participation in economic development activities.

Key Role of the Manager of the Local Employment Service Office.[1] As the community's leading authority in the manpower field, the local employment service manager identifies current and probable future manpower imbalances, alerts the community to the need for action, and participates in or, if necessary, leads that action.

No formula can prescribe for the local office manager's participation in community development programs. In any case, he should be prepared to provide current labor market information; analyses of the kinds of skills in surplus or in short supply; and information on job-generating economic activities, private and governmental. As a member or consultant to the dominant community development organizations in his area, the local office manager is in a position to support the courses of action that advance the economic welfare of his community.[2]

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[1] ES Manual, Part II, Chapter 6000 (Appendix A).

[2] In areas that have a large number of economic development groups, he should work selectively with the principal organization. He should keep other groups informed on significant manpower developments and the availability of manpower information and services.

Employment service officials should not assume the responsibility for initiating a community employment development program except in unusual circumstances. Normally, the local office manager and his representatives should work with established groups and try to maintain working relations with all groups that significantly influence the local economy. Full membership in development groups is not necessary to achieve effective results.

In serving local development groups, the local office should provide labor market information in various forms and degrees of detail to meet the specific needs of differing groups. By presenting vivid information on basic manpower trends and possible solutions to manpower problems, he can stimulate effective local action.

As a professional problem-solver in the manpower field, a local manager can play a vital role in helping communities attract new business and encourage the expansion of existing business. By providing accurate, impartial, pertinent, and timely information on the availability of current and future occupational skills, he can help businessmen make plans for expanding or starting operations. Many studies show that the availability of labor is one of the most important factors in plant-site selections.[1/]

A local manager may arrange for special training courses to meet the skill demands of a prospective employer. In meeting employers' needs, employment service representatives can also tap the Nation's manpower resources through a system that enables over 1900 local offices to exchange information on shortages and surpluses of highly skilled personnel.

A local office manager should help his community make the best possible use of the various governmental programs that advance local economic progress and generate job opportunities. To do so, he must be able to mesh the manpower aspects of relevant governmental programs into community plans and programs. He can minimize jurisdictional conflicts with other governmental representatives by recognizing their special competence without relinquishing his primary role in the manpower field. Like a big-league baseball player, he can play his own position best when he knows how to make full use of his teammates.

1/ Fortune (Time Inc.), A Fortune Survey on Locating Plants, Warehouses, Laboratories; Thomas P. Bergin, Industrial Development Must Come of Age, Address to the Regional Seminar of the Society of Industrial Realtors; A. C. Flora, Jr., Industrial Location in South Carolina, Business and Economic Review, U. of South Carolina, January 1964.

Smaller Communities Program. Rapidly changing technology in agriculture, mining, and forestry eliminates hundreds of thousands of jobs annually, thus creating serious unemployment problems in many rural areas and smaller communities which are not served by public employment offices.

To extend the services of the Employment Service to these areas, 14 States have launched smaller communities programs.[1] These programs are carried out at the local level by mobile teams of employment service interviewers, counselors, and test administrators.

A smaller communities team advances community economic development by making available the resources of the Federal-State employment service system. In addition to registering, testing, counseling, and placing personnel, a team can help prepare comprehensive studies of local manpower resources and opportunities which can be used to correct labor market imbalances and attract new industries. The teams have been particularly active in helping other governmental agencies set up special vocational training courses; e.g., ARA and MDTA courses for unemployed and underemployed workers in rural areas and smaller communities.[2]

The following section deals with the informational role of employment service personnel in community manpower planning as an integral part of broad community planning for sustained economic growth.

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[1] Alabama, Arkansas, Iowa, Maine, Michigan, Minnesota, Mississippi, New Mexico, North Carolina, Oklahoma, South Carolina, Texas, Vermont, and Wisconsin.

[2] Handbook for Smaller Communities (Appendix J).

Part II:

Manpower Information for Community Action

PART II

MANPOWER INFORMATION FOR COMMUNITY ACTION

Business and community planning that fails to consider basic manpower information and trends is unnecessarily hazardous. In the past, such planning has been responsible for serious skill shortages, costly unemployment, obsolete and misguided school systems, business failures, and community decay.

State and local employment service offices can reduce these risks by providing pertinent manpower information and meaningful analyses which can be used for setting specific manpower goals and solving specific manpower problems in their local economic context.

Local office managers and community employment specialists generally have ready access to necessary manpower information. Their main tasks are to select information that is germane to the problems at hand and, further, to provide lucid analyses of this information. Although these analyses may focus on specific community or business problems, they should be guided by more general manpower trends--local, regional, and national.

LABOR FORCE GROWTH: A BASIC INGREDIENT IN ECONOMIC DEVELOPMENT

A growing labor force when properly trained and utilized is the very basis for economic growth and prosperity. Thus, community planners should try to answer two fundamental manpower questions:

1. What should be done to assure that the labor force will develop the occupational versatility and adaptability necessary to meet the fast-changing manpower requirements of industry, commerce, and agriculture?

2. What should be done to assure that the local economy will grow fast enough to provide ample job opportunities for the growing labor force?

To answer these questions properly, community employment specialists of the Employment Service should be prepared to provide pertinent projections of the local labor force, taking into consideration probable births, deaths, and the net migration of workers. Whenever possible, they should provide related estimates of future employment opportunities. A serious gap between the labor force and job opportunities can be a valid basis for community action programs.

MANPOWER PROBLEMS: A CALL FOR ORGANIZED COMMUNITY ACTION

The accelerated march of science and technology in recent years has revolutioned patterns of consumption and methods of production. As a result, many imbalances have emerged in the Nation's labor markets. In markets for scientific, educational, medical, and technical personnel, **opportunities far exceed the supply of qualified workers.** In markets for **unskilled** personnel, the opposite condition exists--available workers far exceed job opportunities.

Today, many age-old skills are becoming obsolete and disappearing, perhaps forever. For most workers, mastering a traditional trade is no assurance of regular employment. More and more, job security depends on a worker's occupational versatility--in short, his ability to learn new skills. Increasingly, an employer's success depends on his ability to recruit and develop highly skilled workers.

Yet occupational versatility and well-directed skill development cannot resolve many local unemployment problems--especially those due to inadequate demand for labor to produce goods and services. In most communities, the major cause of unemployment has been inadequate economic growth. As a result, job-generating economic activities (private and governmental) have not expanded fast enough to employ the growing labor force. Many areas chronically suffer from relatively high unemployment because of fundamental shortcomings in their economic systems, such as depleted or underdeveloped natural resources, underdeveloped and underutilized human resources, high transportation costs, and productive inefficiency or inability to adjust quickly to changing markets. The bulk of these areas are concentrated in a 10-State Appalachian region.

Organized community action can reduce the major categories of unemployment: unemployment due to lack of economic growth; recession unemployment; seasonal unemployment; technological unemployment; geographically concentrated unemployment; unemployment due to the lack of marketable skills; and unemployment due to discrimination against women, older workers, and nonwhite workers.

Manpower planning should be linked to broad community planning. This concept is recognized by the Area Redevelopment Act which requires a community to prepare an approved Overall Economic Development Program in order to qualify for ARA assistance.1/

Comprehensive economic analyses frequently reveal that communities are underdeveloped in some ways and overdeveloped in other. In either case, the solution is balanced economic growth and development geared to the labor force. This usually calls for better schools; improved public facilities; better government; a better business climate; and new patterns of commerce, industry, and agriculture. In developing programs to achieve such goals, community planners can obtain valuable financial, informational, and technical assistance from many Federal agencies, as discussed in part III.

MANPOWER PLANNING: AN INTEGRAL PART OF COMPREHENSIVE COMMUNITY PLANNING

Manpower planning should be meshed with other major phases of community planning--land-use planning, public utilities and facilities planning, transportation planning, educational planning, and commercial and industrial planning.

One of the most important and troublesome aspects of community planning is setting priorities among the various goals and coordinating the various parts of a master plan. Some useful suggestions on how this can be done are contained in the following publications of the United States Chamber of Commerce: How to Create a Program of Work for Community Development and Case Studies in Community Development.

A community can reduce unemployment by permitting or encouraging unemployed workers to find jobs in other areas. This, however, is not an ideal solution. The loss of human resources weakens a community's economic base. A declining labor force generally means declining production, purchasing power, and sales. If a community is to enjoy the many benefits of steady economic growth, it must somehow retain and utilize its growing labor force.

1/ OEDP: Planning for New Growth--New Jobs (Appendix B).

The main source of employment opportunities in most communities is the profitable production of goods and services for competitive markets. Governmental programs--local, State, and Federal--are also important sources of jobs. The Federal Government has inaugurated a series of job-generating programs. Some of these are especially designed for areas suffering from unusually high unemployment. Ideally, private and governmental efforts to create employment should be integral parts of a community economic development program.

Setting Manpower Goals. Properly balanced community planning for economic growth is difficult to achieve without appropriate planning goals, including manpower goals. For planning purposes, manpower goals should be specific in terms of the total labor force, total employment, and total unemployment. If possible, goals should be set, by industry, for specific skills and occupations.

In setting full employment targets, community planners should answer three questions:

1. How many jobs are needed to reduce current unemployment to a satisfactory rate, assuming the labor force remains unchanged?

2. How many additional jobs will be needed to maintain a tolerable unemployment rate while the labor force is growing?

   In estimating labor force growth, the following factors should be considered: The natural growth of the working-age population, the net influx or outflow of workers, and changes in the proportion of the working-age population that participates in the labor force.

3. How many additional jobs will be necessary to offset the jobs eliminated by increases in efficiency due to automation and other technological advances?

Added together, such estimates provide manpower planners with a useful target--the number of jobs needed to establish and maintain a satisfactory unemployment rate. Comparable employment goals are set for the entire Nation under the Employment Act of 1946.

MANPOWER GOALS: HOW MANY ADDITIONAL JOBS ARE NEEDED IN YOUR COMMUNITY DURING THE NEXT YEAR TO ESTABLISH AND MAINTAIN A 4% UNEMPLOYMENT RATE

	Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate	Additional Jobs Needed to Reduce Rate to 4% (cumulative)
I. Manpower situation at the start of the year					
Your community					
Hypothetical city	100,000	90,000	10,000	10%	6,000[1]
II. Manpower situation at the end of the year if production remains the same and no new employment is created					
The effect of labor force growth:					
Your community					
Hypothetical city	103,000	90,000	13,000	12.6%	8,880[2]
The effect of rising output per man-hour (less labor will be needed to produce the same volume of goods and services, and the employed labor force will decline):					
Your community					
Hypothetical city (assuming a 3% productivity increase)	103,000	87,300	15,700	15.2%	11,580[3]
III. Manpower situation at the end of the year if a 4% unemployment rate is achieved:					
Your community				4%	0
Hypothetical city	103,000	98,880	4,120	4%	0

1/4% of 100,000 equals 4,000; 10,000 minus 4,000 equals 6,000.
2/4% of 103,000 equals 4,120; 13,000 minus 4,120 equals 8,880.
3/4% of 103,000 equals 4,120; 15,700 minus 4,120 equals 11,580.

Manpower goals should guide community planners in working for measures to establish and maintain reasonable balances in the various local markets for manpower skills. Once a community achieves full utilization of its labor force, it has a new challenge--how can it expand and improve its labor resources? Manpower resources can be expanded or improved in many ways: Through normal labor force growth; inmigration; fuller working weeks; better basic education; special training for specific jobs; and the reduction of restrictions on labor input such as sickness, accidents, and strikes.

Mobilizing Manpower Information. The local employment service office is generally the best source of manpower information for business and community planning. This information flows from basic employment service functions, such as routine collection of data on employment and unemployment, registering available workers, receiving orders for personnel from employers, maintaining close relations with the unemployment compensation system, and working on a routine basis with the U.S. Census Bureau in making labor force surveys.

Skill surveys can serve as the basis for manpower projections, economic planning, employment counseling, skill training, and labor security programs. They are desirable for manpower analysis and planning in labor surplus and shortage areas.

In a labor-surplus area, a survey may determine specific surplus occupations and the industries in which such occupations predominate. Such information is useful for long-range planning of industrial development to promote efficient utilization of the area's labor force. Under labor shortage conditions, skill surveys can gauge the extent of skill shortages and provide a basis for conducting subsequent recruitment or training programs to meet the demand for skilled workers.

The first step in making a skill survey is to organize a sponsoring community group (which might be called an "Area Manpower Council"). Insofar as possible, this group should include key personnel from such groups as chambers of commerce, apprentice training agencies, schools, labor unions, and major employers. Instructions for conducting a skill survey are contained in the Handbook on Labor Market Research Methods Occupational Labor Market Analysis, Bureau of Employment Security, U.S. Department of Labor.

A community group in Washington, D.C., gives us a good example of how to organize and carry out a skill survey. This group, representing the Employment Service, leading employers, the D.C. Board of Trade, school officials, and many community organizations, completed a survey of skills in the metropolitan D.C. area in 1963 for the 1962-1967 period.

The survey has significant implications for employers, students, and community planners. It contends that Washington will continue to have ample opportunities for a wide variety of professional, technical, secretarial, and blue-collar skills during the next 5 years. It warns, however, that job prospects for workers with less than a high school education will continue to decline.

The report points to a future scarcity of workers between 30 and 45 years of age because of the low birth rate in the thirties. To compensate for this shortage, the report suggests that employers sponsor more on-the-job training so as to raise the skill levels of younger workers and to update the skills of older workers. The report notes that employers' bias against hiring Negroes and women for better jobs has declined in recent years as the result of shortages of qualified white men. However, it offers little hope for unskilled workers, regardless of age, sex, or race.

Because educational requirements for most jobs will continue to rise with the exacting demands of space-age production, the report advises students to acquire some special training beyond high school. It also urges college graudates to seek advanced degrees, especially in science, mathematics, and engineering. To help meet the rising demand for well-educated young workers, the report recommends the inauguration of free or low-cost education at the junior college or university level and the elimination of discrimination in apprenticeship and other training.

Another important source of manpower information for stimulating community action is the Employment Service's early warning system. When a local employment service manager learns in advance about a major shift in the labor market, (e.g., a mass layoff or a large-scale hiring operation), he can take a variety of actions to facilitate labor-market adjustments. In the case of a layoff, he can help management schedule orderly cutbacks that will enable the Employment Service to register, test, counsel, retrain, and place workers with a minimum loss of time between jobs. In the case of a large-scale hiring operation, he can plan and carry out a tailormade recruiting program to meet the employer's specifications. At times, layoffs and recruiting programs may be coordinated.1/

1/ ES Manual, part III, chapter 7200, Report of Mass Layoff, ES 235.

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With advance information on major shifts in the labor market, a local manager can make important contributions to organized community efforts to orderly economic growth.

Effective participation in community development activities involves two-way communications. A manager may expect to receive, as well as to transmit, advance information on significant labor market changes.

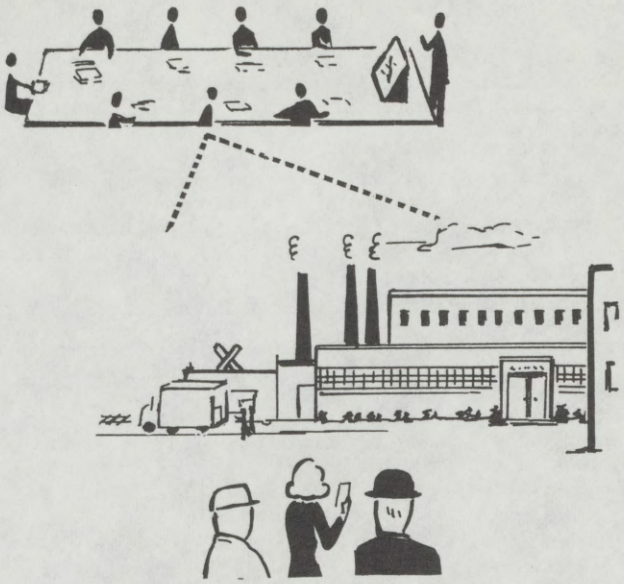
Other important sources of advance labor market information are the employers relations program, the collection and analysis of occupational data, the mass layoff reporting system, regular manpower reports, and special skill surveys.

Providing Labor-Market Information to Community Planners. For reliable and impartial labor market information, community and business planners frequently turn to State and local employment service offices. At times they want comprehensive labor market information and analyses. At other times they want specific answers to specific questions. In either case, employment service offices should provide prompt and pertinent replies so that important decisions affecting a community's economic system will not be made without the benefit of relevant labor-market information.

Not all business executives and community planners appreciate the value of labor market information in making key decisions. Thus, employment service personnel should be resourceful in providing appropriate information and explaining its value.

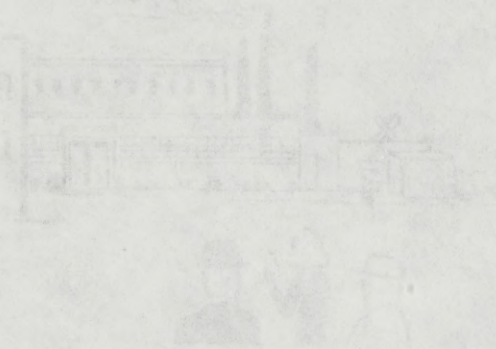
To improve their information services, local offices should periodically reexamine the labor market information needs of employers, unions, community development groups, schools, and other groups. Labor market information should be distributed in ways that enhance the status of the local office manager. In press releases, labor market letters, and special reports to community groups, the local office manager should identify major manpower problems with accurate statistics and appropriate narratives.

When labor market newsletters are attractive, readable, informative, and forward-looking, they play a vital function in the process of matching workers and jobs. Participants in the labor market need accurate information to make wise decisions. Students and displaced workers want to know what jobs to prepare for. Employers want to know where they can find qualified personnel to meet current and future needs. Farsighted community planners recognize that comprehensive labor market information is necessary for developing effective community action programs for attaining balanced economic development.



Part III:

Community Action to Develop Manpower and Generate Jobs



PART III

COMMUNITY ACTION TO DEVELOP MANPOWER AND GENERATE JOBS

Many communities have discovered the advantages of coordinating community development programs--for education, transportation, land use, resource development, public utilities, recreation, and business expansion--within the framework of a comprehensive economic development program. Many notable examples of comprehensive community planning come from communities that have prepared and carried out Overall Economic Development Programs under the Area Redevelopment Act.1/ More and more, progressive communities are recognizing the indispensability of broad-gauged and long-range planning to achieve balanced economic development that makes the best use of local resources.

Almost every phase of a comprehensive community development program has important manpower problems that should be handled by a competent manpower group. In serving such a group, an employment service representative should be prepared to help local leaders achieve community manpower goals, as discussed in part II. This means he should be able to mobilize the resources of the Employment Service for promoting business expansion and securing job-generating public programs.

FACILITATING A COMMUNITY'S BUSINESS EXPANSION PROGRAM

Because local entrepreneurs can mobilize local resources quickly to expand production or start new enterprises, they should be regarded as prime candidates for community economic assistance. For further information on this subject see Developing "Home-Grown" Industry (Appendix E).

At times, campaigns to attract new industries, preferably industries that dovetail with existing industries, are essential parts of community economic development programs. Information on this subject is contained in Attracting New Industry (Appendix F).

In either case, community groups can promote business expansion by supplying employers with relevant information expanding markets for local products, providing financial assistance, and developing local resources--especially manpower resources.

1/ OEDP: Planning for New Growth--New Jobs (Appendix B).

Information for Business Expansion. An employment service representative contributes to community employment development when he assures a prospective employer that the community can meet his personnel needs. In addition to courteous and competent assistance, local representatives should be able to provide well-prepared information packages. These packages should cover not only current and projected labor market data but basic community data on the relevant economic, cultural, and recreational characteristics of a community. By preparing and distributing basic statements on their communities, local employment service offices help their communities learn what they have to offer businessmen who are looking for new plant sites or are considering the expansion of existing facilities. Publicizing a community's resources calls for special techniques as suggested by Attracting New Industry (Appendix F).

Unemployment insurance may be a significant factor in plant-site selection. Below-average unemployment insurance rates may attract some businesses--especially labor-intensive firms. Above average rates may repel some businesses. In either case, a community employment development representative should be prepared to discuss unemployment insurance in proper relation to other labor costs: social insurance, wage rates, fringe benefits, etc.

Furthermore, a community employment development representative should be ready to explain the positive aspects of unemployment insurance as an economic stabilizer for the community. He must have ready information on coverage and benefits and be able to explain how benefit payments offset local wage losses during recessions and large-scale production cutbacks.

Cultivation of Markets for Local Products. In searching for new markets, community leaders should not overlook the world's largest purchaser--the Federal Government. They should recognize that sales to the Government, like sales to private buyers, can stimulate local investments, production, and employment.

The Government encourages procurement in certain areas with higher-than-average unemployment by providing preferential assistance to prospective sellers in these areas. This policy is set forth in the Area Redevelopment Act (section 10), Defense Manpower Policy No. 4, and Armed Services Regulation 1-801.1

Because an area's unemployment rate may determine the eligibility of local firms for Government contracts, local employment service offices should make special efforts to advise local firms when they are eligible for preferential procurement programs.

How to bid on Government contracts is explained in various publications of the General Services Administration, Small Business Administration, Department of Commerce, Defense Department (which does about 90 percent of the Government buying), and various other agencies. Key information sources are listed in the Handbook of Federal Aids to Communities, pages 20 and 21 (Appendix D).

Financing of Business Expansion. Community development groups can promote job-generating business expansion by helping businessmen to secure loans from a variety of financial institutions--banks, savings and loan associations, insurance companies; and special economic development agencies--private, municipal, State, and Federal.

Local employment service representatives who work with community development groups should know generally what Federal agencies offer loans to qualified businesses. They should know, for example, that the Area Redevelopment Administration (ARA) is an important source of capital for business expansion in designated redevelopment areas. The ARA makes direct loans to individual firms or to local development groups which in turn make loans to businesses. In providing financial assistance for commerce and industry, the ARA's goal is a lasting solution to geographic unemployment through the creation of permanent new jobs in areas that have not shared fully in the Nation's economic progress. Detailed information on ARA financial assistance to business may be found in the ARA Handbook on Federal Aids to Communities (Appendix D).

The Small Business Administration (SBA) also makes loans to individual businesses. When private capital is not available at reasonable rates, SBA can make loans of up to $350,000 to certain businesses for business expansion.

In addition, SBA can make loans to statewide and local development agencies for the purpose of providing financial assistance to small businesses, especially those in areas with serious unemployment. For further information, see the Federal Handbook for Small Business (Appendix G).

Development of Skills To Meet Prospective Demands. The local employment service office can facilitate business expansion by helping community leaders to develop an educational and training system that is geared to current and future skill demands as indicated by the best available studies. As skill requirements for almost all jobs advance and job markets become increasingly competitive, progressive communities must develop well-educated and versatile labor forces. In the modern economy, illiteracy and occupational inflexibility are one-way tickets to unemployment.

To help workers adjust to changing labor market conditions, the Area Redevelopment Act of 1961 and the Manpower Development and Training Act of 1962 inaugurated special vocational training programs. In addition, about half of the State unemployment insurance programs facilitate the training of unemployed workers by paying benefits to those who are taking training courses authorized by the employment security agency.

ARA Training. The major goal of ARA training is to help unemployed and underemployed workers in ARA areas acquire marketable skills through brief training courses and subsistence allowances.

In the ARA training program, local employment service personnel have many essential functions. They provide data on employment and unemployment which determine whether an area qualifies for ARA assistance. They make surveys of local labor markets to estimate the number of existing and prospective job openings in various occupations. On the basis of this survey and other factors, they may approve or disapprove proposed training courses. In selecting trainees for these courses, employment service personnel play the leading role. After trainees finish their courses, local employment service representatives try to place them in jobs that utilize their training and skills. Moreover, local employment service representatives should provide comprehensive labor market data for preparing the manpower sections of the Overall Economic Development Program.[1/]

For detailed information on ARA training, see Procedures for Establishing Occupational Training or Retraining, section 16 of the Area Redevelopment Act, Public Law 87-27.

MDTA Training. The Manpower Development and Training Act of 1962 provided vocational training and retraining for many of the Nation's unemployed and underemployed. It also provided living allowances, transportation allowances when necessary, and special projects for unemployed youth.

The 1963 amendments to the Manpower Development and Training Act broadened and strengthened the MDTA youth training program, authorized basic education courses to help unemployed workers qualify for occupational training, extended training allowances to unemployed young people 16 through 21 years old, and liberalized training allowances.

1/OEDP: Planning for New Growth - New Jobs (Appendix B); Continuing Overall Economic Development Programs (Appendix M).

State employment security agencies have the primary responsibility for conducting surveys to determine which occupations are appropriate training objectives. Local offices screen unemployed or underemployed applicants for training, provide testing and counseling services, and refer those selected to training. They also have a major responsibility for placing MDTA graduates on jobs. MDTA funds are disbursed to the State agencies through the machinery of the unemployment insurance system. For further information, see the MDTA Handbook, Chapter III.

HELPING COMMUNITIES SECURE AND ADMINISTER JOB-GENERATING GOVERNMENTAL PROGRAMS

A local employment service representative can help his community secure and implement various governmental programs for strengthening the local economy and creating jobs. Important among the Federal programs are: The area redevelopment program; the accelerated public works program; various agricultural and rural area development programs; reclamation and land management programs; hospital and sanitation programs; housing, urban renewal, and community facilities programs; and various transportation programs. These programs (sketched below) should be used selectively to round out a comprehensive community action program.

In planning public programs, an employment service representative should estimate their probable impact on the general labor market and markets for specific skills. If skill shortages appear likely, he should take steps to train or recruit needed personnel.

Area Redevelopment Act (ARA) Projects. Communities in designated "redevelopment areas"[1] are eligible for loans or grants to finance the construction or improvement of public facilities within the framework of an approved Overall Economic Development Program. With ARA funds, many communities can improve water systems, sewage disposal systems, access roads, railroad spurs, or other facilities, thereby stimulating business expansion and employment.[2]

Working cooperatively with the Community Facilities Administration of the Housing and Home Finance Agency, the ARA also assists the financing of other public construction including college housing facilities.

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[1] Area Redevelopment Act, PL 87-27, May 1, 1961, Section 5.

[2] OEDP: Planning for New Growth and Jobs (Appendix B).

Accelerated Public Works (APW). The purpose of the APW program is to expand employment and, at the same time, stimulate community economic development in areas suffering from chronic unemployment and underemployment. Under the direction of the ARA, the APW program operates in various Federal agencies that administer job-generating projects; e.g., the Army Engineers, the Public Facilities Administration, and the Forest Service. It also provides grants to communities for public facilities in ARA redevelopment areas and in certain areas of substantial and persistent unemployment. The bulk of the APW work has been performed by private workers under private contractors.1/

Agricultural and Rural Area Programs. The United States Department of Agriculture administers many programs to help farming communities, including the Rural Areas Development Program (RAD) which helps farmers and other rural residents find rural employment and improve their areas. For further information, refer to Helping People to Help Themselves...In Country and In Towns (Appendix I).

The Soil Conservation Service assists rural communities in developing water supplies essential to economic growth.2/

The Rural Electrification Administration lends money to rural electric cooperatives, public utility or power districts, municipalities, and power companies so they can furnish electricity and other services to rural residents.3/

The Farmers Home Administration makes loans for constructing and improving farm houses and buildings. It also provides financial assistance for developing rural drainage and water system.4/

Reclamation and Land Management Programs. The Bureau of Reclamation of the Department of the Interior administers a program of loans and grants under the Small Reclamation Project Act of 1956 to finance irrigation, conservation, and reclamation projects in the 17 western Reclamation States and Hawaii.5/

1/The Handbook of Federal Aids to Communities, page 3 (Appendix D).

2/Ibid., page 23

3/Ibid., page 37

4/Ibid., pages 24, 25

5/Ibid., page 24

The Bureau of Land Management, also in the Department of the Interior, administers almost a half billion acres of public land that may be sold to States, counties, and municipalities for developing public recreation areas.1/

Hospital and Sanitation Facilities. The Public Health Service pays two-thirds of the cost of building nonprofit community hospitals and health centers under the Hill-Burton Act of 1946. Loans for the housing of nurses and interns are also available from the Community Facilities Administration. The Public Health Service also helps State and local agencies finance waste disposal systems.2/

Housing, Urban Renewal, and Community Facilities Programs. Urban renewal projects are important sources of new employment and economic progress. Planned and carried out by local public agencies, such as a local housing authority or a department of a city government, urban renewal generally involves land acquisition, temporary operation of acquired property, and relocation of families and businesses displaced by the renewal project. Demolition work, installation of project improvements, rehabilitation and conservation activities, and land disposition activities are all components of an urban renewal project. In the process, it redistributes the labor force, destroying some jobs and creating others. The Urban Renewal Administration (URA) of the Housing and Home Finance Agency makes loans and grants to help plan and finance comprehensive projects for slum clearance and reconstruction of urban areas.3/

In related programs, the Public Housing Administration (PHA) of the Housing and Home Finance Agency helps communities to secure dwellings for families in low-income groups. Low-rent public housing projects are designed, built, owned, and operated by local housing authorities for low-income families who are unable to afford decent private housing. The construction job is undertaken by the community's housing authority through private contractors.4/

1/ Handbook of Federal Aids to Communities (Appendix D), pages 32, 58.

2/ Ibid., pages 47, 48.

3/ Ibid., pages 5, 7, 56, 59.

4/ Ibid., page 51.

The Federal Housing Administration (FHA), Housing and Home Finance Agency, stimulates community development by channeling investment into various types of mortgages to finance private housing to meet the needs of a wide range of income groups with special housing needs. This is done through a program of mortgage insurance to protect the mortgage lenders against loss on their investments.[1]

The Community Facilities Administration (CFA) of the Housing and Home Finance Agency administers a variety of financial programs to facilitate the construction of housing for special groups such as the elderly, college students, and faculties. In addition, it provides long-term loans to small communities to enable them to build essential community facilities including water and sewer systems, gas distribution system, municipal buildings, and other essential public works that the local agency is authorized to construct and for which other reasonable financing is not available.[2]

The Corps of Engineers, Department of the Army, administers a national civil works program that is available to communities through their congressional representatives. Under this program, communities can secure projects for flood control, hurricane-flood control, beach erosion control, and related purposes.[3]

Transportation Programs. Road construction is a major source of employment opportunity for many communities. The Bureau of Public Roads in the Department of Commerce, in cooperation with State highway departments, administers Federal aid funds for highway improvement, constructs highways on Federal lands, and conducts extensive research in highway problems.[4]

The construction or improvement of a local airport can make the difference between economic progress and economic decline. The Federal Aviation Agency assists local public agencies and private individuals in airport planning and the selection of sites for airport development. Its personnel consult and advise on the design and construction of airports and give advisory service on all phases of airport planning, engineering, and maintenance. The FAA also makes matching grants to communities for airport development.[5]

1/ Handbook of Federal Aids to Communities (Appendix D), page 52

2/ Ibid., pages 51-54

3/ Ibid., page 56

4/ Ibid., pages 34, 35, 36

5/ Ibid., page 35

DEVELOPING AND UTILIZING MANPOWER UNDER THE ECONOMIC OPPORTUNITY ACT OF 1964

Community Action Programs. Coordinated community action is the key weapon in the war on poverty. As President Johnson says, "the most enduring strength of our Nation is the huge reservoir of talent, initiative, and leadership which exists at every level of society. Through the community action program we call upon this, our greatest strength, to overcome our greatest weakness."1/

Community action programs should be related to local manpower resources. In cooperation with community leaders, local employment service offices should help prepare and carry out a two-part manpower program aimed at (1) developing a steady flow of skills for the future, and (2) generating appropriate job opportunities for the growing, developing labor force. Under the Act, the Office of Economic Opportunity provides technical and financial assistance to help communities achieve these and other goals in accordance with local preferences and resources.

Aid to Small Businessmen and Farmers. In coordination with community action programs, the Act authorizes loans (up to $15,000) for strengthening small business firms and helping qualified persons to establish such firms. In addition, the Act provides grants and loans to low-income rural families for productive enterprises.

Youth Programs. The Act authorizes three programs for improving the employability of young people (16 through 21 years of age): A Job Corps; a Work-Training Program; and a Work-Study Program.

The Job Corps offers young people opportunities for education, vocational training, useful work experiences in conservation camps and training centers. Within the Job Corps is the Youth Conservation Corps which protects, develops and manages public recreation areas and natural resources. This program is similar to the Civilian Conservation Corps of the 1933-1942 period.

The Work-Training Programs provide part-time jobs for unemployed, needy, youths thereby enabling them to resume or continue their education. These programs help protect, develop and manage public recreation areas and natural resources or contribute to other activities in the public interest that would not be provided otherwise.

The Work-Study program provides part-time jobs for college students from low-income families. The Office of Economic Opportunity provides 90% of the funds for these programs. Work under the programs must help students achieve educational objectives or contribute to activities in the public interest.

1/ President of the United States. Poverty Message to Congress, March 16, 1964

CONCLUSIONS

A local employment service manager (or his representative) has access to a variety of resources for resolving local manpower problems in cooperation with community leaders. To make the best use of these resources, he should play a leading role in shaping and implementing a community's manpower program.

This program should aim at the optimum development and utilization of the labor force on a long-term basis. Ideally, it should be an integral part of a general program of economic development.

Participation in community economic development activities is a challenging role for an employment service representative. If he is to make the most of it, he should cultivate a unique combination of qualities--technical competence in the manpower field, leadership ability, a solid grasp of the basic principles of business management and economics, and, above all, enthusiasm, resourcefulness, and persistence.

APPENDICES

A. Employment Security Manual, Part I, sections 4430-4444; Part II, sections 6700-6733, U.S. Department of Labor, Bureau of Employment Security.

B. OEDP: Planning for New Growth--New Jobs, U.S. Department of Commerce, Area Redevelopment Administration. (For sale, Superintendent of Documents, U.S. Government Printing Office, Wash., D.C., 20402, 15 cents).

C. The Community and Economic Development, U.S. Department of Commerce, Area Redevelopment Administration. (For sale, Superintendent of Documents, U.S. Government Printing Office, Wash., D.C., 20402, 30 cents.)

D. Handbook of Federal Aids to Communities, 1963 Edition, U.S. Department of Commerce, Area Redevelopment Administration. (For sale by the Superintendent of Documents, U.S. Government Printing Office, Wash., D.C., 20402, 40 cents.)

E. Developing "Home-Grown" Industry, U.S. Department of Commerce, Area Redevelopment Administration. (For sale, Superintendent of Documents, U.S. Government Printing Office, Wash., D.C., 20402, 15 cents.)

F. Attracting New Industry, U.S. Department of Commerce, Area Redevelopment Administration. (For sale, Superintendent of Documents, U.S. Government Printing Office, Wash., D.C., 20402, 20 cents.)

G. Federal Handbook for Small Business, U.S. Small Business Administration, Wash., D.C., 20417.

H. Your Community and the Accelerated Public Works Program, U.S. Department of Commerce, Area Redevelopment Administration, Wash., D.C., 20230.

I. Helping People to Help Themselves--In Country and in Towns, U.S. Department of Agriculture, Wash., D.C., 20250.

J. Handbook for the Smaller Communities Program, U.S. Department of Labor, Bureau of Employment Security, Community Employment Development Branch, Wash., D.C., 20210

K. Community Organization for Employment Development, U.S. Department of Labor, Bureau of Employment Security, Community Employment Development Branch, Wash., D.C., 20210.

L. Community Employment Program Developments, U.S. Department of Labor, Bureau of Employment Security, Community Employment Development Branch, Wash., D.C., 20210.

M. Continuing Overall Economic Development Programs, U.S. Department of Commerce, Area Redevelopment Administration. (For sale, Superintendent of Documents, U.S. Government Printing Office, Wash., D.C., 20402, 20 cents.)

In reply refer
to EMUC

U. S. DEPARTMENT OF LABOR
Bureau of Employment Security
Washington, D. C. 20210

United States Employment Service
Program Letter No. 1753
December 30, 1964

TO: ALL STATE EMPLOYMENT SECURITY AGENCIES

SUBJECT: Employment Service Response to Mass Layoffs

REFERENCES:

1. USESPL's No. 1227, 1496, 1552, 1569, 1677, 1730
2. RAL No. 432
3. ES Manual, Part I, Sections 7610-7634 and 8190; Part III, Sections 7200-7399, Part V, Sections 5470-5479

PURPOSE: To furnish guidelines for action to be taken in mass layoffs.

The establishment of the President's Community Reemployment Assistance Committee, on October 20, 1964, is an important step toward creating permanent machinery for resolving the local unemployment problems that are inherent in our dynamic economy. Task forces composed of representatives from the Departments of Labor and Commerce, the Office of Economic Opportunity, and other appropriate Federal agencies will work with State and local officials to help communities faced with plant closings to mitigate immediate hardships and promote long-range economic recovery.

The President's Committee will rely heavily on information generated in the employment security system to guide its decisions. Such information reports as the ES-219, and problem-action reports as the ES-235, will be especially significant. Both the ES-219 and the ES-235 should receive maximum development and use in operations.

The attached guide may be used in planning employment service action in mass layoffs. The essentials of this guide will be part of the programs initiated by the President's Community Reemployment Assistance Committee. A statement describing the operations of the committee and explaining the extent to which the Employment Service, at all levels, will be involved in its activities will be issued soon.

In situations in which the committee is not involved, recent experience with layoffs emphasizes the importance of the Employment Service coordinating its efforts with those of other agencies, both Federal and State, which can help alleviate the reemployment problem.

54-995 O - 65 - 13

Local employment service offices deal with the majority of layoffs and employment dislocations in their normal operations. The chief concern of this letter is to suggest procedures for handling layoffs in the following categories:

1. Layoffs which affect a substantial number of workers who cannot be readily absorbed in new jobs in the local labor area. For this purpose, all layoffs should be considered which involve over 500 workers or 1 percent of the area's labor force, with the exception of layoffs of less than 100 persons.

2. Layoffs which are likely to focus public attention on the role of the Employment Service, such as: (a) the closing of a plant operated by a large nationally known firm or by the dominant employer in an area; (b) mass layoffs attributable to a decision or policy of a Federal agency.

3. Layoffs which might disrupt a local economy, causing a sharp rise in indirect and direct unemployment.

4. A single layoff which will result in a downward change in the area's labor classification.

In assisting displaced workers to find new jobs commensurate with their skills, the local employment service offices should make the most expeditious, imaginative, and selective use of mass layoff techniques and procedures which have proven to be effective. Although the procedures outlined in the attachment are applicable to all mass layoffs, local conditions may require a local office to select the most pertinent and effective methods.

For the above reasons, a step-by-step review of these guidelines is recommended in each mass layoff. Careful consideration of each procedure can insure that the most appropriate employment service resources will be made available to the community.

MANUALIZATION REQUIRED: None

RESCISSIONS: None

Sincerely yours,

Robert C. Goodwin

Robert C. Goodwin
Administrator

Attachment
Employment Service Guidelines for Handling Mass Layoffs

EMPLOYMENT SERVICE GUIDELINES FOR HANDLING MASS LAYOFFS

U. S. DEPARTMENT OF LABOR
Manpower Administration
Bureau of Employment Security
U. S. Employment Service
Washington, D. C. 20210

December 30, 1964

I. Advance Notice of a Layoff (ES-235)

Advance notice of an impending layoff should stimulate effective employment service action to cope with the problem. Although the difficulties involved in obtaining such advance information are known, local office staff should persistently try to learn of impending layoffs from as many information sources as practicable. The information obtained should be verified promptly. In obtaining layoff information, a local office manager should not neglect informal means and should rely upon the alertness and resourcefulness of his entire staff.

Immediately after it has been reasonably established that a mass layoff will occur, a local office representative should complete and forward an advance notice of layoff, ES-235, Establishment Report of Mass Layoff. In preparing this employment service report which identifies actual or potential layoffs which could cause a substantial increase in an area's unemployment, employment service representatives should carefully follow instructions set forth in sections 7200-7399, part III, of the ES Manual.

II. Local Office Action After Notification of Layoff

A. Establish personal communication with the highest level management representative available, to determine the layoff schedule and numbers and qualifications of employees involved.

B. Offer and explain the range of services that can be provided by the local office.

C. If appropriate, obtain agreement on providing prelayoff services at the plant.

D. Discuss the kinds of assistance, if any, that the employer will provide laid-off workers.

E. Reach agreement on the release of information on the layoff to the public.

F. If the firm is organized, contact union representatives to determine kinds of assistance that the union intends to provide laid-off members.

On the basis of the information received from the above sources, local office officials should:

A. Make a preliminary estimate of the reemployment prospects of workers to be laid off in relation to local demand in the area and elsewhere.

B. Determine whether local facilities are adequate to handle the employment registration-placement and claims-taking load. Identify any deficiencies, and

inform the State office of additional resources required to cope with the situation. Activate any applicable procedures in the State agency's manual such as are outlined in section 5470-5479, part V, ES Manual.

C. Notify other local offices of the layoff and include them in the development of the plan of action if it appears that a substantial number of laid-off workers reside in more than one local office area. Under these circumstances, the State agency should designate a coordinating office to direct the joint effort.

D. Identify community leaders who could assist and arrange exploratory meetings with them to explain the impact of the layoff on the labor area, to discuss contributions they can make to alleviate this impact, and to provide appropriate community services and volunteer assistance. As a minimum, the following leaders and groups should be considered:

1. The dominant community industrial development group and/or employer association in the area.

2. The local manpower advisory committee.

3. Vocational school representatives.

4. Local government officials.

5. Union organizations.

6. Representatives of nearby universities or colleges.

7. Professional societies and associations.

To gain maximum support of the local office's effort, keep the active groups and individuals informed as the plan develops.

III. Weighing the Alternative Courses of Action

After the local office has defined the scope and impact of the problems resulting from the layoffs, a plan of action to cope with them should be developed.

The plan should combine as many of the following alternatives as possible:

A. Arrange for meetings of small groups of affected employees to inform them of their benefits, labor area conditions, how to prepare to measure up to employer demands, and their responsibilities (preferably conducted on employer time

prior to layoff). The techniques described in USESPL No. 1496 should be considered for use in these meetings.

B. Take applications at the plant when an employer has agreed to this method, and there has been sufficient advance warning to make this procedure possible. This will provide the local office with additional time in which to locate employment and plan training programs for those to be laid off. In such a manner, the burden on local office facilities at the time of the actual layoffs will be reduced.

C. For maximum placement exposure of those less likely to receive job offers, conduct "in-depth" interviews. Give close attention to the individual's secondary skills and aptitudes that might lead to job referral--often to openings not directly related to the worker's most recent employment.

D. Refer laid-off workers to area employers whose job orders are unfilled.

E. Make full use of the interarea recruitment system and encourage direct recruitment by out-of-area employers.

F. Refer qualified workers to the nearest office of the professional placement network.

G. Determine training and retraining needs and inventory facilities available.

H. Initiate an intensive community campaign to encourage employers to list all job vacancies with the local office to increase the number of job openings filed with the local office.

I. Consider the applicability of government assistance programs, Federal, State, and local, such as Area Redevelopment Administration technical assistance loans, to stimulate and support community involvement and action to cope with the layoff, and bring these to the attention of the community groups identified above.

IV. Execution of the Plan of Action

A. Need for Keeping Plans Flexible

The plan which has been developed to cope with a mass layoff is only a general guide. It is likely that certain aspects of the plan will receive more emphasis than others as actual layoffs occur and circumstances change. An estimate should be made of those workers most likely to

obtain reemployment readily, as soon as possible after obtaining information regarding the skills, qualifications, average age, education, earnings, and employment tenure of the workers actually laid off. This estimate may require a reevaluation of the plan of action.

B. Special Administrative Problems

1. The identification in the local office of the Application Cards, Forms ES-511, of workers laid off on a mass basis, particularly those to which local, State, or national attention may be drawn, is important.

   A special problem is created when more than one local office is involved. A technique should be developed which will enable each local office to identify affected workers through its files; e.g., a solid blue marking in an unused selection factor block on the Application Card. This procedure insures that future inquiries regarding the post-layoff experiences of the workers may be promptly and accurately answered.

2. Totals of placements and referrals to training do not reflect fully the extent to which the local office has participated in a mass layoff. Care should be taken to record each local office transaction involving the worker (e.g., job development attempts and exposure to job referral and retraining) on the Application Card in the referral section even though such assistance may have been refused. Such records may enable the local office to present a more accurate picture of its efforts in each situation if, and when, it is called upon to do so.

C. Idenify Those Workers Having Difficulty Obtaining Reemployment

In executing the plan of action, it may be found that some of the workers pose special placement problems. There may be workers with experience mainly in unskilled occupations for which the demand is low, or there may be older workers or workers with physical or educational handicaps. Also, there will be workers unwilling to accept available jobs in the community because of working conditions, travel distance, wages offered, or because they are guiding themselves by incorrect or inaccurate information.

Among these workers will be those who need the special services which the Employment Service can provide; i.e., training referral, testing, counseling, and probing interviews designed to help the individual understand his situation and to encourage him to consider his secondary skills and aptitudes and relate them to potential job openings.

D. Special Services for Workers With Reemployment Problems

1. Retraining

a. If displaced workers are not occupationally qualified for existing or anticipated job openings, the local offices should utilize all available retraining resources--Federal, State, and local.

b. Organizational arrangements within the local office for carrying out employment service retraining responsibilities should be reviewed. An experienced member of the local office staff should be in charge of training operations.

c. School authorities and apprenticeship representatives should be kept constantly aware of retraining needs so that necessary training can be made available.

d. Manpower training advisory committees should be called upon to recommend and assist in developing training programs which will help these workers qualify for available jobs.

e. Communication should be maintained with the trainee after referral to the retraining program so that any intention to drop out can be detected, and job placement can be achieved when sufficient skill has been acquired.

f. Note especially the possible applicability of area training centers, multi-occupation projects, and basic education training.

2. Counseling - Testing

An analysis of mass layoffs indicates that many displaced workers have special problems resulting from their long tenure with the employer. Others may have never before been unemployed. Under these circumstances, skillful counseling and testing is required to:

a. Stimulate and motivate these workers to relate realistically their abilities and potentials to available jobs in and out of the area.

b. Provide information about labor area conditions to stimulate action on the part of the worker to arrange for suitable retraining to overcome his reluctance to undertake a job under new working conditions.

If the need for counseling and testing exceeds the resources of the local office and the State agency, it may be appropriate to accept assistance from qualified counselors from the public school system who may be available when school is not in session, from the personnel staffs of private employers, and from other government agencies such as vocational rehabilitation. To the extent that time permits, training should be provided to these persons so that they will be properly oriented to the work of a local employment service office. Due to their unfamiliarity with labor area conditions and specific job requirements, it may be necessary to limit counseling to operations such as providing counseling services to those enrolled in training courses.

3. Community Help for Individuals

Sudden employment declines amplify the local offices' daily task of locating sources of information and assistance for applicants needing services that are outside the scope of employment service responsibility. Most communities have a number of organizations that can help applicants overcome problems which seriously inhibit their chances of securing employment. If not already done, working relationships should be developed promptly with individuals and groups in the affected communities which offer special services to individuals with educational, physical, domestic, financial, and public assistance problems. As problems develop, those organizations identified during the formulation of the plan of action should be asked for appropriate assistance.

E. Execution of Special Community Employment Development Programs

As the impact of the layoff on the local office becomes clearer, and it appears that it is having especially heavy secondary effects, the local office may wish to put additional emphasis on the community employment program approach included in the plan of action.

1. Community leaders and groups must be made fully aware of the impact of the layoff, and encouraged to seek actively to counterbalance the loss of payrolls through an intensive program of industrial expansion and diversification. The local office should place special emphasis on its community development program by maintaining a close working relationship with the area's economic development group.

2. A comprehensive analysis in layman's language of the area's manpower resources in terms of assets, liabilities, and problems should be developed and presented to the community. The local office should also assist community leadership in utilizing various State and Federal assistance programs which can help to provide job opportunities. The Guidelines for Community Employment Development issued with USESPL No. 1726 provides basic information on some of these programs.

3. Where area skill and wage surveys will contribute to the area's plan of industrial development, such action should be considered by the local and State offices.

We urge each State agency, particularly those that have not had recent experience in dealing with mass layoffs, to take immediate administrative action to eliminate any barriers or deficiencies which would hamper prompt action along the lines presented in this letter.

In reply refer
to EMUC

U. S. DEPARTMENT OF LABOR
Bureau of Employment Security
Washington, D. C. 20210

United States Employment Service
Program Letter No. 1737
December 2, 1964

TO: ALL STATE EMPLOYMENT SECURITY AGENCIES

SUBJECT: Further Employment Cutbacks at Defense Installations

REFERENCES:

1. USESPL No. 1227
2. USESPL No. 1552
3. USESPL No. 1569
4. USESPL No. 1730

PURPOSE: To furnish copies of November 19, 1964 Department of Defense press release related to curtailment of activities at 95 defense installations.

We are enclosing a Department of Defense press release dated November 19, 1964, announcing plans for discontinuing or curtailing activities at 95 military installations. The release identifies the location of the 80 domestic facilities which are affected. In most instances the phaseout of these installations will occur over a considerable period of time. We are informed that it will take between two and three months to develop the layoff schedules for each installation. It is not possible at this time, therefore, to identify the persons who will require employment service assistance.

In the meantime, however, we would appreciate receiving a preliminary assessment of the impact of these cutbacks on the employees and communities affected by December 14, Attention: EMUC.

We are particularly interested in the following: the reaction of community leaders, the extent to which employees from the bases affected by the announcement come to the local office for information and assistance. Also, based on available information in the most recent applicable ES-219, ES-219A, and ES-219B reports and labor area newsletters, we would like to know the total civilian employment in the labor area, the proportion of civilian workers employed at the installation, the present level and rate of unemployment in the area, and your estimate of the employment and unemployment impact of the closing on the communities involved. Instructions covering these details are included in the following sections of Part III of the Manual: For ES-219, sections 4062A, 4074A, 4066A, 4040B; for ES-219A, sections 4084A, 4086A, 4082; for ES-219B, section 4094, items 10, 11, and 12.

Please also include in your evaluation any information you can obtain from the local base commander regarding the occupations of workers affected and plans for

their transfer to other bases. Information of the kind requested is described in Part III of the Manual, sections 7212 E1 and 7212 J2 of the instructions for the ES-235 report.

You will note that the DOD is guaranteeing an alternative job offer to every career employee affected by these actions. We anticipate, however, that the ES will be called upon to provide reemployment assistance to DOD employees who are unable or unwilling to move from the communities in which they have established residence. Your assessment, based upon the above information, of the overall reemployment prospects of persons who elect to remain in the area would be useful. As part of the advance planning for personnel reduction, the DOD installations concerned have been instructed to provide the local employment service offices well in advance of the action with all pertinent information; e.g., the timing of the reduction and data on employees who will need placement, retraining, and/or related services.

The Secretary of Labor has assured the Department of Defense of our interest in establishing and maintaining effective working relationships between State employment security agencies and commanding officers of affected installations. The guidelines presented in USESPL No. 1552 and No. 1569 remain applicable. Please review them and undertake appropriate action.

MANUALIZATION REQUIRED: None

RESCISSIONS: None

Sincerely yours,

Robert C. Goodwin

Robert C. Goodwin
Administrator

Attachment
List of Proposed Base Closure and Reduction Actions
Continental United States
Enclosure
News Release (3 copies to each State agency)

Attachment I to USESPL No. 1737

PROPOSED BASE CLOSURE AND REDUCTION ACTIONS CONTINENTAL UNITED STATES

State and Activity	Jobs Dislocated Military	Jobs Dislocated Civilian
ALABAMA		
1. Brookley AFB, Mobile (AF)	1,072	12,003
CALIFORNIA		
2. Camp Parks, Livingston (A)	1	34
3. Lompoc AFS (AF)	103	2
4. Lookout Mt. AFS (AF)	102	172
5. Madera AFS (AF)	115	9
6. Beale Air Force Base TITAN I, (AF)	756	21
7. Mill Valley AFS (AF)	136	14
8. NAF Monterey (N)	10	30
9. AF Logistic Control Group, Oakland (AF)	14	61
10. Palmdale Storage Site (DSA)	--	3
11. Norton AFB, San Bernardino (AF)	1,158	7,343
CALIFORNIA (Cont'd)		
12. NSY Mare Island-NSY San Francisco Consolidation (N)	7	648
13. Camp San Luis Obispo (A)	1	39
14. Forts Barry, Baker, Cronkhite, Sausalito (A)	--	--
COLORADO		
15. Airfield at Lowry AFB, Denver (AF)	375	80
16. Camp Hale, Eagle County (A)	2	12
DISTRICT OF COLUMBIA		
17. Inventory Control Offices of Bureaus of Ships and Naval Weapons (N)	0	660
FLORIDA		
18. Orlando AFB, Orlando (AF)	2,509	810
GEORGIA		
19. Naval Ordnance Plant, Macon, (N)	14	944

State and Activity	Jobs Dislocated Military	Jobs Dislocated Civilian
GEORGIA (Cont'd)		
20. Hunter AFB, Savannah (AF)	5,136	635
IDAHO		
21. Cottonwood AFS (AF)	135	12
22. Moutain Home Air Force Base, TITAN I, (AF)	756	21
ILLINOIS		
23. Defense Subsistence Supply Center, Chicago (DSA)	28	326
24. Naval Supply Depot, Great Lakes (N)	26	367
25. Elwood Unit of Joliet Arsenal, Joliet (A)	6	878
INDIANA		
26. Camp Atterbury (A)	1	59
27. Rockville AFS (AF)	121	12
28. Terre Haute Tool Storage Site, Terre Haute (DSA)	--	12
KANSAS		
29. Schilling AFB, Salina (B-52 SAC) (AF)	5,016	356
30. Forbes Air Force Base, ATLAS E (AF)	725	22
LOUISIANA		
31. New Orleans Army Terminal, New Orleans (A)	164	878
32. AF Logistical Control Group, New Orleans (AF)	2	76
MAINE		
33. Dow AFB (AF)	4,237	342
34. Brunswick AFS (AF)	99	6
MASSACHUSETTS		
35. Springfield Armory (A)	17	2,482
MICHIGAN		
36. Custer AFS (AF)	111	2
37. Fort Custer, Battle Creek (A)	3	43

State and Activity	Jobs Dislocated Military	Jobs Dislocated Civilian
MONTANA		
38. Cut Bank AFS (AF)	148	10
39. Glasgow AFB, Glasgow, (B-52 SAC) (ADC) (AF)	3,500	309
40. Miles City AFS (AF)	142	7
NEBRASKA		
41. Lincoln AFB, Lincoln (SAC) (AF)	6,383	396
NEVADA		
42. Sahwave Aerial Gunnery Range, Fallon (N)	--	--
43. Stead AFB, Reno (ADC) (AF)	2,133	519
44. Winnemucca AFS (AF)	125	11
NEW HAMPSHIRE		
45. Grenier Field, Manchester (AF)	9	138
46. Portsmouth Naval Shipyard, Portsmouth (N)	150	7,455
NEW JERSEY		
47. Reserve Facility, Newark Newport, Newark (AF)	7	120
48. Highlands AF Station (AF)	186	19
NEW MEXICO		
49. Walker AFB ATLAS F (AF)	949	12
NEW YORK		
50. AF Overseas Logistics Group New York (AF)	15	251
51. Brooklyn Army Terminal, Brooklyn (A)	299	2,164
52. New York Naval Shipyard, Brooklyn (N)	165	9,771
53. Defense Medical Supply Center, Brooklyn (DSA)	36	550
54. Fort Jay, New York City (A)	1,647	1,176
55. Plattsburg AFB, ATLAS F (AF)	949	12
56. Navy Training Device Center, Long Island (N)	50	800

State and Activity	Jobs Dislocated	
	Military	Civilian
NORTH DAKOTA		
57. Dickinson AFS (AF)	119	6
OHIO		
58. Subsistence Control Office, Defense Construction Supply Center, Columbus (DSA)	1	92
59. Lordstown Military Reservation, Lordstown (A)	3	30
OKLAHOMA		
60. Altus AFB ATLAS F (AF)	950	12
61. Davis Field, Muskogee (AF)	8	181
OREGON		
62. Baker AFS (AF)	151	7
PENNSYLVANIA		
63. Olmsted AFB, Middletown (AF)	1,428	14,096
SOUTH DAKOTA		
64. Ellsworth AFB TITAN 1	707	21
TEXAS		
65. Dyess AFB ATLAS F (AF)	950	12
66. Amarillo AFB, (B-52, SAC) (AF)	5,566	1,571
67. Eagle Mt. Station, Fort Worth (A)	7	228
68. James Connally AFB, Waco (AF)	2,425	833
UTAH		
69. Naval Oceanographic Distribution Office, Clearfield (N)	1	155
70. Ft. Douglas, Salt Lake City (A)	282	423
VIRGINIA		
71. Defense Fuel Supply Center, Alexandria (DSA)	24	205
72. Manassas AFS (AF)	157	12
73. Hampton Roads Terminal, Norfolk (A)	30	302

State and Activity	Jobs Dislocated Military	Jobs Dislocated Civilian
WASHINGTON		
74. Larson AFB, Moses Lake (B-52 SAC) (AF)	3,947	388
75. Nasselle AFS (AF)	148	20
76. Fairchild AFB ATLAS E	538	13
77. Tacoma POL Annex (AF)	--	--
WEST VIRGINIA		
78. Guthrie AFS (AF)	126	11
WYOMING		
79. F. E. Warren AFB, ATLAS E	724	22
WISCONSIN		
80. Traux Field (ADC) (AF)	2,658	378
MISCELLANEOUS		
AFP 6177, Convair Div., General Dynamics Corp., Sycamore Canyon (AF)	--	--
Marine Corps Air Facility, Helium Plant, Santa Ana (N)	--	7
NAS Moffett Field, Helium Plant (N)	--	16
Headquarters, Support Activity, Algiers, New Orleans (N)	267	641
NAS Lakehurst (Helium Plant) (N)	--	29
AF Plant 6774, Air Products, Painesville and Chemical Company, Ohio (AF)	--	--
ATLAS F (27 Sites) (AF)	1,901	24
TITAN 1 (27 Sites) (AF)	2,289	108
Eliminate Surplus National Holding Activities at 56 locations (DSA)	189	426

54-995 O - 65 - 14

In reply refer
to EMC

U. S. DEPARTMENT OF LABOR
Bureau of Employment Security
Washington, D. C. 20210

United States Employment Service
Program Letter No. 1569
January 22, 1964

TO: ALL STATE EMPLOYMENT SECURITY AGENCIES

SUBJECT: Employment Cutbacks at Defense Installations

REFERENCES:

1. USESPL No. 1545
2. USESPL No. 1552
3. USESPL No. 1227

PURPOSE: To present additional guidelines for assisting communities and individuals to adjust to the curtailment of activities at defense installations.

Our continuing discussions with Department of Defense officials have more sharply revealed the nature of the problem resulting from the phasing-out of the 26 military installations which were identified in USESPL No. 1545.

The essence of these discussions is presented below for your information.

1. It is now clearly established that, barring unforeseen developments, sufficient time has been allotted in most instances (from a minimum of 7 months to a maximum of 3½ years) for an orderly curtailment of activities at these installations.

2. Future planning for employment service placement and job development activities on behalf of affected employees, who are unable or unwilling to move, should be developed in close cooperation with the base commander. This coordinated approach is essential since the Defense Department is anxious to retain the experienced work force necessary for an orderly phase out of affected missions. The number of employees who will not accept Defense Department sponsored transfers will not be known for at least 90 days, and then only for those installations affected in 1964. An effective working relationship with the base commander should insure that this information will be readily available to the local office as soon as these employees are identified.

3. Since the Defense Department has promised another job to each employee who is willing to move, the major problem which is likely to emerge is the loss of civilian and military payrolls to the community in which the base is located. The Department of Defense officials will be meeting with leaders of the affected communities during January and February to discuss plans for alleviating the economic effects of the payroll loss.

In the light of the above, it appears that our chief involvement with the affected employees will be to find employment for those displaced workers who do not desire to leave a community in which a sufficient number of other Federal jobs are not available. USESPL No. 1552 outlines the direct services which should be provided to this group. In addition, we recognize that the payroll loss will undoubtedly contribute to increased employment problems in retail trade and service industries. If, after normal attrition and reassignment, the displaced worker problem reaches the dimension of a mass layoff as defined in sections 7200-7236, part III, of the Employment Security Manual, Forms ES-235, Establishment Report of Mass Layoff, should be prepared in the usual manner. In cases where the number of unemployed workers is expected to reach significant proportions, the special worker services outlined in USESPL No. 1227 should be made available.

We wish to reaffirm the importance of cooperating with community efforts to expand existing industry, to attract new employers, and to provide appropriate services to persons who may become unemployed as the result of the closing of a facility.

MANUALIZATION REQUIRED: None

RESCISSIONS: None

Sincerely yours,

Robert C. Goodwin

Robert C. Goodwin
Administrator

In reply refer
to EA

U. S. DEPARTMENT OF LABOR
Bureau of Employment Security
Washington 25, D. C.

United States Employment Service
Program Letter No. 1545
December 13, 1963

TO: ALL STATE EMPLOYMENT SECURITY AGENCIES

SUBJECT: Employment Cutbacks at Defense Installations

REFERENCE: None

PURPOSE: To furnish copies of December 12 press releases related to curtailment of activities at 33 defense installations.

The Secretary of Defense has issued a press release announcing plans for discontinuing or curtailing activities at 26 defense installations in 14 States. The Secretary of Labor has issued a release pledging the cooperation and assistance of the Employment Service in effecting the reemployment of displaced civilian workers. Copies of both releases are enclosed.

We have had initial discussions with Department of Defense officials with regard to the establishment of necessary relationships between State employment security agencies and commanding officers of affected installations. Guidelines for your followup action will be forwarded within a few days.

MANUALIZATION REQUIRED: None

RESCISSIONS: None

Sincerely yours,

Robert C. Goodwin

Robert C. Goodwin
Administrator

Enclosures (2) (Special distribution to State agencies)
1. Copy of Press Release issued by Secretary of Defense
2. Copy of Press Release issued by Secretary of Labor

In reply refer
to EMC

U. S. DEPARTMENT OF LABOR
Bureau of Employment Security
Washington 25, D. C.

United States Employment Service
Program Letter No. 1552
December 20, 1963

TO: ALL STATE EMPLOYMENT SECURITY AGENCIES

SUBJECT: Employment Service Guidelines for Handling Employment Cutbacks of Defense Installations

REFERENCE: USESPL No. 1545

PURPOSE: To furnish action guidelines for assisting workers and communities affected by the curtailment of activities at defense installations.

The primary purpose of this program letter is to communicate the deep interest and sense of importance attached by the U. S. Department of Labor to the discharge of our responsibilities in connection with the Defense Department's plan to substantially reduce activities at defense installations mentioned in the enclosures transmitted by USESPL No. 1545. All possible action should be taken by the State agencies to provide immediate assistance to workers and communities affected by these cutbacks. Where necessary special job and employment development programs should be initiated to maximize job opportunities for employees affected by the phasing out of these installations.

Through arrangements with the Department of Defense, the base commanders have been informed that State and local office personnel will be consulting with them to develop cooperative arrangements for the absorption of the displaced workers by other defense establishments or into the civilian economy.

Base commanders of the installations now scheduled for cutback should be visited immediately by representatives of the State office, accompanied by local office managers, to obtain essential information which we will need to permit maximum utilization of employment service facilities. At the initial meeting with the officials of the installations, we should attempt to get complete information regarding the layoff schedule; and the number and skills of the workers who will be absorbed by normal attrition or transferred to other Government installations. On the basis of this information, the local office should make an immediate assessment of the possibility of placing the remainder of these workers locally.

Where appropriate, meetings should be scheduled with community leaders, especially those involved in local economic development programs. At these meetings, a local office representative should be prepared to

outline the changed nature of the community's employment problems resulting from the need to assimilate an increased number of workers into the local labor force. In addition, we are informed that the services of the Defense Department's Office of Economic Adjustment will be available to the communities involved.

Community leaders should be encouraged to make every effort to broaden job opportunities available by working closely with the local office in listing job openings; promptly filling job vacancies; and by creating new jobs through encouraging the expansion of existing industries and the attraction of new employers. The employment service should cooperate fully with such efforts by providing the broadest range of labor market information; developing inventories of all available skills; suggesting appropriate retraining programs; and by recruiting and selecting available unemployed workers for any new job opportunities that are opened up within or outside the community.

Employment service mass layoff procedures should be re-emphasized and strengthened, e.g.,

1. Where displaced workers are not occupationally qualified for existing or anticipated job openings, the local offices should utilize all available retraining resources; i.e., ARA-MDTA as well as local and State training programs and facilities. Throughout, manpower advisory committees, community economic development groups, etc., should be called upon to recommend and help to develop training programs which will help these workers qualify for available jobs.

2. When sufficient jobs are not available locally, the inter-area recruitment system should be utilized imaginatively to provide the greatest possible exposure of the displaced workers to jobs available elsewhere. In this connection, we are informed that the relocation expenses of career employees and their families will be paid by the Defense Department if the new job requires a move to another Government installation.

3. Registration, Counseling, Testing

   Many of these displaced workers will have had long tenure with the defense installation. In some instances it may have been their only employment. Consequently, skillful counseling and testing can do much to stimulate and motivate them to understand their plight, know their abilities and potentials and to relate them realistically to the jobs which are available locally or outside the area.

As warranted, additional employment service personnel should be assigned to registration and placement operations and local offices should remain open to provide services after regular office hours if necessary. Wherever possible, exit interviews should be arranged with the cooperation of the base commander so that all workers being terminated may be directed to the local office serving their area of residence.

In some instances it may be desirable to organize mobile teams to interview displaced workers in outlying areas away from the local office so that the full facilities of the employment service will be available to them.

4. A special program should be inaugurated with the assistance of community leaders which would encourage all employers in the area to voluntarily file their list of job openings with the nearest local office. This would enable the displaced worker to be considered, at the time of his interview at the local office, for all of the available jobs for which he is qualified.

5. Where the problem of mass displacement of workers exceeds the ability of the local office to properly handle it in terms of space and personnel, direct recruitment by employers should be encouraged. This may be done after adequate publicity, through employer interviews at the plant or at other locations provided by the community.

It is hoped that the result of this joint effort by the Defense Department and the Federal-State employment service will be to provide two alternatives to workers laid off by the phasing out of military installations - employment at another Government installation, or employment in the community if they prefer or must remain. If a high percentage of the employees are relocated, it is obvious that the most serious economic consequence to the community will be the payroll loss.

Therefore, the importance of the development of local economic programs to create new job opportunities in the affected communities must be stressed. Firm, prompt leadership on the part of the local office may be necessary to alert the area to the significance of the problem: Loss of payrolls, potential unemployment, to its economic life. Where

such leadership is required to enable a community to prepare itself for the cutbacks, it should be given freely along with essential manpower and labor market information and the fullest range of employment services to workers, employers, and the community.

MANUALIZATION REQUIRED: None

RESCISSIONS: None

Sincerely yours,

/s/ Robert C. Goodwin

Robert C. Goodwin
Administrator

State of California

Memorandum

To : Niels Pedersen

Date : December 2, 1964

File No.:

From : Department of Employment - Wm. Vernon

Subject: Industrial Development Action

As word was received at the Norton Air Force Base, Materiel Division, San Bernardino, would be deactivated as a result of the order from the Secretary of Defense, Warren Munson and I kept this in mind for future industrial development activities. I attended the meeting of the L. A. Industrial Development Breakfast Club November 21, 1964 and it was announced to the group that there should be available a highly skilled group of technicians of various types from the San Bernardino-Riverside area. However, details were not known at that time.

As you know, the Breakfast Club group consists of men from the leading banks, railroads, utilities and similar concerns, all in the field of industrial development. Industrial development, as you know, is a long range plan and often a period of two years is involved between the time a firm selects a site and the opening of the firm.

The next day Warren Munson called me stating he had an industrial inquiry from a firm that would employ approximately 125 skilled machinists. It was estimated it would take the firm approximately six months from the time they selected the site before they would be employing their needed skilled work force. I checked with our local offices in Ventura and Orange County and found a very meagre supply of skilled machinists. I then contacted Howard Grill, ES Supervisor of our San Bernardino office, telling him of the type of machinist that would be needed and asking him to contact the Norton Air Force Base to ascertain if this type of workers would be available when the Base started their deactivation.

On Monday, November 30, Mr. Grill called me back and stated the Personnel Officer at Norton had informed him that there would be approximately 65 people in the skills we were seeking that would be available July 1, 1965. The Personnel Officer stated if jobs were available for their personnel who were to be laid off they

could speed up their process so as to make these men available for the new employment. Full cooperation was offered both by our San Bernardino office and the Norton Air Force Base Personnel Officer. I, in turn, notified Warren Munson of this development and he has relayed this information to the prospective plant. The prospective plant is reportedly a major manufacturer of electro-mechanical servo devices.

Mr. Munson will strongly recommend that the company take a very close look at the San Bernardino-Riverside area so as to take advantage of these highly skilled persons who will be coming on to the labor market at that time.

I will keep you informed as to future developments.

William Vernon

WILLIAM VERNON

State of California

Memorandum

To : Niels H. Pedersen, Area Manager, Southern Area

Date : 11-30-64

File No.: EWM/mm

From : Department of Employment
Eve W. McLain, Manager, San Bernardino Local Office No. 041

Subject: Norton Air Force Base - Phase-out of SBAMA.

Current information on SBAMA phase-out:

Approximately, 6000 civilian employees will be phased out from July 1, 1965 through June 30, 1969, the bulk of them the summer of 1966. The majority are skilled maintenance technicians. Approximately 4500 of these will be offered transfers to other locations. Complete detailed information will not be available for approximately 90 days. No notices will be given employees until after January 1, 1965.

The Audio-Visual Center to move in starting next year and completed by June 30, 1967 will consist of about 900 personnel, half of them civilians. Clerical help is expected to be needed.

The facilities will not go unused, and Norton remains a permanent base. Any new installations at NAFB will be of a more permanent nature, according to the Base Commander.

When the news was announced on November 19, 1964 that SBAMA would be phased out at Norton Air Force Base in San Bernardino, immediate action was taken:

1. Office contacted personnel office at SBAMA for information. Reported information available on DE 2481.

2. Manager contacted Executive Director of County Council of Community Services and general manager of San Bernardino Chamber of Commerce, who is recently retired base commander at Norton. We met at Chamber of Commerce and planned action to alleviate immediate impact on community and local assistance for employees to be laid off or offered transfer. Telephoned interested parties and set up meeting in our office for November 20, 1964.

3. Attending meeting at Department of Employment were the following:

Phillip A. Allred, Assistant for Administrative Services, San Bernardino Unified School District

Bennet A. Meyers, Manager, The Harris Company

Col. Woodward B. Carpenter, Base Commander, USAF-Norton Air Force Base

Stephen D. Jankay, Veterans Employment Representative, Department of Employment

Donald E. Griswold, Operations Supervisor, Department of Employment

William Nicholas, Executive Director, County Council of Community Services

General Clyde H. Mitchell, General Manager, Chamber of Commerce

Donald Mauldin, Mayor, City of San Bernardino

Eve W. McLain, Manager, Department of Employment

William J. Back, Executive Secretary, San Bernardino Board of Realtors

Dick Donnelly, President, Board of Realtors

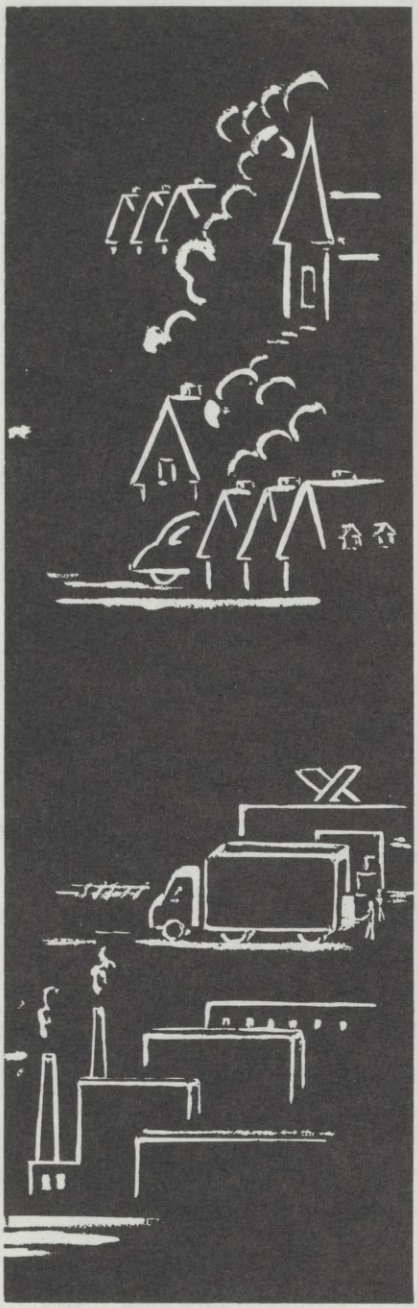
Plans were made to seek new industry to use the skills which will be available beginning July 1, 1965, mainly electronic, hydraulic, and mechanical maintenance occupations.

Plans were also made to provide assistance and information to employees faced with a choice of transfer or lay-off. A panel, including a representative of the Department, be formed to speak to groups of employees at Norton and answer questions. Those in need of more specific help from us will be advised to come to the office for counseling or other service. The panel will include representatives from schools and real estate, as well as other areas of interest to employees who may be unemployed or transferring. Services at NAFB for group claims and applications will be offered.

4. The manager and the VER (since over 50% of Norton employees are veterans) attended a meeting on Wednesday, November 25 with the Board of Supervisors. Community leaders expressed confidence in the growth of the County. (Clipping attached)
(will mail)

5. Manager talked to Industrial Development Specialist in Area office, giving information available on skills to be available.

6. Industrial Development Specialist called seeking additional information on specific skills to be needed by manufacturing firm considering locating in San Bernardino area. Information secured from Norton and relayed to Mr. Vernon that needed skills are included in phase-out.



Community Employment Program Developments

U.S. DEPARTMENT OF LABOR
W. Willard Wirtz, Secretary
MANPOWER ADMINISTRATION
BUREAU OF EMPLOYMENT SECURITY
Washington, D.C. 20210

1963 Survey of
Local State Employment Service
Participation with
Community Employment Development Groups

Community Employment Program Developments 1963

BUREAU OF EMPLOYMENT SECURITY - Robert C. Goodwin, Administrator
U.S. EMPLOYMENT SERVICE - Louis Levine, Director

54-995 O - 65 - 15

Attachment to USESPL No. 1655

REPORT OF

1963 SURVEY OF LOCAL OFFICE PARTICIPATION WITH COMMUNITY EMPLOYMENT DEVELOPMENT GROUPS

Foreword

Community employment development groups are demonstrating increasing resourcefulness in resolving local economic and employment problems by stimulating economic growth geared to the fuller utilization of local resources, especially manpower.

Local State employment service representatives are playing an increasingly important role in these activities by making available the various manpower services of the national network of public employment offices through the Community Employment Development program.

These trends are supported by the 1963 Survey of the Community Employment Development program activities conducted by the State agencies.

The survey was designed to gauge the extent and nature of employment service participation in community economic development through membership in, or assistance provided to, quasi-public and public organizations engaged in community development activities during fiscal year 1963. Compared with 1961, the 1963 survey revealed a greatly increased range and quality of the manpower services made available to communities by the State and local offices.

The importance of the vital contribution of the local State employment service offices in serving as community manpower service centers was reaffirmed in November 1963 by the Fortune Survey on Locating Plants, Warehouses, and Laboratories. Availability of workers led all other factors as basic requirements considered by management in determining industrial location changes or expansion. Fifty-four percent of the respondents put manpower, availability of workers, first. In answer to a question about environmental factors, 87.8% placed productivity of workers first. Manpower was a vital factor on all counts. The availability of skilled labor was one of the five basic requirements considered. Thus, manpower information is of primary importance to managements concerned with plant location.

By increased consultation with community development groups, with continuous use of local offices as community manpower service centers, the future should bring additional opportunities for the local State employment service offices to make a greater contribution to local groups engaged in community employment development.

Louis Levine, Director
U. S. Employment Service

SUMMARY OF HIGHLIGHTS from the
REPORT OF THE 1963 SURVEY OF LOCAL STATE EMPLOYMENT SERVICE
OFFICE PARTICIPATION WITH COMMUNITY EMPLOYMENT DEVELOPMENT GROUPS

A. Community Development Groups

Community economic development activity is becoming more consolidated and better coordinated.

Community action is becoming broader and more intensive.

Community improvements help economic development.

...Out of the total of 4,299 groups reported, almost every State had developed several consolidated groups and many other groups were coordinating economic and community development activities on an area basis.

...Most of the groups described combined both industrial financing and promotional functions, to achieve a broader approach in economic development.

...The survey revealed growing recognition of the importance of the overall environment and attractiveness of the community.

B. Local State ES Office Participation in Community Development Groups

The survey revealed an improvement in the quality of service and activity by local State ES offices in community employment development programs.

It demonstrated that ES assistance to community groups spurs job-generating projects.

Local office activity and service resulted in closer ties with educational institutions and leadership.

...Community development groups with local State ES office participation rose to a new high of 3,927, or 92% of the total groups reported in 1963 compared with 74% of the groups reported in 1961.

...Representatives of local State ES offices serving as members of, or consultants to, community groups increased to 1,846, approximately 68% more than the number reported in the previous survey.

REPORT OF SURVEY OF LOCAL OFFICE PARTICIPATION IN COMMUNITY EMPLOYMENT DEVELOPMENT (CED) GROUPS - 1963 -

A. COMMUNITY DEVELOPMENT GROUPS

I. Coordination and Consolidation of Development Groups

The most notable organization change which occurred since the 1961 Survey was the increase among development groups in coordination and consolidation, particularly on an intrastate, several-county basis. This increased consolidation and coordination replaced unnecessary competition with cooperation and resulted in greater returns for the development funds and time and effort expended.

In general, regional groups have been brought together for joint planning and promotion because of common economic, geographic, and other factors. Coordination has meant that counties with advantageous industrial sites, power and transport facilities, and a skilled labor force could promote the recreational and educational facilities of a neighboring county or counties as additional incentives for prospective new industry or commerce or for expansion of present local industry in the area.

In almost every instance of coordinated development activity reported, State agency staff and local employment service office managers or their representatives were members of, or consultants to, the area group. They provided regular labor market data and specific occupational information, conducted or participated in surveys to determine the composition of the labor force, and offered all the other ES services to improve manpower utilization. In several cases, State lines were crossed to achieve the economical use of time, money, and personnel, most occurring in areas bordering States with similar economic needs and problems. A major river was the unifying force for the economic promotion of two States' border areas.

Consolidation Accounted for Decreased Number of Groups

A drop in the total number of development groups reported in 1963, compared with 1961, is due in part to the trend toward consolidation. A California city is a clear-cut example. Here the local State ES office reported 16 fewer development groups in 1963 than in 1961, but most of these 16 groups, mainly smaller-town Chambers of Commerce, continued to exist. However, they were served more efficiently through a central organization, such as the Chamber of Commerce of the larger city. It should be noted that, in this instance, the local ES offices also continued to serve the individual groups on request.

II. Types of CED Organization Activity

Local industrial development corporations and Chambers of Commerce were the predominant groups through which community economic development efforts were advanced during 1963. Other groups included: Committee(s) of 100, resources development boards, area redevelopment committees, economic development committees, job opportunities councils, development credit corporations, home-grown industry committees, community improvement corporations, and rural area development groups.

Most of the groups described combined both the primary functions of industrial financing and promotional activity. The groups which were dedicated mainly to industrial financing were especially active in providing equity capital to new or expanding firms, or in preparing plant sites and erecting buildings to sell or lease to such firms. Local ES offices helped them by furnishing information on the availability of area skills for companies considering expansion or new location in the communities.

The groups primarily engaged in promotional activities worked to attract new industry to the area by focusing attention on its assets. They used advertising, conducted direct mail and personal contact campaigns, prepared brochures, and assembled data to interest prospective employers. Local office managers and representatives frequently were members of the host committees, showing the community as a whole to visiting officials. The community development groups made extensive use of local ES information resources for brochures and other public relations materials.

Although the number of groups characterized by the survey as "other" decreased, their variety was as great as ever. Among the many items of concern to special purpose groups, one mentioned most frequently was the quest for job opportunities for youth.

TYPES OF CED GROUP ACTIVITIES	1963***
Total groups reported*	4,299
Industrial financing	1,322
Promotional	3,632
Other **	697

*Total groups reported is exceeded by types of activity because of multi-purpose groups tabulated in both 1961 and 1963.

**"Other" as designated in the survey--single or special-purpose groups--often temporary or transitional in character.

***Method of tabulation changed in 1963 so that comparison with 1961 is inappropriate.

III. Community Action Is Becoming Broader and More Intensive

The tendency toward coordination and regionalization of development activity was accompanied by a related trend toward a broader and more thorough treatment of local problems.

The degree to which the promotional and financial development groups combined overlapping functions increased. There was greater awareness of the inter-related character of economic development and community improvement. In 1963, more CED groups offered land sites and other financial help to business. These groups generally engaged in promotional activity to interest prospective firms in the community. They also rallied community support for economic development or area redevelopment and to advance community improvements.

The survey indicates that most development groups aimed their efforts at a combination of the following goals:

1. Development of a balanced economy, especially through increased diversification;

2. Development of home industry and averting loss of industry by improving the attractiveness of the community as a whole;

3. Attracting new business and industry through such incentives as industrial sites, industrial parks, and, most recently, the development of research centers.

The great variety of "other" activities listed by the respondents reflected the broader purpose of development activity and the increased involvement of major segments of the community. Purposes and activity involved such items as: community planning, highway expansion, water and sewage facilities, building new commercial centers, improving transit, urban renewal, rural area development, industrial parks, tourist attractions, recreational facilities, relevant legislative research, and more.

Balancing the Economy - Diversification

The survey response described efforts to diversify the economy within communities which previously had been dependent on one major industry (such as steel production in Gary, Indiana), in agricultural areas, in communities where industrial employment is dependent on defense production contracts, and in localities where employment had been affected drastically by technological change or automation.

Industrial development activity was intensified in both directions: seeking new industry and expanding home industry.

In many instances, the effort to balance the local economy was joined across the country by the recognition that employment development occurs beyond the factory threshold. Expansion of consumer service trades, clerical employment, and construction were evidenced more frequently in the 1963 Survey than in 1961.

Local offices appeared to be alert to the possibility of expanding employment opportunities through training in nonindustrial occupations under the Area Redevelopment Act and Manpower Development Training Act. For example, training courses included: auto mechanics, boat builder, practical nursing, psychiatric aide, bank teller, salesclerks, TV and home appliance repair, dental assistants, forestry, and recreation skills.

Stimulants for Industrial Development

The survey indicated an increased awareness of the role of research in stimulating industrial development. Alert communities publicized research parks and private resources such as laboratories and other facilities as well as the availability of university and college research personnel and facilities. Development groups publicized the range of research and scientific talents in their communities, from physicists to experts on product containers.

IV. Community Improvements Help Economic Development

Survey respondents reflected the enthusiasm engendered in the community development process. They described efforts to help the community generally, setting priorities and working out financial problems together. The survey revealed growing recognition of the importance of the overall atmosphere and appearance of the community. The quality of a community's schools, parking, cultural and recreational facilities, streets and highways, housing, medical and health facilities, and activity on behalf of youth and older people have become significant factors in the decisions of prospective employers. Community-wide organizational cooperation has developed to meet the challenge. The survey revealed instances where the normal competitiveness of community leaders was set aside to meet the common goal of community improvement based on economic necessity. In the process, an impressive spirit of good will and cooperation became an added community asset in many instances.

The survey indicated that the local State ES offices, in their sensitivity to all factors which affect employment, often serve to stimulate and assist groups toward general community improvements. The local offices have been helpful in support of these efforts when they are undertaken by development groups.

B. LOCAL OFFICE PARTICIPATION IN COMMUNITY DEVELOPMENT GROUPS

I. Increased Participation and Quality

The quality and intensity of local State ES office participation with Community Employment Development groups increased substantially in 1963 over 1961 according to the survey.

The number of local ES office managers or representatives who were members of, or consultant to, community development groups increased 68%. Moreover, ES representatives worked with 92% of the organizations reported in 1963 compared with 74% in the 1961 survey.

TYPE OF LOCAL OFFICE PARTICIPATION WITH CED GROUPS

	1961	1963
CED groups with local State ES office participation	3,858	3,927
Types of participation		
Member or consultant	1,097	1,846
Labor market information provided	*	2,081

II. Variety of Local ES Relationships with Community Groups

Both formal and informal working relationships with CED groups were reflected in the reports of the local State ES offices.

Formal recognition of valuable ES participation was illustrated by an industrial development group in an eastern State in the provision, in its bylaws, that the manager of the local State ES office shall be an ex-officio member of the group.

A composite picture of local office manpower services to community development groups emerges from the experience described by survey respondents.

*Method of tabulation changed in 1963 so that comparison with 1961 is inappropriate. In 1961, tabulations accounted for labor market information "routine" and "nonroutine" separately.

The range of INFORMATION services provided to community groups and individual employers included:

Supplying data on employed and unemployed workers in the area

Analyzing available area labor skills and future needs

Answering correspondence referred by community groups in which manpower information is requested

Suggesting university or other educational resources for community development assistance

Helping groups determine where special surveys are needed

Providing information on training or retraining programs to provide needed skills by training unemployed or underemployed workers

Suggesting appropriate Federal or State programs or agencies for technical or financial assistance to meet local development needs

Providing manpower resource information for community brochures and promotional materials

The survey tabulations and the respondents' comments revealed that CED groups are making more and more use of manpower information in all their action programs.

The range of SERVICES, particularly applicable in employment development activities, in addition to providing the information described in the foregoing, included:

Making surveys of the labor market area and area manpower skills

Utilizing local State ES channels for mobilizing skilled labor from other areas when not otherwise available

Counseling potential employees to help meet both employer and employee needs

Participating in studies initiated by other groups, such as the State economic development agencies and private groups concerned with industrial plant location

Consulting with industry and commerce to maintain up-to-date knowledge of employment trends in the area

Appearing before local and county legislative groups on area manpower questions in support of development efforts.

The local offices worked with community development groups, educational institutions, business management, civic leaders, and unions to determine appropriate training courses to meet present and future employment needs. On numerous occasions, the local offices cooperated with vocational education officials in obtaining instructors and facilities for institutional and on-the-job training. One local State ES office described an experience in which the local office furnished manpower information which helped the development group persuade a manufacturer to locate a new plant in town. The local office staffed the initial work force with pretested workers and, when it was determined additional workers would need to be trained, the local office was asked to choose both trainees and the instructors.

III. Stimulating Job-Generating Developments

Survey reports included many instances in which local State ES offices were responsible for initial contacts or suggestions which subsequently resulted in the creation of new job opportunities. As in previous years, there were examples of firms visiting a local State ES office prior to their contacting the area development group. In some instances, the local office arranged the initial contact between the company and the local development group. Manufacturers' reasons for communicating first with the local State ES office varied from good working relationships with public employment offices in other cities to the simple quest for information about available skilled labor.

Cases were cited where local office managers were responsible for key suggestions which led to new employment development. For example, in one case they suggested to a local development group that a shopping center would be appropriate in the vicinity of a new plant. The suggestion resulted in advance planning with earlier employment at the shopping center than otherwise might have been the case.

As CED groups experienced closer, especially informal, working relationships with local ES managers and representatives, community leaders ceased regarding them as employment agents concerned only with manpower placement, and called on them increasingly for informal consultation on broad and specific issues relating to employment development.

Job Development Through Federal Assistance

The survey also reflected progress made under the Area Redevelopment Act, the Accelerated Public Works Program, and the Manpower Development and Training Act. In an impressive number of instances, local State ES offices were called on to help in developing Overall Economic Development Plans (OEDP's) as community leaders sought ARA assistance. Elsewhere, in communities ineligible for ARA, the local State ES office representatives were resourceful in suggesting other channels for assistance, such as loans through the Small Business Administration. Both short-term and long-term employment opportunities were developed, with local State ES office assistance, through these Federal assistance programs.

IV. Manpower Development - From Study to Training to Placement

Local State ES office personnel demonstrated both resourcefulness and efficient organization in serving community development groups where training and/or retraining was a factor in attracting, expanding, or holding industry or business. They helped determine what new skills were needed, what kind of training would be appropriate, selected the trainees and helped arrange for financing both the courses and the trainees, placed the trainees, and maintained continuous liaison with both the employers and community development groups to plan for future needs.

V. Closer Ties With Educational Institutions

Educational institutions entered into many phases of employment development. Local State ES offices increased their cooperation with State and local vocational education agencies. Surveys were made to determine curriculum needs and to relate them to skills shortages. In many instances, joint efforts were made to adjust curriculum approaches to future employment opportunity and anticipated business needs.

Many local ES offices worked with secondary schools and institutions of higher education to place students in part-time employment to minimize dropouts. Survey respondents cited examples in which schools requested ES cooperation for counseling and placement services at the school location. There were indications that these arrangements were encouraged by the local development groups since they helped stabilize future labor force prospects.

Local ES office representatives, aware of the occupational skills required by industry, demonstrated resourcefulness in relating scientific facilities needed by industry with resources available at nearby universities. In one notable instance, the local ES office representatives brought together the Chambers of Commerce of two counties in a cooperative effort which resulted in establishment of a community college with a vocational education program.

VI. Community Involvement Rewarding to Local Offices

The survey results left no doubt that local ES offices were deeply and responsively involved in working with community groups. A number of the respondents reported that the time and effort devoted to special surveys, meetings, personal and telephone consultations with community groups and prospective employers was well-spent. In these instances, the number of placements by the local ES office increased.

Several local offices reported that working with the community's employers and business leadership on an equal footing increased the local office's knowledge of the community, its economic needs and potential future, and enabled the local office to plan more accurately for future service.

The survey tabulations which follow support the quotation from one local office respondent who said: "An Informed Citizenry Has Increased the Demand for the Service of the Local Office."

LOCAL OFFICE PARTICIPATION IN COMMUNITY EMPLOYMENT DEVELOPMENT GROUPS - 1963

Region and State	Total Number CED Groups Represented	CED Groups With Local Office Participation	TYPES OF PARTICIPATION BY LOCAL OFFICES 1/		No Participation by Local Office in CED Groups
			Member or Consultant	Provided Labor Market Information 2/	
UNITED STATES	4,299	3,927	1,846	2,081	351
REGION I	331	288	101	187	43
Connecticut	83	62	20	42	21
Maine	105	91	31	60	14
Massachusetts	68	65	28	37	3
New Hampshire	25	25	5	20	-
Rhode Island	24	24	12	12	-
Vermont	26	21	5	16	5
REGION II	250	187	101	186	63
New Jersey	94	57	21	36	37
New York	127	101	63	38	26
Puerto Rico	27	27	15	12	-
Virgin Islands 3/	2	2	2	2	-
REGION III	680	627	352	275	31
Delaware	15	12	1	10	3
Dist. of Col.	-	-	-	-	-
Maryland	28	27	14	13	1
North Carolina	98	93	51	42	5
Pennsylvania	347	311	194	117	14
Virginia	103	96	38	58	7
West Virginia	89	88	54	34	1
REGION IV	655	631	254	387	24
Alabama	79	78	50	28	1
Florida	95	92	35	57	3
Georgia	180	165	40	125	15
Mississippi	127	123	60	63	4
South Carolina	59	58	33	25	1
Tennessee	115	115	36	79	-

1/ Local office representatives serving as Member or Consultant provide labor market information to the groups served.

2/ Includes both routine and nonroutine labor market information, excludes groups which local office representatives serve as Member or Consultant.

3/ Two statewide Virgin Island groups are served with Labor Market Information by two local offices in addition to State ES service as consultants.

LOCAL OFFICE PARTICIPATION IN COMMUNITY EMPLOYMENT DEVELOPMENT GROUPS- 1963 (CONTINUED)

Region and State	Total Number CED Groups Represented	CED Groups With Local Office Participation	TYPES OF PARTICIPATION BY LOCAL OFFICES		No Participation by Local Office in CED Groups
			Member or Consultant	Provided Labor Market Information	
REGION V	385	360	156	204	25
Kentucky	78	77	37	40	1
Michigan	161	141	59	82	20
Ohio	146	142	60	82	4
REGION VI	541	457	189	268	90
Illinois	105	99	50	49	6
Indiana	63	60	36	24	3
Minnesota	142	98	30	68	44
Wisconsin	237	200	73	127	37
REGION VII	404	364	156	208	40
Iowa	75	74	37	37	1
Kansas	129	102	25	77	27
Missouri	103	101	55	46	2
Nebraska	36	36	20	16	-
North Dakota	45	36	7	29	9
South Dakota	16	15	12	3	1
REGION VIII	400	385	202	183	15
Arkansas	86	81	55	26	5
Louisiana	51	48	22	26	3
Oklahoma	81	80	52	28	1
Texas	182	176	73	103	6
REGION IX	194	185	104	81	9
Colorado	74	68	27	41	6
Montana	38	37	23	14	1
New Mexico	30	29	16	13	1
Utah	39	39	33	6	-
Wyoming	13	12	5	7	1
REGION X	221	214	87	127	7
Arizona	42	42	22	20	6
California	168	162	58	104	-
Guam	-	-	-	-	-
Hawaii	4	4	2	2	-
Nevada	7	6	5	1	1
REGION XI	232	228	144	88	4
Alaska	14	14	8	6	-
Idaho	47	47	36	11	-
Oregon	79	77	32	45	2
Washington	92	90	68	22	2

(Whereupon, at 12:05 p.m., the subcommittee recessed, to reconvene at 10 a.m., Friday, April 30, 1965.)

1965 MANPOWER REPORT OF THE PRESIDENT

FRIDAY, APRIL 30, 1965

CONGRESS OF THE UNITED STATES,
JOINT MEETING OF THE EMPLOYMENT
AND MANPOWER SUBCOMMITTEE OF THE
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
AND THE SELECT SUBCOMMITTEE ON LABOR OF THE
HOUSE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The committee met at 10:15 a.m., pursuant to recess, in room AE–1, the Capitol, Senator Joseph S. Clark, Jr., presiding.

Present: Senator Clark and Representatives O'Hara, Pucinski, and Hathaway.

Senator CLARK. The joint committee will be in session. I am Senator Clark, of Pennsylvania, the cochairman, and I want to apologize on behalf of myself and my cochairman, Congressman O'Hara, for the delay. If we only had adequate congressional reorganization these sorts of things would not occur. When you have three committee meeting at the same time in different places it is a little bit difficult.

I would like to ask this morning's witnesses, Dr. Otto Eckstein, Prof. Charles Killingsworth, Dr. Garth L. Mangum, and Mr. Nat Weinberg to please come forward.

Gentlemen, this is the last day of our 4-day hearing, we are delighted to have you here. You know generally speaking the purposes for which this somewhat unique joint hearing has been called which generally speaking is to discuss the Manpower Report of the President, its implications, what extent it can be and should be improved next year, and generally speaking to have sort of an oversight session, oversight ostensibly one of Congress functions, in taking a long view over manpower policy.

Each of you have submitted extremely able papers and I would like, with your permission, to have them printed in the record at this point and I think if it would be acceptable to you, I would like to have Dr. Eckstein's paper printed first, and then Mr. Weinberg, to be followed by Professor Killingsworth and then Dr. Mangum.

(The statements referred to follow:)

PREPARED STATEMENT OF DR. OTTO ECKSTEIN, MEMBER, COUNCIL OF ECONOMIC ADVISERS

Mr. Chairman and members of the House and Senate committees, I am grateful for the invitation to testify before you this morning on the Manpower Report of the President. The Council of Economic Advisers strongly supports the manpower policies of the administration. Our keen interest in these policies stems from the Employment Act of 1946 which charges the Federal Government with promoting "conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to

work, and to promote maximum employment, production, and purchasing power." The act established the Council to advise the President on policies to achieve these objectives.

The Manpower Report and its review in these hearings serve a great purpose in focusing attention on our manpower problems and in evaluating our progress and our policies.

The adoption of new manpower policies since 1962 has added an important policy tool for the promotion of maximum employment. Until recently, the promotion of full employment depended mainly on fiscal and monetary policies. We are pleased that new policies have been added to our set of tools. The President stated in his Economic Report last January:

"Fiscal and monetary measures have the primary responsibility for furnishing 'employment opportunities for those able, willing, and seeking to work.'

"But the creation of jobs is not enough. Job opportunities and men must be matched. Workers must have the requisite skills—and the opportunity to gain new skills if advancing technology finds less use for their old ones.

"To a substantial degree, strong demand for labor will bring workers and jobs together. But sole reliance on strong demand would place price stability under an unnecessary threat. And the time needed for such adjustments would place unnecessary burdens upon displaced employees and new entrants to the labor market.

"To reduce human costs, raise productivity, and make possible full employment without inflation, this administration is developing an active manpower policy."

When the case for manpower policies was first presented and the programs were first instituted, some of the discussion unfortunately presented manpower policies and general economic policies as alternative roads to full employment. The Council of Economic Advisers was frequently required to defend expansionary fiscal and monetary policies against some overenthusiastic advocates of manpower policies. That day is past. Today it is generally accepted that manpower policies without the job creation that only general fiscal stimulus can provide would yield a bitter harvest of educated and trained people unable to utilize their newly acquired skills. And it is equally clear that manpower policies to improve the flexibility and efficiency of the economy allow us to raise our sights on our full employment targets.

We are gratified that this year's Manpower Report contains a fine review of the relation of fiscal policy—and particularly the tax cut—to the employment gains of 1964. I consider this discussion symbolic of the mutual appreciation of the complementary relationship of fiscal and monetary to manpower policies, of job creation to manpower development, and to matching workers with jobs.

In my testimony today I would like to review the progress we have made in the last 12 months, to assess the present position and immediate prospects for employment and unemployment of our labor force, and to consider our goals.

PROGRESS OF THE LAST 12 MONTHS

The last 12 months have seen remarkable progress for our labor force. Since the tax cut was enacted last March, total employment has increased by 1.7 million, and the unemployment rate has fallen from 5.4 to 4.7 percent, the lowest rate in over 7 years. As striking as the overall advance was the pattern of gains among different groups. Employment rose over the year—

By almost 2 percent for adult men;
By more than 3 percent for adult women;
By more than 3 percent for Negroes;
By almost 4 percent for teenagers;
By 4 percent or a million jobs, for blue-collar workers; and
By almost 11 percent for unskilled workers in nonfarm jobs.

Long-term unemployment declined by 300,000, but there were still 800,000 people out of work for 15 weeks or more in March on a seasonally adjusted basis. Unemployment of Negroes fell by 86,000, still leaving 713,000 Negroes without jobs. Unemployment among teenagers fell by 41,000, still leaving 918,000 without jobs.

The pattern of employment gains among industries is equally striking. Manufacturing payroll employment is up by 601,000 over the year. Total manufacturing employment surpassed the postwar record set as long ago as May 1953, and reversed a long period of stagnation in manufacturing jobs. Employment

gains were substantial in every other major industry except one—the Federal Government.

The improvement in employment and unemployment also had a favorable distribution among the major labor market areas of the United States. The number of major labor markets with unemployment at 9 percent and above dropped from 13 to 5 in the last 12 months. And the employment gains of areas of substantial and persistent unemployment were almost twice as great as the average for all major labor market areas.

The experience of the last year demonstrates that when overall expansion proceeds rapidly, the pattern of employment gains is especially favorable to those groups who normally suffer the highest unemployment rates, who are the last to be hired and the first to be fired. Table 1 shows this pattern very clearly; comparing the last 3 years, it can be seen that adult whites had rather even year-to-year increases in jobs, that nonwhites did substantially better in 1964 than in the preceding 2 years of slower employment growth, and that teenagers, who actually lost jobs in 1963, had very large gains in 1964.

TABLE 1.—*Changes in employment, 1961–64*

Change from—	Total [1]	Teenagers	Nonwhites	Adult whites
1961 to 1962 [2]	1,203	237	159	813
1962 to 1963	963	−38	137	847
1963 to 1964	1,548	268	246	1,075

[1] Detail shown will not add to totals because of duplication (nonwhites include some teenagers).
[2] Data for 1962 are adjusted for comparability with data for 1961.

NOTE.—Teenagers include those 14 to 19 years of age; nonwhites, 14 years of age and over; and white adults 20 years and over.

Sources: Department of Labor and Council of Economic Advisers.

All in all, then, our recent progress is very substantial and is strong evidence that we know how to create jobs. In the context of expansionary fiscal and monetary policies and aided by our new manpower policies the normal working of our private economy is able to create jobs for our growing labor force and to put our unemployed back to work.

The task is far from complete. Some 3½ million workers were still unemployed in March. The teenage unemployment rate was 13.9 percent, the rate for nonwhites was 8.5 percent. The overall rate of 4.7 percent was still 0.7 percent above the interim target, and that target is one which was set before we launched the manpower policies which would allow us to improve our goals.

THE NEAR-TERM OUTLOOK

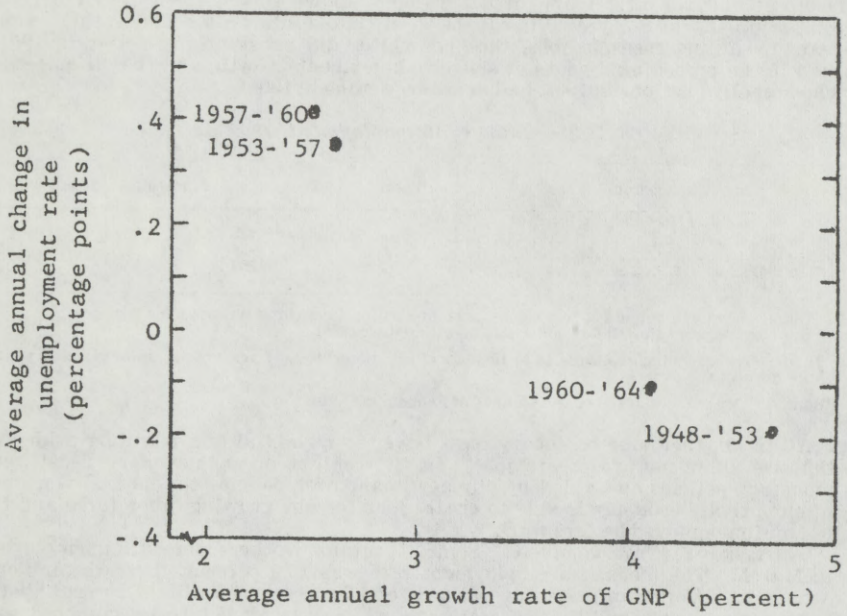
The Council predicted in the Annual Economic Report last January that the gross national product would average $660 billion this year and that there would be some decline from the 5.2 percent employment rate that prevailed in 1964. With the gross national product in the first quarter reaching $649 billion and with unemployment averaging 4.8 percent, the actual developments in the economy are proceeding certainly no less favorably than our forecast.

Nevertheless, we must be prepared for possible increases in the unemployment rate in the coming months. During the first quarter the impact of the long anticipated increase in the number of teenagers entering the labor force was not yet felt. In fact, the number of teenagers reported in the civilian labor force declined slightly from the closing months of 1964, and was up only 148,000 over a year earlier, slightly above the average rate of rise of recent years. Beginning in April, the increase in the number of teenagers looking for work will begin to appear in the labor force figures. By June and July their numbers will be up sharply, and even though the reported statistics will be corrected for the normal seasonal entry of new workers as experienced in preceding years, there will be no correction for the extra influx that is about to take place.

Economic expansion has been proceeding very rapidly, partly under the stimulus of makeup auto production and the prestrike deadline stockpiling of steel. But first quarter results do not reflect a fundamental change in the outlook. The Council has not changed its forecast for this year and substantial fiscal stimulus will be needed in the second half.

Excise tax reduction and improvement of social security benefits will help to keep the economy expanding at a rate which will create a substantial number of jobs, possibly as great a number as last year. But the increase in the growth of the labor force makes it unlikely that the improvement in the unemployment rate for the whole year will match the substantial improvement achieved in 1964.

Figure 1.
Relationship of Growth Rate of GNP and Change in Unemployment Rate



GOALS AND THE OUTLOOK BEYOND 1965

In my testimony before the Senate subcommittee 2 years ago I presented a chart which showed the relationship between the rate of real growth of the economy and changes in the unemployment rate. This chart makes clear that the aggregate unemployment rate responds to movements in the general economy and in a rather predictable pattern. Figure 1 is an updated version of that chart, adding the period of the last 2 years. It shows that the recent improvement is in accord with the earlier relationships. This chart is formally similar to the analyses of my colleague Arthur Okun which has been the basis of the Council of Economic Advisers forecasts of unemployment since 1961.

Year	GNP		Unemployment rate	
	Billions of dollars, 1954 prices	Average annual growth rate [1] (percent)	Percent	Average annual change [1] (percentage points)
1948	293.1	----------	3.8	----------
1953	369.0	4.7	2.9	−0.18
1957	408.6	2.6	4.3	.35
1960	439.9	2.5	5.6	.43
1964	516.0	4.1	5.2	−.10

[1] Average annual change from preceding year listed.

Sources: Department of Commerce, Department of Labor, and Council of Economic Advisers.

It may seem surprising that an extra increase of the gross national product of 1 percent corresponds with a reduction in unemployment of only about a third of a percent of the labor force. There are three reasons for this relationship. First, as output expands at a high rate, the productivity of labor improves in the short run, reducing the need for hiring additional workers. Second, the workweek lengthens as economic conditions improve; in the present expansion, the workweek has already lengthened to the highest figure since 1945, suggesting that perhaps this factor has almost run its course. Finally, as job opportunities improve and employment increases, additional workers are drawn into the labor force. The participation rates of women, of young workers, and of workers over 55 years of age all vary substanitally in response to improved employment opportunities.

Because of these three factors—changes in productivity, changes in overtime hours, and the attraction of additional workers into the labor force—as well as the high rate of increase of the working age population, the reduction of the unemployment rate is a very large task indeed. But the analysis does show that the course of unemployment is determined by the growth of production and markets.

With stimulating fiscal and monetary policies complemented by manpower policies, progress can be maintained toward our full employment goal of a job opportunity for every worker willing and able to work. Many observers expect that the increased rate of household formation of the coming years will add to prosperity in the private economy and will accelerate job creation. Given the refinement in our economic policy tools and favorable developments in the private economy, there is every reason to expect the American economy to reach its employment targets.

Some people have asked us to lower our sights, to abandon our drive toward full employment, or else to redefine our goals at higher unemployment rates. We see no reason for such defeatism.

Two arguments of this sort have recently been advanced. It has been argued that because more of our workers now are young and inexperienced and more of them are women than in previous periods of full employment, we cannot successfully return to the 4-percent level, much less achieve more ambitious targets. It is said that because young workers and women have suffered from higher unemployment rates even in previous full employment periods one should correct the unemployment target for this change in the mix of the work force. The Council has performed computations to standardize for this factor. We asked what unemployment would have been in March 1957 if the relative composition of the labor force had been the same as in March 1964 and if each group within that labor force had enjoyed its 1957 unemployment rate. This computation suggests a worsening of the unemployment rate by 0.2 percentage points as a result of the change in the composition of the labor force. However, today's labor force is substantially better educated, with a median length of schooling of 12.2 years compared to 11.7 years in 1957. Our unemployment targets can be corrected for the better education of today's labor force by applying the 1964 educational levels to the 1957 labor force. On this basis, we should be improving our unemployment target by 0.3 percentage points. Thus, putting all these factors together, correcting for changes in age, sex, and education of the labor force, our targets should be kept constant or even improved slightly. And as the manpower policies yield their payoff, better targets should become attainable.

Some concern has also been expressed about the possibility of a rising number of job vacancies which the present labor force is unable to fill. Adequate data on job vacancies would shed additional light on the labor market, but these figures have not been fully developed. The Department of Labor has begun a systematic study of job vacancies, but it will be several years before reliable data are obtained. In the meantime, our official vacancy information is confined to the number of jobs in clearance in the Employment Service. Despite a larger number of people in the labor force, the number of jobs in clearance in 1964 has fallen sharply from Korean war highs and is lower than the number of jobs in clearance in 1956, 1957, 1962, and 1963.

In the Korean war and in 1956 and 1957, a level of unemployment lower than in 1964 explains the higher levels of jobs in clearance. But this explanation does not fit 1962 and 1963. The decline in the number of jobs in clearance in 1964 is primarily due to a decline in the number of professional jobs in clearance, which is not fully offset by the increases in the number of skilled, semiskilled, and un-

skilled jobs in clearance. These figures indicate that the economy is not suffering from a severe shortage of high-level manpower which will prevent further expansion. The leveling-off of defense research and procurement has reduced the strain in this market.

When adequate job vacancy statistics become available, they will have to be interpreted with care. A vacancy must be defined in terms of a specific wage and job qualification. Every employer experiences vacancies—he is unable to recruit the kind of employees he would wish to have at wage rates he would like to pay. So careful standards will have to be drawn up for defining a true vacancy.

It has been suggested that full employment has been reached when the number of vacant jobs is equal to the number of the unemployed. But the proper relationship between unemployment and vacancies is not easy to determine and little significance attaches to equality between the two. This can be seen by looking at the experience of advanced countries which have developed measures of job vacancies and which enjoy full employment. In Germany, Sweden, Japan, the Netherlands, Norway, and Switzerland, vacancies are much larger than the number of unemployed; in Austria, Belgium, France, and the United Kingdom, the number of vacancies is less than the number of unemployed. The United States will also have to discover just what constitutes its full employment relationship between unemployment and job vacancies after the figures have been available for some years.

There have also been reports that the economy is beginning to reach certain bottlenecks of industrial capacity. Indeed, in the steel industry, many finishing mills are operating at capacity, and some of the nonferrous metals are in relatively short supply.

However, these are temporary conditions. With the wage dispute in steel at least temporarily settled and auto production returning to more normal levels, many of the temporary strains will disappear. In most lines, the operating rates of capacity are substantially below the rates preferred by industry. With ample capacity and an ample supply of labor there is plenty of room for additional expansion of production. The need for expansionary fiscal and monetary policies remains undiminished.

CHANNELING NEW WORKERS INTO EMERGING JOB OPPORTUNITIES

The greatest challenge to manpower policies at this time is the successful absorption of the many new workers into industrial jobs. While teenage unemployment could easily rise from its present rate of 13.9 percent, the rate for adults is 3.8 percent, and the rate in durables manufacturing is 3.4 percent. Adult rates are always much lower than teenage rates, and are still above earlier postwar levels, but they are relatively low given the general unemployment situation.

As the expansion continues, we must find ways to channel the teenagers—most of them high school graduates, healthy and willing to work—into the jobs in industry which are being created. Because, for a long period, employment in several of the large manufacturing industries did not expand, companies were able to fill their hiring requirements by recalling skilled workers, and by hiring adult workers with extensive experience.

In the coming years, the supply of adult workers over 25 will be relatively small because of the age structure of the population, and business will have to rely more heavily on inexperienced workers. Many of the manpower policies that have been devised are specifically aimed to facilitate this change by educating and training workers, by providing better information to new entrants to the labor force, and in other ways. The Manpower Report sets out these programs. In addition, labor and management will have to reexamine their procedures to speed up this process. Compared to earlier manpower challenges, the present adjustment is not extraordinary. American industry has great know-how in providing the on-the-job training necessary to equip new workers with the skills needed in plants. But it has not been asked to use this know-how fully in the period of slow employment growth.

Similarly, some unions may need to reexamine their policies on new workers to give our young people access to job opportunities, and to supply the skilled labor necessary in a rapidly expanding economy.

In summary, our economy has been shown capable of vast job creation. With expansionary fiscal and monetary policies, active manpower policies, and the best efforts of management and labor in channeling new workers into industrial jobs, we shall reach—and improve—our employment goals.

PREPARED STATEMENT OF NAT WEINBERG, DIRECTOR OF SPECIAL PROJECTS AND ECONOMIC ANALYSIS, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (AFL–CIO)

I shall not attempt either a comprehensive review of the 1965 Manpower Report of the President or a rounded description of what I believe would be sound manpower policy under present conditions. Instead, I will confine myself to brief statement of a few thoughts stimulated or provoked by the Manpower Report and the list of questions that was distributed to participants in these hearings. Brevity will inevitably result in some oversimplification, which I hope the members of the subcommittee will understand and forgive.

BASIC PROBLEM IS LACK OF DEMAND

The most valuable service which the two subcommittees conducting these hearings can perform for the Nation and for the unemployed is to report and to demonstrate in the most forceful and convincing terms that our present intolerably high rate of unemployment is not to any important degree the result of structural factors but rather the consequence of an insufficiency of aggregate demand.

As Prof. Robert Solow has pointed out:

"The political role of the structuralist argument in American debates on economic policy is an interesting study in the sociology of knowledge and ideology. Generally speaking, one can hardly doubt that it is felt to be, and is used as, a conservative argument * * *. I suppose it is fair to say that the ideological role of the structuralist thesis is to provide an alternative explanation of the high and rising level of unemployment for those who are unalterably opposed to the 'Keynesian' (or perhaps I could say 'Swedish') fiscal and monetary policies that would otherwise be the natural remedy."

It is true that, to a superficial observer, our present unemployment is very likely to appear to be structural in character. But analysis shows this to be an illusion. The illusion is created because, whenever shortfalls in demand exist, their impact is greatest upon workers with the least to offer in the way of skill, education, and experience, and upon areas with the fewest economic advantages. It should be self-evident, however, that much of what may now appear to be structural unemployment will dissolve as demand is raised toward full employment levels.

Experience has shown that, as demand rises, workers readily respond to opportunities made available to them and employers adjust to the conditions they face in the labor market. Workers tend to move in large numbers from areas of relatively high unemployment to others where job opportunities are plentiful. (Detroit, in the years of rapid growth in auto plant employment, was populated in large part by families from Appalachia.) Motivation is strengthened both for adult workers to undertake voluntary retraining and for potential dropouts to continue their education. Employers, in turn, abandon such unreasonable hiring standards as the requirement of high school diplomas for employment in materials handling jobs. They adapt jobs to the qualifications of the workers available. They vastly increase their own training activities and in some cases even finance the relocation of workers recruited in other areas. They give up, perforce, discrimination in hiring and promotion against Negroes, older workers, and women. They locate their new plants, other things being approximately equal, in areas of relative labor surplus. All this was proved both in World War II and again during the fighting in Korea, and it is being proved today in Western Europe where full employment is the prevailing situation.

I will not attempt to recapitulate here the mass of evidence already assembled by others that refutes the structural thesis. I hope the staffs of the subcommittees will comb the literature and marshal that evidence in an all-out effort to dispel once and for all the structuralist myth that provides the excuse for failing to attack unemployment directly by measures to raise demand to full employment levels.

It may not be amiss, however, to call attention to some additional evidence drawn from recent experience.

1. The rise in demand in 1964 did, in fact, dissolve a substantial amount of what had previously been considered in some quarters to be hard-core structural unemployment—that among unskilled nonfarm laborers. These are workers, we have been told, for whom no increase in demand would create jobs, because advancing technology was steadily eroding the number of jobs available to them.

Certainly the number of nonfarm laborers employed has been more or less steadily inching downward since 1951. Yet, as the following table shows, between first quarter 1964 and first quarter 1965 their employment increased almost 9 percent.

The increase in employment of nonfarm laborers (unskilled blue collar workers) was, by far, the largest shown for any major occupational group. In percentage terms, as the table below shows, it was more than three and one-half times as large as the increase in total employment. (In March, at 10.9 percent, it was four and one-half times as large as the increase in total employment. I have used a 3-month average, however, to make sure that the increase was not the result of an aberration in the figure for a single month.)

Selected employment data, 1st quarters, 1964 and 1965

Occupation	1964	1965	Increase (+) or decrease (−)	Percent change
	Thousands	*Thousands*	*Thousands*	
Total employment	67,916	69,554	+1,638	+2.4
Blue-collar workers	24,203	25,207	+1,004	+4.1
Nonfarm laborers	3,183	3,463	+280	+8.8
Private household workers	2,299	2,202	−97	−4.2

Source: BLS, Monthly Report on the Labor Force.

The increase in employment of unskilled workers was more than twice as great as that for blue collar workers generally. While nonfarm laborers represented only 13.2 percent of all blue collar workers in first quarter 1964, the increase in their employment during the year represented 27.9 percent of the total increase in blue collar employment.

2. A companion effect on what might have been considered structural underemployment is at least strongly suggested by the 4.2 percent decline that the table shows in the number of private household workers during the same period. Since household work is notoriously badly paid, and commonly part time, it is frequently the last employment haven for women who cannot find any other work. A decline in household employment during a period of economic expansion can scarcely be attributed to a decline in the demand for such workers. What it surely must mean is that some scores of thousands of household workers were able to get more attractive jobs in business or industry. In other words, their previous relegation to household work had not been from the structural cause of inability to perform other work, but simply from the lack of sufficient demand for workers; when the demand came, they were quite able to satisfy it.

3. The effect of increasing demand even on geographical pockets of unemployment is indicated in the data on labor market areas which are classified by the Labor Department as "areas of substantial and persistent unemployment." Using March figures for each year (they change relatively slowly from month to month), in 1962, 1963, and 1964, when the total unemployment rate stood well above 5 percent, the numbers of these "depressed areas" were 488, 584, and 560, respectively. By March 1965, when increased demand had reduced the overall unemployment rate to 4.7 percent, the number of these areas had fallen to 470, a decline of 16 percent from the previous March.

Undoubtedly, a more thorough study of the data for recent months would reveal many more examples of apparently structural unemployment problems being substantially reduced as increasing demand has made more jobs available.

This is not to argue that we have no problems of structural unemployment. We need to put more money and effort and imagination into programs of worker training, community rehabilitation, relocation, and other measures designed to attack structural unemployment. But we must not permit our concern about the strucural aspects of unemployment to blind us to the fact that the major cause of our present high unemployment is simply lack of sufficient available jobs, and our major need is to increase demand to a level where sufficient jobs will be created.

SENATOR CLARK'S BILL

Senator Clark is to be commended on the leadership he has given in this direction, both as chairman of the Senate Manpower Subcommittee and in his individual capacity as the author of S. 1630, a bill to amend the Employment

Act so as to require the President to submit to Congress an annual "full employment budget." An effective attack on unemployment must be a fully coordinated one—a combination of programs designed to work together so as to achieve maximum thrust toward the goal of full employment.

Within such a budget, manpower programs would have an important role—but not the role that it sometimes seems we are asking them to fill today. We must understand that manpower policies are primarily an instrument for making the best use of full employment—not a means of achieving it or a salvage operation for the unemployed.

Sweden understands this. Having achieved full employment—or something close to it—Sweden is up against the limits of the improvements in living standards that can be attained with the existing skills, allocation, and size of its labor force. It can make faster progress in raising living standards only by making optimum use of manpower. Its manpower policies are therefore designed to that end. Training programs help workers to upgrade themselves—both the unemployed who may need new skills, and the employed working at jobs using less than their full capacities. Industries where productivity per worker is low are deliberately eliminated and retraining and other manpower measures facilitate the redeployment of the workers involved to other industries where they will be able to add more to the national product. Other programs are designed to attract additional workers into the labor force, such as mothers of grown families. Handicapped workers are trained for jobs they can do, and jobs with demands limited to their capacities are created for them—not make-work jobs, but jobs designed to enable them to contribute to production to the limit of their capacities. Labor market policy is designed to keep even frictional unemployment at a minimum. For example, employers are expected as a matter of course to give 2 to 6 months' notice of any substantial layoff, so that plans can be made to start the workers on new jobs without loss of time; and relocation of workers, where it becomes necessary, is greatly facilitated by a liberal system of financial assistance that covers a wide range of the costs connected with moving. And all of these things are done within the climate of an economy where a demand exists for every man-hour of labor that can be made available, so that it becomes important to use it as productively as possible.

In this country, on the other hand, with unemployment still intolerably high because demand is too low, much of our manpower effort goes unavoidably into fitting unemployed workers to compete more effectively with other unemployed workers for the insufficient number of jobs available. Retraining the unskilled unemployed may accomplish little more than increasing the number of the unemployed classified as semiskilled. The placement record of such programs as MDTA is good under the circumstances, and certainly the trainees who have received jobs as a result of such programs have a right to be thankful. But as the Manpower Report repeatedly points out, training programs have been seriously inhibited from enrolling certain classes of unemployed workers, simply because the prospect of their finding work after training seemed too remote. In the broader perspective, we must recognize that the economic value of such programs will be sharply limited until we have solved the major problem of creating enough jobs to employ all those who are able and willing to accept them.

INFLATION AND THE BALANCE OF PAYMENTS

Placing the problem of structural unemployment into proper focus in comparison with the many times greater problem of unemployment that stems from insufficient demand should help to destroy the myth that any resolute attack on the insufficiency of demand will lead only to inflation and a worsening of our balance-of-payments situation. On the contrary, making the most efficient use of our productive capacity in a climate of full employment should help to lower costs, reduce the threat of inflation, improve our competitive situation in the world, stem the outflow of capital, and so put us in a way to strengthen our balance-of-payments position.

There is a danger that prices may rise—not because of programs to increase employment, but because of the price rigging of giant corporations which misuse their power to administer prices in key sectors of the economy. There is a threat to our balance-of-payments position—not from the rate of wages paid to American workers, but from the financial manipulations of bankers and businessmen who are prepared to sacrifice the national interest to their private profit. This was clearly evidenced in the rush to export dollars when it was anticipated that President Johnson might ask Congress to impose controls on capital exports. But

these dangers can and should be met by measures designed to deal directly with them. They should not be made the excuse for failure to attack the primary problem of intolerably high unemployment.

It is morally indefensible to make workers suffer unemployment because it is feared that some corporations might take advantage of higher demand to inflate their prices. One way to meet that danger would be to require the price leaders in important administered price industries to give advance notice of proposed price increases and to justify them in public hearings. As we in the UAW have said repeatedly, we would be prepared to accept a corresponding obligation to justify our position when the corporation involved alleges that the proposed price increase is made necessary by our demands. No price or wage controls would be involved. The purpose would be served, we believe, by enlisting an informed public opinion to substitute its restraining influence for the absent influence of the competitive marketplace.

Similarly, the balance-of-payments deficit should not be accepted as an excuse for tolerating unemployment but should be attacked directly by such measures as controls over the export of capital and a vigorous push for modernization of international monetary mechanisms.

THE MAGNITUDE OF THE TASK

The task of creating sufficient demand to achieve full employment is large but certainly not beyond our capabilities. The Manpower Report estimated that we would have to maintain a rate of growth equal to last year's 4¾ percent over the next half dozen years in order to get unemployment down to an acceptable level.

Senator Clark, in introducing his bill to amend the Employment Act, has set as a goal the reduction of unemployment to 3 percent by 1968, which he estimated would require a growth rate of nearly 5½ percent per year in constant dollars. We welcome Senator Clark's leadership in proposing this more realistic goal. The economy has established in the past that an unemployment rate below 3 percent is feasible, and nothing higher is tolerable. Neither is it tolerable that we should wait longer than 3 more years to achieve the goal.

Our own estimate is that a 6-percent growth rate will be required to reduce unemployment to 4 percent by 1966 and to 3 percent by 1968. This takes into account the fact that (1) as the rate of unemployment drops, many people who have stopped looking for work will reenter the labor market, and (2) such a rate of economic growth will be accompanied by more efficient use of labor and facilities and a consequent spurt in the rate of productivity advance.

We do not suggest, however, that 3 percent unemployment should be accepted as a permanent measure of full employment. European countries such as France, Germany, and Sweden have set and achieved much higher employment goals. What is more, they have constantly raised their sights, so that levels of unemployment which were acceptable a decade or more ago are now considered too high. Since some people will always be in the course of changing jobs, there must be some minimal figure below which the unemployment statistic cannot fall, but it will require years of experience in developing every possible method of eliminating avoidable unemployment before we will be justified in thinking we know what that minimum is.

UNEMPLOYMENT THREATENS TO RISE

The proposals now before Congress with respect to Federal spending, excise tax cuts and social security increases will not move the economy toward the goal of a 3-percent unemployment level. According to the projections of the Council of Economic Advisers, real growth in the economy this year will be a smaller percentage than in 1964—4.1 percent as against 4¾ percent. This will be barely enough to offset advancing productivity and the growth in the labor force. We may well find unemployment rising again toward the end of the year.

In the first half of 1966, the increase in social security taxes will largely offset the limited fiscal stimulus that the budget provides for the last half of 1965. Unless significant additional measures are adopted to raise the level of demand, unemployment is almost bound to rise.

PROGRAMS TO INCREASE DEMAND

No intensive search is needed to find the areas in which demand can and should be increased. If we were to set out with determination to meet not all

but merely our most urgent public and private needs, we would soon find that even the vast potential of the American economy has its limits. The problem is not to find ways to use our human and material resources, but rather to develop an order of priorities so that we may, as quickly as practicable, eliminate the most glaring deficiencies of life in America.

We agree with Senator Clark's suggestion that most of the job-producing activity in the future should come through filling unmet needs in the public sector rather than through tax cuts and monetary incentives to private business. These activities fall into two general categories. One consists of programs primarily designed as weapons in the war on poverty. The other consists of programs designed to improve the quality of life for all the people. Needless to say, these categories are not mutually exclusive or opposed; many programs will contribute to both ends.

The greatest and most urgent unmet needs are those of the victims of poverty. Their needs provide a test of our economic resourcefulness and an opportunity to bring idle manpower and idle facilities together in the service of the less fortunate of our fellow citizens.

Thanks to the efforts last year of President Johnson and the Congress, the Nation is now committed to war against poverty. The enactment of the Economic Opportunity Act was the opening gun and we welcome the President's proposal to greatly increase the funds to be devoted to prosecution of that war.

The effort under the Economic Opportunity Act, as the Council of Economic Advisers notes, is directed "particularly at helping the children of the poor." The education, training, and work experience programs provided under the act constitute an arsenal of weapons that will be highly useful in the ultimate achievement of final victory in the war against poverty.

But none of those weapons was devised to attack directly and immediately the central fact about poverty—that, by definition, the poor are poor because their incomes are too low. To deal with this obvious truism in ways which would bring immediate help to those who need help now we must provide—

Adequate incomes for those too old, too young, too ill, or too encumbered by household and family responsibilities to earn such incomes for themselves.

Jobs—and, until jobs become available, adequate unemployment compensation—for those able to work but unable to find employment.

Decent wages for all who are working.

In short, immediate succor for the victims of poverty requires action in three areas—transfer payments, full-employment policy, and minimum wage legislation. With determined and effective action in these areas, we can wipe out the poverty that afflicts tens of millions of our people now while we proceed to immunize the younger generation—through education, training, and work experience—against poverty in the future.

The increases in high-velocity purchasing power generated by comprehensive and adequate transfer payments programs and by decent minimum wages will translate the needs of most of the poor into effective demand and thus help both to create the jobs needed by those impoverished by unemployment and to move the Nation toward full employment.

As to programs designed to improve the quality of American life as a whole, it is not necessary to spell out such programs in detail here. We have only to look about us to see the needs to be met. All our major cities and many smaller ones are afflicted with slums and other forms of urban blight. Everywhere we see the need for new schools, colleges, and other educational institutions. We need more hospitals, nursing homes, clinics, health centers, and other health facilities. We suffer from a shortage of recreational and cultural facilities. Our cities are strangling in their own traffic because we have failed to solve the problem of mass transportation. As an investment in the future, we should be spending far more than we are to conserve and develop our rivers, beaches, lands, and forests, and put an end to the pollution of air and water. We have only to put in motion effective programs to all these ends, and there should be no problem of providing enough jobs for all the unemployed for many years to come.

FULL EMPLOYMENT AND CIVIL RIGHTS

Achievement of full employment will be a major weapon in the struggle for equality of treatment for minorities at the hiring gate. While Negroes have shared in the general improvement in employment, their relative position has not significantly improved. Their unemployment rates continue to average more

than twice those of white workers. The Negro unemployment rate of 9.8 percent for 1964 was worse than anything whites have suffered outside the dark years of the 1930's. Among Negro teenagers, almost one boy in every four, and almost one girl in every three, on the average, was unemployed at any given time in 1964. While it is true that lack of educational opportunity is partially responsible for high Negro unemployment, that excuse cannot account for the tragic and bitter fact revealed by the Manpower Report that:

"Nonwhite [high school] graduates between the ages of 16 and 21 in October 1963 not only had an unemployment rate more than twice that of the white graduates, *but their rate was also significantly higher than that of the white dropouts.*" [Emphasis added.]

And, as the report goes on to point out, of the male Negro graduates who did find jobs, over 35 percent were employed in unskilled labor or service jobs—twice as high as the figure for white males.

Civil rights legislation has given Negroes the hope and promise of fairer treatment, but as long as racial prejudice exists full employment will continue to be a major weapon against job discrimination. There may for some time continue to be employers who, given a choice, would hire a white worker in preference to a Negro; but, when choice is limited because there are as many job opportunities as unemployed workers, racial discrimination at the hiring gate will in practice disappear.

IMMEDIATE ACTION TO REDUCE UNEMPLOYMENT

Except for the possibility that Congress may go beyond the administration's proposals for excise tax reduction, it presently appears that the President's budget message has set the limit to the contribution that fiscal policy will make to employment in the immediate future. Nevertheless, we need not accept present levels of unemployment. There are steps, outside the fiscal sphere, which Congress can and should take now, which would contribute to reduction of unemployment both through more equitable distribution of available job opportunities and by increasing demand.

DOUBLE TIME FOR OVERTIME

The most direct method would be to increase premium pay for overtime under the Fair Labor Standards Act from time and a half to double time. The Monthly Report on the Labor Force for March reported:

"The factory workweek moved up from its already high February level, reaching its *highest seasonally adjusted level since World War II.* Overtime hours, at 3.6, were 0.8 hour *above any March since the series began in 1956.*" [Emphasis added.]

In March, 8.7 percent of all hours worked by manufacturing production workers were overtime hours. The overtime worked by such workers in that month was equivalent to 1,177,000 40-hour-per-week jobs. Additional substantial overtime was also worked by other categories of workers covered by the act. If a higher overtime penalty were to convert any substantial proportion of present overtime into employment opportunities for the unemployed—and there is every reason to suppose it would—a significant reduction of the unemployment rate would result.

MINIMUM WAGE

A recent study of poverty by the Social Security Administration says:

"That a man risks poverty for his family when he does not or cannot work all the time might be expected, but to end the year with so inadequate an income, even when he has worked all week every week, must make his efforts seem hopeless.

"Yet, with minimum wage provisions guaranteeing an annual income of only $2,600, and many workers entitled to not even this amount, it should not be surprising that in 1963 there were 2 million families in poverty despite the fact that the head never was out of a job * * *."

An increase in the minimum wage compatible with our national commitment to wage war on poverty and extension of coverage of the Fair Labor Standards Act to cover all of the working poor would add high-velocity consumer purchasing power dollars to the stream of demand without affecting the budget.

A POSITIVE WAGE POLICY

While the payment of wages so low that they condemn workers and their families to lives of poverty is an intolerable denial of justice and morality, the payment of wages generally that are too low to maintain required levels of demand is a denial of economic commonsense. As can readily be demonstrated from the data, for several years now output per man-hour in the private economy has been rising substantially faster than real employee compensation. At the same time, deficiencies in consumer demand—of which about two-thirds consists of wages and salaries—have been a major cause of the lag in our economy, the gap between actual and potential output, while soaring profits and increased depreciation allowances have channeled into the hands of wealthy individuals and the treasuries of large corporations more than was required to match investment opportunities.

In these circumstances, the simplest exercise in economic logic should demonstrate the need for a positive wage policy that would encourage workers to bargain for a more equitable share of the value of what they produce. The price notification and hearings procedure mentioned above would be a useful complement to a positive wage policy in order to insure that public opinion will be warned and informed if profit-swollen corporations attempt to pass on wage increases in unjustifiable price increases.

THE ROLE OF MANPOWER POLICY UNDER FULL EMPLOYMENT

Given an increase in demand to full-employment levels, manpower policy will be directed primarily toward three purposes:

1. Elimination of actual structural unemployment which, under those circumstances, will be readily identifiable and much easier to deal with than at present;
2. Minimizing frictional unemployment by facilitating and speeding up the transition from one job to another; and
3. Making the fullest possible use of the highest capacities of every individual willing and able to work.

As previously indicated, it is not my intention to discuss here all the programs that would contribute to those purposes. I would direct the attention of the members of the subcommittees who are interested in a reasonably comprehensive enumeration to the recommendations made by UAW President Walter P. Reuther in his testimony before the Senate subcommittee on May 22, 1963.

Two of those recommendations, however, seem to me to be of such major importance that they should be repeated here.

Listing of job vacancies.—The first involves the listing of job vacancies with the public employment service. Manpower policy is meaningless without an effective public employment service to implement it. To be effective, whether for placement, guidance, or training purposes, the service must at all times have a comprehensive inventory of job vacancies. But the U.S. Employment Service today finds itself confronted by the delibrate refusal of many employers, major and minor, to cooperate with it by listing their job vacancies.

In the case of employers operating under Government contracts, this could readily be corrected by an Executive order under which there would be written into all Government contracts a requirement that the contractor list with the employment service all job vacancies for which he intends to hire new workers (as distinguished from vacancies to be filled by promotions or recall of laid-off workers). Since firms holding Government contracts employ a significant proportion of all wage and salaried workers, such an Executive order would, by itself, greatly improve the effectiveness of the employment service.

As to other employers, I would repeat the suggestion that legislation be enacted requiring the listing of job vacancies with the employment service as a condition for obtaining reduced contribution rates under the experience rating provisions of the unemployment compensation laws.

Technological clearinghouse.—The second recommendation made by Mr. Reuther that seems to me to require special emphasis is the creation of a technological clearinghouse. With the pace of technological progress accelerating, we are already experiencing unprecedentedly rapid and drastic change in the educational and skill requirements for employment and in the occupational, industrial, and geographical distribution of employment opportunites. Automation and accelerated technological advance generally are bound to have far-reaching impacts on our economic, social, and even physical environments which we must

be prepared to meet. Yet nowhere—neither in Government nor in private industry nor in the universities—do we have the means to assemble the basic information needed to enable us to draw the maximum in benefits from the new technologies and to minimize the damage they could do if we are unprepared.

For this purpose we need to establish within Government a technological clearinghouse equipped with authority to obtain from industry and other sources (with proper protection of confidentiality where that is a valid consideration) advance knowledge of technological innovations, well before they enter the production process. The clearinghouse would not confine itself to gathering information but would attempt to assess the implications and effects of the innovations and would make recommendations for dealing with them.

ADJUSTMENTS TO CHANGING DEFENSE NEEDS

One aspect of manpower policy is of direct and vital concern to many thousands of members of our union. That is the adjustment of workers engaged in defense production to changes in procurement needs that can, and all too often do, throw great numbers of them suddenly and unexpectedly out of work.

The U.S. Government has quite properly accepted full responsibility for helping its own employees and the communities in which they live to adjust to the closing or reduction of activity in defense installations. Last November, when he announced the closing of some 95 bases, Defense Secretary Robert McNamara issued a statement in which he said:

"We will * * * protect the individual employees who are affected by these moves. We will guarantee a job opportunity for every career employee affected by a closure. If the new job opportunity requires a move to another location, the Government will arrange for payment of transportation and moving expenses for the employee and his family. We also arrange for retraining at our expense and continue employees' salaries while they are being retrained.

"We believe that our system of bases and installations must be responsive to changes in technology and in military planning, but the mapor burden of adjusting to these changes must not fall on the individual employee. The Federal Government can and will assume that burden as a necessary cost of keeping up to date in a rapidly changing world."

He also declared that the DOD Office of Economic Adjustment would:

"* * * make available to the communities the services of a professional group qualified to assist that community to adjust to these changes, qualified to assist the community to develop new economic enterprises * * *."

To implement this policy, the Government has adopted what the manpower report describes as "an elaborate program aimed at providing other employment opportunities for civilian career employees whose jobs are eliminated because of base closings or other factors."

Under this program, hiring of permanent employees is stopped, both at the affected activity and in other DOD activities, so that displaced workers can be transferred to other jobs as openings occur. In addition, other Federal agencies and private industry are encouraged to recruit workers from the affected installation.

As a recent refinement, a central referral activity has been established in which an electronic computer keeps track of all surplus employees, with their qualifications, and prepares a weekly "stopper list" of their jobs which is sent to all appropriate defense installations. They are called stopper lists because upon receipt they freeze all hiring in the jobs listed. Installations with vacancies in those job categories send punchcard inquiries to the computer, and receive a listing of the available candidates and their qualifications. Arrangements are then made directly between the losing and gaining activities to fill the vacancies with displaced employees.

As a result of this program, more than 15,600 displaced DOD employees were placed in other jobs in the first 11 months of 1964, all but 350 of them in Federal Government jobs.

When the Navy's repair facility at San Diego was closed last January, every one of the 1,485 civilian workers there was offered another job.

There is another group of workers, however, whose employment is at least equally insecure because of "changes in technology and in military planning," for whom the Government accepts no similar responsibility. These are the workers employed by defense contractors, who frequently suffer massive layoffs when changing defense needs require that production of a given weapon be terminated. Sudden contract cancellations can hit tens of thousands of workers like

a bolt from the blue. Yet the Government has not even informed itself as to their problems. The Manpower Report states:

"The termination of defense contracts with private companies is known to have created sizable readjustment problems also in some cases, though there is as yet very little information as to the exact nature and extent of these problems."

We urge this committee to recommend strongly that the Government accept just as complete responsibility for private employees who are laid off due to changes in defense needs as it does for its own employees. Their need is just as great, and so is the Government's moral responsibility for their plight.

In its 1964 proposals for a comprehensive employment and manpower policy, the Senate Manpower Subcommittee recognized the special problems of defense workers and the communities in which they live, and put forward a number of recommendations to deal with them. Those recommendations emphasized measures to help communities avoid the shocks of changes in defense programs through advanced warning and forward planning, and measures to help them adjust afterward. It also recommended a defense adjustment fund, out of which assistance could be provided for affected individuals as well as communities. We welcome and support those recommendations, but we would urge both subcommittees also to recommend further measures for the immediate relief of workers displaced by changes in Government procurement. Actions to be recommended might include the following:

Preferential hiring at DOD and other Federal facilities for all displaced employees of Government contractors who can meet job qualifications, on the same basis as for displaced DOD employees;

Requiring other Government contractors to give preference to such workers when making new hires;

Requiring Government contractors to list their job openings, when requested, with DOD's centralized referral activity;

Retraining with maintenance of income comparable to that provided for displaced DOD workers where retraining is necessary to enable the displaced defense plant worker to obtain suitable employment;

Repeal of the statutory restrictions on channeling defense and other Government contracts into communities containing substantial numbers of displaced defense workers and adoption of a policy that would require that to be done subject to the ability of such communities to meet the Government's requirements as to quality and delivery dates; and

Provision of relocation allowances when suitable jobs cannot be provided in the community where the displacement occurred.

In addition, practical recognition should be given to the fact that workers in defense plants, because of the inhibitions on their use of the strike weapon, are often unable to obtain through collective bargaining the same degree of security that workers in comparable nondefense industries have been able to win. The Defense Department should be directed to pursue a policy of actively encouraging its contractors to establish supplemental unemployment benefit and separation pay plans, retraining programs, etc., comparable, at least, to the best practice prevailing in significant nondefense industries.

At least one of these policies—the channeling of Government contracts into appropriate areas of high unemployment—could also be put into more general use as a tool of overall manpower policy. The adoption by Government of programs to help meet the special unemployment situations resulting from changes in defense needs might be considered as pilot projects with a view to broader use.

CONCLUSION

In conclusion I would repeat the point as to overall employment policy that seems to me to be of major importance.

As President Johnson said in his Manpower Report: "The No. 1 problem is still unemployment." And the No. 1 answer to unemployment is an adequate level of demand.

There are problems of structural unemployment, certainly, but many which appear to be structural would disappear, and solutions to the others would be greatly facilitated, in a climate of full employment.

There is no difficulty in finding suitable channels for increases in demand. An all-out war on poverty combined with effective programs to meet our vast unmet public needs would create sufficient demand to provide a job for every available worker, and through such programs the quality of American life would be made incomparably richer and more satisfying.

PREPARED STATEMENT OF PROF. CHARLES C. KILLINGSWORTH, SCHOOL OF LABOR AND INDUSTRIAL RELATIONS, MICHIGAN STATE UNIVERSITY

UNEMPLOYMENT AFTER THE TAX CUT

The performance of the economy since the great tax cut 14 months ago is now being interpreted in some quarters as conclusive proof that the surest and quickest way to remedy the excessive unemployment that remains is more tax cutting. It is true that, month after month, we have set new records in production and employment, and that the overall unemployment rate is substantially lower than it was just before the tax cut. But there is danger that we will be so bedazzled by these accomplishments that we overlook one fact of basic importance for employment policy: the present and foreseeable effects of the tax cut on unemployment fall far short of the predictions of its chief advocates. Tax cutting has had about half of the predicted effect on the overall unemployment rate. Tax cutting has benefited most those groups in the labor force that were already well off; the most disadvantaged groups have benefited least.

The fact is that the great tax cut has had its greatest impact on the soft edges of the unemployment problem. It has left hard-core unemployment virtually untouched.

In recent months there have been some rather startling efforts to rewrite history with regard to the positions that were taken and the predictions that were made in the debate that preceded the passage of the tax cut. If it were simply a question of who guessed right and who guessed wrong in 1963, the matter would hardly merit serious attention. But the question is what light the effects of the tax cut can shed on the validity of two sharply different diagnoses of the basic causes of excessive unemployment. That question should be answered by comparing the course of events with the predictions that were actually placed on the record in 1963.

I

The President's Council of Economic Advisers was the leading advocate of the tax cut as the "centerpiece of policy" to combat excessive unemployment. The most definitive statement of the Council's views was presented to the Senate Subcommittee on Employment and Manpower on October 28, 1963. The Council thought well enough of this statement to reproduce most of it in the Economic Report for 1964. The statement included two key predictions about the effect of the tax cut on unemployment:[1]

A. "The tax cut would thus increase demand to levels consistent with a 4-percent rate of unemployment. It would ease our most pressing unemployment problems."

B. "Experience * * * clearly shows (1) that the unemployment rate will decline for every major category of workers and (2) that the sharpest declines will occur where the incidence of unemployment is the highest: among teenagers, the Negroes, the less skilled, the blue-collar groups generally."

The tax cut was made effective in March 1964. We can measure its effects to date by comparing figures for the first quarter of 1964 with those for the first quarter of 1965. The overall unemployment rate (seasonally adjusted) has gone down from 5.4 to 4.8 percent. Thus, we are presently less than halfway to the predicted 4-percent rate. As to the future, virtually all informed observers expect that the rate will be higher, not lower, later this year. The Council of Economic Advisers itself has recently predicted that the average for the year will be around 5 percent. If this new prediction is correct, then the tax cut will have had about one-third of the effect on the unemployment rate that was predicted by the Council.

Let us now consider how much the tax cut has done for the groups that are properly identified as the most disadvantaged: teenagers, Negroes, and the less skilled. The teenage unemployment rate in the first quarter of 1965 was exactly the same as in the year ago quarter—14.5 percent. Thus, the teenage-adult differential has widened. The Negro rate is down, but the white rate has declined more rapidly; so the Negro-white differential has also widened. The Negro rate was 205 percent of the white rate in the first quarter of 1964, and 210 percent of the white rate in January–March 1965. The unemployment rates for the least skilled group—laborers (farm and nonfarm) and service

[1] See pp. 172–173 of the "1964 Economic Report."

workers—have also gone down, but by less for the group as a whole than the decline in the overall rate. Thus, the impact of the tax cut has been quite different from what Council predicted. The largest relative declines in unemployment rates have been enjoyed by the workers who were best off before the tax cut: adult workers, white workers, more skilled workers.

There is another important respect in which the effects of the tax cut have been inconsistent with the Council's theory of the cause of excessive unemployment. The Council has repeatedly insisted that there is no reason to expect any bottlenecks in labor supply as long as the overall unemployment rate is above 4 percent. Yet there are even now, with unemployment only a little below 5 percent, significant indications of serious shortages of certain kinds of skilled labor. The factory workweek is at the highest level since the end of World War II, and average overtime hours in manufacturing are at the highest levels recorded since the series began in 1956. Labor shortages are not solely responsible, but complaints of serious shortages of skilled manpower in such industries as machine tools, chemicals, steel, and certain construction specialties in some areas have been publicized in recent months. It is still true, unfortunately, that we lack adequate information concerning the number and kinds of unfilled jobs in the country. However, the pilot surveys that have been conducted by the U.S. Department of Labor and others are turning up evidence of even greater shortages in certain occupations in local labor markets than many of us had expected.

II

Some of the mythmakers who are now busy rewriting history are not content with ignoring the erroneous predictions of the Council of Economic Advisers concerning the effects of the tax cut. These mythmakers are also attributing to the Council's critics views which they never held. Thus, it has been claimed repeatedly that the reduction of the unemployment rate to a little below 5 percent "vindicates" the Council and proves the fallacy of the view that the great tax cut would not reduce unemployment. Part of the distortion is already apparent; the rest is easily exposed. I will cite my own views as an example. In presentations to the Senate Subcommittee on Employment and Manpower in September and October 1963, I took the following positions: The tax cut would reduce unemployment perhaps to a little below a 5-percent rate, and for that reason was one essential component of a full employment policy; but the tax cut could not achieve the 4-percent rate then being predicted by the Council and others, because it was likely to have its greatest effects on the unemployment rates of the groups that were already relatively well-off and its smallest effects on the rates of the most disadvantaged groups. Consequently, bottlenecks in the supply of the most highly trained manpower were likely to appear long before the average unemployment rate got as low as 4 percent. Therefore, I endorsed the tax cut but compared it to a one-legged ladder. The missing part of a complete full employment program, I argued, was adequate remedies for the structural aspects of unemployment. Let me emphasize that I cite my own views simply because they happen to appear in the same volume of manpower hearing that records the views of the Council of Economic Advisers. I lay no claim to a monopoly of insight. Many others, in Government and out, disagreed with the Council's predictions in 1963 for reasons similar to mine.

Let me also emphasize that my disagreement was and is with ideas, not individuals. The members of the Council of Economic Advisers have been men of high professional standing. Many influential economists have agreed with their analysis of the unemployment problem, although there are some indications that a substantial part of the profession does not. All three men who were members of the Council in 1962 had been replaced by others by 1965. Yet in the 1965 Economic Report, the present Council reiterates essentially the same basic view of the unemployment problem that the Council had set forth in 1962. Thus, the ideas have survived a complete turnover of individual members. What is more remarkable is that the ideas have also survived the repeated failure of events to conform with predictions based on the ideas. You will recall that the 1962 Economic Report predicted the achievement of a 4-percent unemployment rate by mid-1963. By mid-1963, when the unemployment rate was still 5.6 percent, the Council was predicting the achievement of the 4-percent rate as the result of the tax cut then proposed. In the latest Economic Report, the Council tacitly admits that the 1964 tax cut is not going to produce the 4-percent rate—but it insists that still more tax cutting could do the job. The Council's tenacious loyalty to the ideas that have repeatedly led to such erroneous predictions is surely one of the more remarkable examples of the triumph of faith over experience.

III

If the Council's errors in prediction had been academic exercises shrouded in the obscurity of scholarly journals, then there might be little justification for calling public attention to them. But the errors have had an important influence on the formation of basic economic policy in this Nation. As is well known, the Council's position has been (and still is) that all of the rise in the unemployment rate above 4 percent in the past 8 years has been solely due to "fiscal drag," which in turn has created a chronic insufficiency of aggregate demand. Correction of the "fiscal drag" through tax cutting will be sufficient by itself to achieve the "interim full employment target" of 4 percent, the Council has argued. Now it is true that the Council has never actively opposed such specific remedies for structural unemployment as manpower retraining; indeed, it has frequently permitted itself to indulge in faint praise for such undertakings. We have needed programs like retraining for many years, the Council has said, but this kind of program is no more urgent or necessary now than in earlier years; and such programs cannot really make a significant contribution to the reduction of unemployment before "fiscal drag" has been fully remedied. Hence, the essence of the Council's advise to the Nation has been to wait until the 4-percent unemployment rate is achieved before putting major emphasis on remedies for unemployment other than tax cutting. Since the 4-percent rate has proved to be a moving target, always just over the receding horizon, the time for really serious attention to specific programs to help the most disadvantaged jobseekers still lies somewhere in the future, according to this view.

In this era of consensus seeking, when dissent is widely considered to be a little vulgar, it has become fashionable to say that, of course, we need both tax cuts and "structural" remedies such as retraining. This bland formula simply evades the real issue. The real issue is: Where should the major emphasis fall? In practice, this issue cannot be settled by mere verbalisms. In 1964 the answer clearly was massive action on tax cutting and tokenism on structural remedies. We cut Federal taxes in 1964 by an amount now estimated to be around $14 billion per year. Also in 1964, 58,000 workers completed their training under the Manpower Development and Training Act; they were 1.5 percent of the average number of people unemployed during the year. Sweden is a country which is often compared with the United States in discussions of full employment policy. Sweden's policy goal is to provide retraining for about half of her unemployed workers each year.

IV

Thus the view that excessive unemployment in recent years has been caused exclusively by an insufficiency of aggregate demand has had a powerful influence on the shaping of employment policy. In addition, the comforting assurance that the groups which are presently most disadvantaged in the labor market—teenagers, Negroes, and the low skilled—would benefit disproportionately from the stimulation of aggregate demand has helped to divert attention from their real sources of disadvantage. I will illustrate the point by reference to some of the findings of a study of Negro unemployment that I have underway.

My study grows out of the conviction that the plight of Negroes is the most serious aspect of our present unemployment problem. The labor market position of Negroes relative to whites has been steadily worsening since the early postwar years. In 1947–48, the reported Negro unemployment rate was about 60 percent higher than the white rate; by the midfifties, it had risen to more than double the white rate and has maintained that relationship during the long upward drift in white rates. Moreover, there is persuasive evidence of a much greater growth of hidden unemployment among Negroes than among whites. I have made a rather detailed analysis of Negro labor force participation rates by age and education compared to white rates and have made estimates of the greater prevalence of hidden unemployment among Negroes. My finding is that Negro unemployment has been understated by at least 50 percent in recent years, and that the Negro rate is actually about three times the white rate instead of being twice as high, as the official figures show.

In seeking the sources of this growth of disadvantage among Negroes, I have made a number of comparisons of Negro and white patterns of unemployment. The purpose has been to assess the reasonableness of the widely held assumption that the chief sources of Negro disadvantage are general slack in the labor

market, racial discrimination, and too few years of schooling, usually in that order. The striking differences between Negro and white unemployment patterns raise doubts that those factors are as important as they are generally believed to be. The Negro unemployment rate is substantially lower in the South than in the North; and the Negro rate as a ratio of the white rate is also lower in the South than in the North. Among whites, the highest rates of unemployment are among the least educated. The least educated Negroes have unemployment rates that are either lower or only a little higher than the corresponding white rates; the highest Negro unemployment rates, and the largest Negro-white differentials, are at the middle levels of education. Adjustment of the Negro rates for excess hidden unemployment among the Negroes does not change this pattern, except for accentuating the Negro-white differences at the middle and upper levels of education. The Negro-white differences in unemployment rates are also much larger among the young (under 45) than among the old.

Neither fiscal drag, nor racial discrimination, nor fewer years of schooling for Negroes can explain the growth of the Negroes' relative disadvantage since the late 1940's and the present distribution of disadvantage among Negroes. Unless we can explain these growing Negro-white differences in the extent and patterns of disadvantage, we cannot claim to understand Negro unemployment; and if we do not understand it, we cannot hope to develop remedies which are tailored to the size and shape of the problem.

Two pieces of information suggest the consequences of continued neglect of the unique characteristics of Negro unemployment. In recent years, the Negro population has been growing about 50 percent faster than the white population; hence, although Negroes are about 10 percent of the present labor force, Department of Labor projections suggest that Negroes will contribute nearly 20 percent of the additions to the labor force between now and 1970. The second piece of information is buried in tables in the back of the 1965 Manpower Report. Between 1960 and 1964, total employment in the United States increased by about 3.7 million persons. White teenage employment increased by about half a million. Nonwhite teenage employment decreased slightly, although the nonwhite teenage population increased at an even faster rate than white teenagers. At a time when Negroes are winning greater social and political equality, they are not likely to accept the growth of economic inequality.

V

As noted above, the spectacular failure of such predictions as the one that Negroes and teenagers would benefit the most from tax cutting has not shaken the faith of the Council of Economic Advisors in its diagnosis of the causes of excessive unemployment. But the disparity between prediction and emerging reality appears to have weakened the influence of this diagnosis on administration policy. There are signs of a basic shift in emphasis in the administration's efforts to achieve full employment. One of the signs is a largely unnoticed statement in President Johnson's recent Manpower Report. The President said the following: "But, as I have also emphasized, fiscal and monetary steps to achieve the full measure of needed growth may encounter problems of inflationary pressures before unemployment targets are reached."

It is true that a reduction in excise taxes has been recommended to the Congress; but the proposed magnitude of this tax cutting is far smaller than the increases in expenditures for education, retraining, and the war on poverty that have either been voted in recent months or are under consideration. Furthermore, there is welcome realism in the recognition at the highest levels that these new programs are but small beginnings on large problems. In my judgment, this new emphasis in employment policy is likely to yield much larger returns in the long run than the earlier emphasis on tax cutting as the "centerpiece of policy."

But "the long run" is much too distant for those who are most disadvantaged in today's labor market. As I see it, the greatest missing component in our emerging employment policy is a program of job creation specifically tailored to the present characteristics and location of the disadvantaged groups. One of the disadvantages of Negroes, for example, is that disproportionately large numbers of them—especially in the North— are crowded into the slums of the biggest cities. I believe that one of the most effective ways to get at this and a host of related problems would be to develop, as one of the major objectives of the war on poverty, a massive program of hiring and training the poor to help the poor. I am talking about something quite different from the current struggles concern-

ing who is to plan and administer the local programs; I am talking about the foot-soldiers of the war, not the generals. Some remarkably successful pilot projects have demonstrated the feasibility of training those who are being called "the indigenous poor" (surely an unfortunate phrase) to perform highly useful work as aids to professionals in education, social work, sanitation, counseling, and other fields. Thus, this kind of job creation helps to meet two kinds of shortages at once: the shortage of jobs for the poor and the shortage of trained professionals to guide the rehabilitation of the poor.

The war on poverty already has begun a very small program of this type. Sargent Shriver has estimated that by midyear there will be about 30,000 jobs for "the indigenous poor" under the auspices of his agency. I propose that this aspect of the war on poverty should be multipled many times over. Of course the cost would be large. Indeed, the expenditure might get to be as much as a fourth or a third of the size of the 1964 tax cut. I am increasingly confident, however, that the American public can be persuaded of the necessity and the benefits of this kind of investment in human beings. Surely self-help is an essential part of any effort to rehabilitate the slums and the people trapped in them. It is one of the means to the end set before us by President Johnson's memorable if inelegant phrase: we've got to make more people taxpayers instead of tax-eaters.

PREPARED STATEMENT OF DR. GARTH L. MANGUM, EXECUTIVE SECRETARY, NATIONAL COMMISSION ON TECHNOLOGY, AUTOMATION, AND ECONOMIC PROGRESS

MANPOWER POLICY IN PERSPECTIVE

The two bodies meeting as one here this morning are to be congratulated upon another landmark contribution to manpower policy in the United States. It has been primarily due to the efforts of the chairmen and members of the Employment and Manpower Subcommittee and the Select Subcommittee on Labor that manpower policy has, in just 4 short years, assumed a full partnership role in the economic policies of this country. This joint hearing is another forward step. The Manpower Report of the President has joined the Economic Report of the President as the primary documents of U.S. economic policy. This joint session of the responsible Senate and House subcommittees meeting in review of the Manpower Report analagous to the hearings of the Joint Economic Committee on the Economic Report adds the final weight to the balance between employment and manpower policies.

At this milestone in the development of manpower policy, perhaps the best service I can perform is to attempt to place manpower policy in perspective—perspective in relation to history, in relation to manpower policies of other nations and in relation to the total problem of the employment of human resources as it confronts us in this country. In doing so, it will be my thesis that the United States is feeling its way toward a comprehensive employment and manpower policy built upon an earlier unsuccessful, because one-sided, employment policy. I begin with a definition of manpower policy, outline briefly the shape of manpower polices abroad, trace the history of U.S. manpower policy and summarize present challenges.

The goals of manpower policy

Attempts to define manpower policy generally bog down in jurisdictional disputes. General economists would restrict the jurisdiction of manpower experts to the supply side of the labor market. Manpower specialists, on the other hand, restively refuse to remain uninvolved in policies related to the level of employment and the growth and structure of employment opportunities. Some would even make manpower synonomous with humanity.

But an agreed upon definition of manpower policy is irrelevant as well as difficult. What we pursue is not a definition but a set of goals relative to the employment of human beings and upon these there is a broad consensus. Without apologies for jurisdictional transgression to practitioners of fiscal policy, monetary policy, employment policy, or education policy, manpower policy for purposes of this brief discussion will encompass all aspects of those goals.

The economists' concern for the efficient use of manpower resources is obviously broader than his concern for efficiency in the use of other economic resources. In addition to being a basic economic resource, manpower is human beings without whom there could be no economic system nor reason for one.

Therefore, manpower policy must be concerned with the optimum development and efficient utilization of manpower resources not only to maximize the output and growth of the economy but as the primary source of income to consumers and the major determinant of status to members of a work-oriented society. This dual concern is evident throughout the three basic goals which are the essence of manpower policy:

1. Provision of employment opportunities for all who want them in jobs which reflect an optimum combination of free occupational choice, full utilization of each individual's highest skill potential, and allocation of available manpower resources in accordance with socially established priorities.
2. Provision of education and training opportunities capable of full development of each individual's productive potential.
3. The matching of men and jobs with a minimum of lost income and production.

Manpower policy in developing economies

Though the three goals of manpower policy are universal, the relative stress required by each depends upon circumstances. In the manpower policy of developing nations, education planning is primary. In the classic case of complete primitiveness no unemployment exists. Nearly the entire population is engaged in an inefficient subsistence agriculture. Health is poor; starvation is always near; illiteracy is universal; underemployment compared with the productivity of a truly efficient agriculture is complete.

The economy is trapped. Leaving aside capital equipment needs, an efficient agriculture must await skilled agriculturists who can win the population away from primitive practices. There can be no industrialization with its higher income potential without entrepreneurs, managers, and skilled workers. There is no educational system to produce them. If the trained cadre existed, there would be no employment for them until some takeoff point had been reached. Yet the demand for high-level manpower cannot be created until the nucleus of that manpower is present.

Manpower policy in this situation, which is only an extreme case of what exists to some extent in two-thirds of the world, must consist primarily of a manpower and education element in economic planning. The initial nucleus of highly trained manpower must be borrowed or created. It must be supported by taxation or foreign assistance. The manpower requirements of the economic development plan must be charted in terms of education levels and the supporting educational system created. A careful balance between agriculture and industry must be maintained both to provide the necessary calorie base and to prevent flooding urban areas with as yet unemployable migrants in search of higher industrial incomes. The alternatives to manpower planning is chaos.

Manpower policy in full-employment economies

The opposite end of the spectrum is represented by the labor-short situations of many Western European countries. A political consensus has been reached that full employment should be the primary goal of economic policy. Admirable sophistication has been demonstrated in using modern economic tools to attain that goal. A deliberate choice has been made to accept some inflation as a partial price of full employment but the need for price restraint is also recognized. Though the two approaches developed simultaneously, in effect, fiscal and monetary policy are the tools of full employment; manpower policy is a means of inflation control.

It is in this environment that manpower policy experiences its most impressive successes. The accomplishment of the first goal removes major obstacles to accomplishment of the second and third. Job vacancies exceed unemployment. A man-hungry economy is willing to redesign jobs to fit those workers who would be competitively disadvantaged in a slack labor market. The commitment to full employment includes quick resort to public works (usually backlogged by labor shortages) during temporary lulls. General tightness in the labor market decreases the enticement necessary to bring industry to areas of labor surplus.

There is no length to which profit-seeking employers will not go to obtain labor if demand for their product is sufficiently high. But in addition to aggressive recruiting, redesigning jobs, providing training, paying moving expenses and bringing capital to labor, employer can bid against employer with shattering effect on price stability. Public provision of labor market services reduces the attractiveness of wage piracy. Some frictional unemployment is the price of free occupational choice but the level is subject to reduction by increased labor market

efficiency. Reduction of frictional unemployment is equivalent to an increase in the effective labor force. Manpower planning is less important than in the developing economy but useful to assure that demand does not too far outstrip supply and, especially where the educational level is low, to avoid bottlenecks in long leadtime skills.

The aggregate demand—structural dichotomy is not as stark as this painting. Manpower policy in labor-short countries it not used solely to control inflation. But it is instructive to conceive it so to place in perspective the role of manpower policy under differing economic environments.

Manpower policy in the United States

The U.S. economy has been traditionally a labor-short one but not one sensitive to personal hardship or committed to full employment. Until after World War I, encouragement of immigration was the sole peacetime manpower policy. The unsophisticated technology of the day required vast amounts of raw untrained manpower to build and work the Nation's farms, mines, railroads, and mills. Given enough bodies, it was assumed that the unassisted market would take care of utilization, development, and allocation of labor. Education was important in public policy but in the quest for a viable democracy rather than the development of a trained labor force.

By 1920, the geographical frontier had been conquered. With mechanization and increasing productivity, labor force growth was a restraint upon wages and the political power of threatened groups was adequate to choke off competition from other lands. Only with the depression did public policy begin to concern itself with the provision of job opportunities, not from concern with economic loss but to reduce personal hardship. Success was meager but so in retrospect was effort relative to the magnitude of the problem. Wartime stringencies were met with a complex and aggressive but temporary manpower program. The history of manpower policy in the United States really begins with the Employment Act of 1946.

This brief history is justified by the need to highlight the sharp turn which manpower has taken since 1961. The Employment Act carried through the depression-born conviction that the level of employment was a responsibility of and subject to public policy. In this it marked a departure. But given that monetary and fiscal policy would maintain demand for labor at "maximum employment" levels, matching the men and jobs in terms of preparation as well as placement could be left to unassisted market forces. During the first 7 years unemployment averaged only 3.1 percent, but amidst wartime shortages followed by a return to limited wartime status, the act's contribution is uncertain. Certainly the record since then is not sanguine—4.6 percent 1954–57, 5.4 percent 1954–64, and 5.6 percent 1957–64. The significance of these figures is more apparent when one recognizes that in 1963 when unemployment was at the 1957–64 average, 14 million persons experienced unemployment. Of those, 2.6 million were unemployed over 15 weeks and 1.8 million were unemployed more than 6 months out of the year.

Some, including the CEA's second chairman, argue that the act has not failed, it has merely never been tried. An equally valid hypothesis, more relevant to the present discussion, is that the Employment Act foundered upon the rock of price stability. Once the stimulus of war and its aftermath had dissipated, no aggressive efforts to maintain demand were made. Involved was distrust of the Federal administrative budget deficits often necessary to the attainment of full employment, but the deficits occurred anyway in 7 out of 10 years. The real factor was fear of inflation.

Actually, the price stability record of the postwar period has been surprisingly good. Wholesale prices rose 24 percent between 1947 and 1964. But the entire rise is accounted for in two brief periods: the first year of the Korean war and the 1955–56 capital goods boom. Our experience with the relationship between unemployment and price stability is limited. Prices rose during 1947 and 1948 when unemployment was slightly less than 4 percent but were relatively stable during the 1951–53 period of 3 percent and under. Leaving aside these years which are confused by price stabilization policies, prices rose quite rapidly when unemployment approached but still exceeded 4 percent in 1955–56 and have been stable with unemployment above 5 percent. Using consumer prices changes the stable levels to a 1-percent-per-year rise. All of our concern for employment level-price level relationships is predicated upon this brief experience.

Despite the generally favorable record, inflation has proven a more fearsome specter than unemployment. Whether absent inflationary fears, aggressive

full-employment efforts would have been made is a moot question. Certainly price stability has been one of, if not the main obstacle to promotion of adequate demand.

Viewed in this perspective, 1961 becomes a watershed for manpower policy. Until the depression, the creation of job opportunities, the development of skills, and the matching of men and jobs were left entirely to the market. Only the recruitment of raw manpower through immigration was subject to policy. After the depression, the overall level of employment became a subject for public policy but the simultaneous concern for price policy thwarted this relatively noninterventionist approach to full employment. Though we have yet to explicitly recognize what we are doing, the best explanation is that we are threshing our way toward the European position—full employment through promotion of demand and an active manpower policy to restrain inflationary pressures by promoting productivity, providing adequate skills and aiding quick adjustment to any displacement.

Compared to the magnitude of some of the problems which confront us, the programs and policies of recent years often appear puny. As historical developments they have come with dramatic suddenness: the Area Redevelopment Administration, a beginning experiment in bringing job opportunities to chronically depressed areas; the Public Works Acceleration Act to use idle manpower to augment the social capital of these same areas; the still untried labor adjustment provisions of the Trade Adjustment Act; the landmark Manpower Development and Training Act with its amendments, not only seeking to end the mismatch between idle but untrained men and vacant jobs but augmenting manpower research, encouraging experimentation in the solution of manpower problems, providing basic education where needed as a prerequisite for training and beginning experimentation with relocation allowances; the whole forward thrust of educational policy, first with Federal assistance to higher education and a fivefold increase in Federal support for vocational education and now general aid to primary and secondary education with emphasis upon the financially deprived; the poverty program in all of its ramifications. Yet all of these programs suffer from our failure to recognize what we will in the long run see them to be: the beginnings of a dual approach in which the level of demand is largely, but not entirely, determined by fiscal and monetary policies while an active manpower policy restrains inflation at high employment by creating a labor market environment as similar as possible to textbook perfection.

The gaps in our manpower policy

The subject matter of manpower policy is broad but the central focus will vary with time and place. Apparent shortages of certain categories of labor have caused flurries of concern in this country but these are peripheral issues. Those impressed by skill shortages should reread the trade journals of the thirties where that concern never dissipated. The central problem of U.S. manpower policy is the reduction of unemployment. And that not because of the production loss involved. Full employment would increase GNP by 27 to 80 billion a year depending upon whose estimate one accepts. Additional income of these amounts would be welcome but important only if distributed among low-income groups. The important reasons for reducing unemployment are sociological, not economic. The self-esteem of the adult worker, the social commitment of youth, and the stability of family life depend upon it. Included is the problem of income maintenance for those families for which employment opportunities provide no solution. The true significance of the total output losses from unemployment is that the employment of the unemployed, the provision of adequate incomes and the improvement of our deteriorating physical and intellectual environment can all be supplied without real cost.

The creation of job opportunities

The major pieces of unfinished business in the country's manpower policies is the development of adequate numbers and kinds of jobs. Each of the impressive array of manpower programs developed in the past 4 years has been less than successful for one simple reason: the slow rate of job creation. Training does not create jobs. Neither does placement. New plants in depressed areas are not attractive as long as idle capacity and surplus labor exists in more prosperous areas. The accelerated public works program created jobs in the right areas but temporary ones on a small scale and not necessarily for those most in need of employment. It is no accident that the new Neighborhood Youth Corps is the most successful of the total poverty package. It creates jobs for those

who need them where they need them. Clearly, the most important manpower development of many years was the 1964 tax cut which not only reduced unemployment from 5.6 to 5 percent but demonstrated the amenability of unemployment to policy decisions. The consequent growth of the economy was impressive but not reassuring. Unemployment gives no evidence of further decline. The likelihood is quite the contrary.

The job creation challenge facing the economy is just beginning to be recognized. The Manpower Report of the President points out that an annual growth rate of 4¾ percent will be necessary for the next 6 years just to reduce unemployment to the 4 percent chosen by the Council of Economic Advisers as their interim goal. A higher rate of growth would be necessary to reach the 3-percent unemployment level generally considered to be more commensurate with the promises of the Employment Act of 1946. Even this somewhat startling statistic does not adequately display the full dimensions of the growth needs. With a labor force growing at 1.7 percent per year and output per man-hour in the total economy at 2.8 percent, 4½-percent annual growth in the output of the economy is necessary for the foreseeable future just to keep unemployment from rising. Even this may underestimate the growth needs since a sustained growth rate at that level might bring an upward push on productivity rates until equilibrium is reached at some higher level. The postwar economic growth rate of 3.5 percent is above the long-term average but far below present and future needs. Only the growth rate of the 1947–53 near full employment period would have been adequate to the present situation. Growth during the 1953–63 of rising unemployment was only 2.9 percent. Can last year's 4¾ percent be sustained? To do so is the first order of manpower business.

The measure of growth requirements is also a measure of growth potential. We have the manpower; we have the technology; we have the needs public and private to which they can be addressed. The argument over aggregative and structural explanations and remedies for unemployment have absorbed an undue amount of time these past 2 years. Wartime and foreign experience would indicate that, if one were willing to ignore the impact upon the price level we have the tools and the knowledge to generate any desired level of employment. Given adequate demand for their products, employers will recruit, train, redesign jobs to fit the available labor supply, and locate in labor surplus areas. However, they will also bid for the more desirable members of the labor forces who will in turn not ignore their own bargaining power.

Government aids to training, relocation, and placement are effective measures for reducing these inflationary pressures but not the only ones. There are those so competitively disadvantaged in the labor market that only at unsupportable levels of demand will they find satisfactory employment opportunities. How many there are, no one knows but the nearly 2 million who were unemployed more than one-half of the year in 1963 are a good approximation. It is here that manpower policy has taken another important step forward within the last few months. We have begun in a small way to create jobs to fit people rather than always people to fit jobs. The first step, the Neighborhood Youth Corps has already been mentioned. In less than 5 months, nearly 14,000 jobs have been created for unemployed youth; 200,000 more are contemplated for this year. These are not makework jobs. These youth will fill productive positions as badly needed aids to the short supply of professionals engaged in various types of public and nonprofit services. The potential demand for these aids is immense. A less noted second step was the President's statement assigning to the Secretaries of Labor and Commerce responsibility for the creation of 10,000 new jobs per month in the service sector of the economy. The task will not be an easy one but the presence of unmet demands of this type is a common fact of personal experience.

The latter, if successful, will make an important contribution to provision of adequate employment opportunities. Too much should not be expected, however. The major unmet potential demands in our system are inevitably in the public sector. We have a highly effective system for allocating resources to the needs of the private sector—the market mechanism. The individual desires of those of us fortunate enough to have the dollars with which to vote are fulfilled with remarkable efficiency. The collective desires of all of us, increasingly important in a wealthier society, are reachable only through a less efficient political process. In creating job opportunities for our partially idle and rapidly growing labor force, needs of the public sector should be paramount.

Neither educational needs nor labor shortages should be the focus of manpower planning in the United States. Our labor force is better educated, more mobile, and more adaptable than any other. Except for the nonprofit sectors of our economy there is little evidence that the market does not fill our manpower requirements efficiently. Our nonprofit sector requires planning as a substitute for an adequate wage system. Our real planning need is to look ahead at labor force and productivity growth and assure the presence of a sufficient number of job opportunities.

The development of manpower resources

So much for job creation; what of the development of manpower resources? What gaps are left after educational improvements and retraining programs? The gaps result not from missing pieces but from programs so small in size that too many persons slip through the sieve. The shortcomings and the advances in our educational system are well known. The sudden willingness to focus educational resources on the areas of greatest need—the poverty impacted schools—is the most hopeful of developments. We must hope for more than a nose in the tent.

Each of our education and manpower programs is more understandable as beginning experiments where none have been made before. Efforts to redevelop depressed areas have experienced little success. But that is not surprising from a totally new departure in public policy. Lessons have been learned and already there appears to be forming a new program designed to develop viable regional economies rather than limited political units. The MDTA program is clearly experimental. With unemployment averaging 4 million, only some 100,000 persons have been trained through MDTA projects. But valuable lessons have been learned and the act has been amended in line with that experience.

Retraining's real success will come in a high demand economy where full utilization of resources and rapid adaptability are needed to restrain the inflationary effects of labor shortage. When that time comes the Swedish goal of 1 percent of the labor force per year retrained—750,000 for us—will not exceed the needs. It will require major changes in administrative machinery including a shift in emphasis from ad hoc creation of special courses to individual referral to on-going programs and accentuation of on-the-job training, but these will come with experience. Meanwhile, the marginal mismatch which always exists between supply and demand in the labor market will continue to justify retraining efforts much larger than the present.

The beginning experiments suggest only the barest outlines of the ultimate education and training needs of an integrated manpower policy. Though preparation for employment is only one of the goals of education, education policy, and manpower policy are inseparably entwined. We have done little basic thinking about the question, "How do we best prepare people for employment?" What is the appropriate role of general education, vocational education, and on-the-job training? True to our pragmatic American traditions, without benefit of basic inquiry we are already floundering toward solution. The need for a more adaptable labor force is apparent. What kind of educational system will produce it? The nucleus is apparent in a number of educational institutions throughout the country. It will be free and open access to education and training opportunities at all ages. Beyond needed improvements at the primary and then secondary base of the educational pyramid—the first priority—is emerging the community education center—a postsecondary institution encompassing vocational, technical, 2-year undergraduate and adult education, tuition free, and within commuting distance of the entire population. The ultimate for which there is no prototype will be an income security arrangement which will allow truly continuous education—exit from the system whenever work experience proves attractive and return at any point regardless of age that further education and training is useful.

Matching men and jobs

Creation of job opportunities and development of the needed skills does not guarantee that employment will result. Jobs and men must be brought into proximity. For most workers and most jobs, this match will occur without assistance. But when assistance is needed it is needed badly and immediately. The public agency designed to provide that assistance is the public employment service. The role of the public employment service is and should be a marginal one. For this country only some 15 percent of placements occur through that instrumentality. Even in the advanced Swedish manpower system the role is only

25 percent. But this is the crucial margin between an efficient and an inefficient labor market. The Employment Service will always be confronted with the hardest to fill jobs and the hardest to place people. It lacks the resources—money and people—to adequately fill that role. In fact the role goes far beyond placement. The public employment service is the frontline agency of manpower policy. Upon its effectiveness depends the effectiveness of any general manpower program. We have loaded on it many new responsibilities but few new resources. It needs more funds. It needs higher salaries to attract and keep high-quality personnel. It needs employment counselors with the experience and training to probe deeply into the personal obstacles faced by the individual unemployed and time to seek out the disadvantaged. It needs a crash program to train these and other professionals who are in general short supply. It needs more uniform standards with greater enforcement authority. It needs a stronger Federal role in interstate placement, commensurate with the charter of the Wagner-Peyser Act and the commerce clause of the Constitution. It needs an end of the "damned if you do, damned if you don't" criticism that it is too weak and unaggressive to some but a "great manpower grab" to others.

A new departure in manpower policy which requires little comment is the development of relocation assistance. The political pattern is interesting. The subject was politically taboo in the original passage of MDTA. It was acceptable on a limited basis in the labor adjustment provision of the Trade Expansion Act a stort time later. A more general experiment was authorized in the 1963 MDTA amendments. It has promise of permanence in pending legislation. Its importance is limited. Relocation is not an attractive solution to unemployment for many. As long as unemployment is widespread it is of little value. Under full employment it will add a needed geographical dimension to the freedom of occupational choice.

Other minor gaps exist of which time does not justify pursuit. On almost every point, though, much remains to be done. The progress of the last few years viewed aganst the background of history is impressive. And more important, the outlook is good for further improvement.

CONCLUSION

Manpower policy in the United States is in its infancy. Recent developments have been impressive but must be viewed as experimental. We are in a period of transition. Complete laissez faire in assuring the availability of labor never existed. The depression ended its monopoly on the determination of employment levels. Public unwillingness to accept consequent price level impacts, relatively weak though they were, thwarted the simple aggregative approach to full employment. We are now feeling our way falteringly toward an integrated manpower policy which will mesh efforts to create adequate job opportunities, aggregatively and structurally, with the efficiency-increasing and inflation-reducing potential of aggressive manpower development and man-job matching programs. As programs they are small relative to need. Viewed in historical perspective, they represent a dramatic departure in economic policy.

Senator CLARK. We have been running these hearings pretty much on a seminar basis, and if it is agreeable to you and I hope that the Congressmen will cut in when ever he feels inclined I am happy you have such a faithful attendance, I think the State of Maine will profit, we hope, I would like to direct your attention in the first instance, although I do want to give you an opportunity to emphasize the particular parts of your report.

I would like to direct your attention in the first instance and ask Dr. Eckstein if he would respond first to a problem which puzzles me for a long while and to which I do not know the answer.

Which is then if we make the basic assumption that there is such a thing as manpower policy and if we can agree in general terms what it is or what it should be, how can we organize it appropriately administratively within the Federal Government and throughout the country?

Dr. Eckstein will recall that in previous appearances before the Senate committee, at a time when he was not a slave of the bureaucracy, we discussed this a bit without coming to any particular conclusions.

I had thought for awhile, as you may remember, that we ought to put the function of formulating and generally overseeing national manpower policy in the Council of Economic Advisers. That was sternly resisted by Dr. Heller and at that time, the then Secretary of Labor, now Justice Goldberg, was full of zeal to take the formulation of manpower policy into the Department of Labor. And it seemed to us on the Senate side wiser to put it where it was wanted than to lodge it where it was not wanted.

I must say that in my judgment the Department of Labor has done extremely well with it and that this Manpower Report for this year is really an excellent document, substantially better than its predecessors, as good as we have a right to expect, in view of the amount of time that has been required, but obviously not good enough, and to my way of thinking, one of hte natural and inevitable failings is that we have not gotten to the point yet where we can really formulate an overall manpower policy, perhaps we are coming closer to defining it, and we have the administrative difficulty of having various pieces of the pie as appear from a consideration of the report of the—the report itself lodged in so many different Federal agencies.

And out in the country in so many local and State agencies, such as the bureau of employment security, the local education systems, the unemployment compensation systems, and the like, that I am in rather despair as to how this thing could be pulled together at the top and then disseminated into the thing below so it will be meaningful.

I realize immediately when I say this thing I am not really defining manpower policy. It had gone through my mind that maybe we ought to end up with a sort of domestic national security council which would have generally the overall responsibilities in the economic and manpower areas which the National Security Council has with respect to defense.

This may be not only starry eyed but impractical. When Stanley Ruttenberg were here the other day—he quite naturally has a vested interest—indicated that all was quite well where it was, and that the President's Manpower Council, acting if not through the principal members at least through their possibly abler deputies was handling this situation well enough for the time being, but we did not press him.

What do you think, Dr. Eckstein?

STATEMENTS OF DR. OTTO ECKSTEIN, MEMBER, COUNCIL OF ECONOMIC ADVISERS; PROF. CHARLES C. KILLINGSWORTH, SCHOOL OF LABOR AND INDUSTRIAL RELATIONS, MICHIGAN STATE UNIVERSITY; DR. GARTH L. MANGUM, EXECUTIVE SECRETARY, NATIONAL COMMISSION ON TECHNOLOGY, AUTOMATION, AND ECONOMIC PROGRESS; AND NAT WEINBERG, DIRECTOR OF RESEARCH, UNITED AUTO WORKERS

Dr. ECKSTEN. Thank you, Senator Clark, it is a pleasure for me to be back here, this time for the Council of Economic Advisers. The Council has a strong interest in manpower policies and has a respon-

sibility under the Employment Act of 1946 to advise the President on policies to promote maximum employment opportunities.

The Council has no firm view on the proper organization of manpower programs. Certainly the Council itself would not be an appropriate agency to administer the programs. The Council has a total staff of 37 people, including the Chairman and all the secretaries. The Department of Labor, has 9,000 employees and apparently even the Department of Labor is not big enough to administer large parts of the manpower program—parts of it are administered by the Department of Health, Education, and Welfare.

In reaching policy decisions, our view would be that manpower policy is so closely interwoven with general economic policy that you could not set up two separate overall policy organs. It really has to be done together.

One of the main goals, certainly the main domestic goal of general economic policy has been the promotion of maximum employment opportunities. One of the Council's most on-going responsibilities is to help formulate general economic policies that will promote employment opportunities.

Administration manpower policy and economic policy will be made by the President.

The President needs to be provided with a steady flow of information on manpower developments in the economy. This is done both by the Labor Department and ourselves.

Second, the programs need to be adequately administered. This question is beyond the expectise of the Council and we have no view on what the best way is to get that job done.

Senator CLARK. I agree with that, but how would you fit in the pieces at the policy level?

Do you think that maybe we ought to rewrite the Employment Act of 1946 and let the Council of Economic Advisers handle it at the level just below the President, manpower policy implementation as well as our overall economic policy?

Dr. ECKSTEIN. Well, we do that now.

Senator CLARK. Yes, but you do not write the Manpower Report and you do not have the authority given by title I of MDTA.

Dr. ECKSTEIN. No, but in our annual Economic Report to the President we have a lengthy discussion of manpower problems. This discussion is generally very similar to the Manpower Report prepared within the Labor Department.

Senator CLARK. But which is delivered to the President 2 months before the Manpower Report is ready?

Dr. ECKSTEIN. Which is early enough to let them read it. [Laughter.] Seriously, there is excessive discussion and review of both reports within the administration.

The President in his Economic Report to the Congress has a very clear and firm statement on manpower policy. He says:

> To reduce human costs, raise productivity, and make possible full employment without inflation this administration is developing an active manpower policy.

Manpower policies are part of the discussion of general economic policy. The Manpower Report tells us how these policies are being implemented, and evaluates them. It also looks to future needs.

Senator CLARK. I think, then, that you are presently in the Council developing manpower policy and this really is your function? I used to think it was, I am not sure I still do not.

In other words, to be a little clearer, how do you relate in your own mind your manpower activities from a policy angle within the Council to the activities of the Department of Labor under MDTA title I?

Dr. ECKSTEIN. Well, we think that manpower policy has essentially three parts: job creation, manpower development, and matching workers to jobs.

Now, job creation is mainly the function of general fiscal and monetary policy.

Senator CLARK. In other words, you agree with Mr. Feinberg that this business of having structural unemployment high on the level of priorities is unsound, that if we have adequate handling of the economic cycle through fiscal and monetary policies that in the long run—I think this was the burden of your testimony a few years ago as I recall it—in the long run the pieces will fall in place; sure, it is all right to have some training; sure, we have to have a good educational system, but in the long run, if you stimulate aggregate demand without inflation, people are going to be hired.

Dr. ECKSTEIN. No; we seek to identify emerging problems in the changing structure of the demand and supply of labor. We have a rapidly changing labor force now. We really need all three parts of manpower policy.

We know we need job creation, we know we need development of manpower——

Senator CLARK. How do you define development?

Dr. ECKSTEIN. That would include all of the education and training activities—investment in human resources. Finally, we need to improve the working of the labor market through means such as the Employment Service.

We need all three parts of manpower policy. We need the second to raise the longrun growth of the economy and to provide an income distribution which provides everybody with a decent living. We need the third to reduce unemployment, including frictional unemployment, to a bare minimum, and also to be able to raise our employment targets before running into inflationary difficulties.

Senator CLARK. What is your view as to the extent that these needs can be prognosticated, crystal ball gazed, if you want, so that you can give some good answers at the level of the Council of Economic Advisers to the President in terms of how he should adjust the Federal budget, let us say, and the other procedural and program devices of the Federal Government to achieve the ultimate aim of full employment?

Dr. ECKSTEIN. Of course, we follow the developments in the economy very, very closely. I think it is safe to say there is hardly a straw for economic forecasting that does not somehow become grist to our operations.

We know that forecasting is not a precise art or science and we also know that the more distant the date for which you forecast the more problematical it becomes.

In recent years we have been fortunate in our short-term outlook work and have been hit by relatively few surprises. We hope our

good luck continues. We think we are improving our methods, but it is always a mixture of improved methodology and good luck.

Senator CLARK. In terms of the implementation of manpower policy how would you respond to the suggestions that it is difficult to overcome the lag between manpower needs and as they develop, as you prognosticate they will develop, and the education or training of the individuals needed to fill the bill? I suppose to some extent a wide guidance council, or in a high school, would pay a good deal of attention to the economic prognosis which you and the manpower people would develop as to the skills which would be needed at the time the high school student joins the labor force? Would you comment a bit on that?

Dr. ECKSTEIN. Let me give you two examples. There have been a great many concerns expressed about particular problems of adjustment in labor force. We think we have identified the key problem of this period and we reported on it in the annual report of the Council at least a year and a half ago.

We think the key problem of adjustment today is the smooth absorption of the increase in the number of young workers; we think this is the outstanding manpower problem. The only comparable one, which is a more permanent one, is the achievement of true equality in job opportunities.

Senator CLARK. Right there, do you think that any governmental agency, or even indeed in the private sector, are required to solve that smooth fit-in or is it your view—and Mr. Weinberg will excuse me if I misquote him and step up if I do—that if your fiscal and monetary policies are adequate this problem will tend to solve itself?

Dr. ECKSTEIN. No; the problem would solve itself, but only at a high cost.

If the total number of jobs were sufficient, these teenagers would wind up employed in due time, but it might be with an unnecessary delay or it might be with interim surpluses of labor of one type and shortages of another. As we move to full employment, we think there are positive steps that can be undertaken to smooth the way.

Now the Council is not really in the least position to recommend specific operational ways that this task can be eased. That is the job of the Labor Department, Health, Education, and Welfare, and outside people.

Senator CLARK. Mr. Weinberg, do you want to comment on that?

Mr. WEINBERG. I would not want to be put in the position of saying that training programs, improvement of the employment services, manpower programs generally, have no value.

Senator CLARK. You made it very clear in your paper, but you sort of put this in the second pot.

Mr. WEINBERG. That is right. I tried to make the point first, that these measures can only function effectively in an atmosphere of adequate demand; second, in an atmosphere of adequate demand they can be used to add to the rate at which we can raise the productivity of the labor force and thus increase the pace at which we raise living standards. The Swedish approach is different from ours. We are using manpower policy as an excuse for not having a full employment policy. We are using it as a salvage operation for the unemployed.

In our context, where there is not enough demand, retraining the unskilled unemployed may accomplish little more than increasing the number of the unemployed classified as semiskilled.

Senator CLARK. Dr. Mangum, come back to that.

Dr. MANGUM. It seems to me, Senator, that it clarifies this issue to think of it something like this: I am convinced that we could employ all the people who want to be employed simply through aggregate means if we could stand the inflationary pressures. Our wartime experience is one example. Past experience also indicates, however, that our remarkably low level of inflation tolerance in this country stands in the way of our reaching the kinds of unemployment goals I would advocate by aggregate means alone. The role of manpower policy, which includes all the retraining, and the work of the Employment Service, as well as special programs to create jobs to fit particular groups of disadvantaged people——

Senator CLARK. Such as we hope is a very much larger public works program than the administration had been willing to recommend?

Mr. WEINBERG. Yes.

Dr. MANGUM. These are the kinds of programs which allow us to get people employed without the inflationary pressures which would result from a pure aggregate approach.

Mr. WEINBERG. If I may, Senator, I think that we have enough work to do in this country that our present unskilled and semiskilled workers can perform with their present skills or the lack of them. This could be done without creating any inflationary pressures. But I would not want to minimize the possibility of inflationary pressures which, however, do not come from the demand side while so much of our manpower and capacity is idle.

There is an inflationary problem, but that problem I think arises primarily in the administered price sectors of our economy where corporations are in a position to take advantage of an increase in demand to raise their prices for the purposes of increasing their profit margins to pervert increased demands into inflation rather than higher employment.

Senator CLARK. Sophisticated development theory?

Mr. WEINBERG. No, I think the evidence of the postwar period illustrates what I am talking about. For example, Gardner Means has demonstrated, and I think pretty conclusively, that United States Steel set out during the postwar period to raise its rate of return on investment when operating at 80 percent of capacity from 8 to 16 percent. Along the way, of course, they blamed the Steelworkers Union every time there was a price increase. But they used every wage increase as an excuse not merely to compensate themselves for the increased costs—which many times did not rise at all because of higher productivity—but primarily to increase their profit margins. This is where the inflationary danger is.

Senator CLARK. How would you handle this?

Mr. WEINBERG. I think you have to tackle that directly by finding some means of imposing restraint on price increases by price leaders in administered price industries—some means that will substitute for the competitive forces in the marketplace that do not operate in such industries. I think one way to do that—it remains to be seen whether it could be done effectively—we believe it would be—is to make them

give advance notice and public justification for their proposed price increases.

Senator CLARK. Like the Clark-Reuss bill several years ago?

Mr. WEINBERG. Something along those lines.

Senator CLARK. Dr. Killingsworth, you have been neglected. Would get into this act?

Dr. KILLINGSWORTH. Yes, I would like to make a comment or two.

In particular, on this point of how we solve these two key problems, I have felt for a long time, and still feel, that the potential of increases in aggregate demand is being considerably overestimated. I would just like to comment on the example which Dr. Mangum cited, the wartime experience, I think that we can learn a great deal from a more careful analysis of the wartime experience than is generally made.

The role of an increase in aggregate demand, I think, is vastly overestimated, so far as the wartime experience is concerned. The fact of the matter is that employment was actually lower in the civilian economy in 1945 than it was in 1942.

What really happened during the war was an enormous change in the patterns of demand within the economy. There was a doubling of employment in the durable goods sector and the lion's share of the increase in durable goods took place in transportation equipment and ordnance. What happened there—particularly in shipbuilding, aircraft manufacture, gun manufacture, and so on—was that what had been handicraft operations essentially, low volume, custom-order kinds of operations were almost overnight transformed into extremely high-volume operations. This enormous increase in the volume of output made it possible to break down what had been skilled jobs and to make semiskilled or unskilled jobs out of them.

So that one essential lesson that we ought to draw from the wartime experience is that when you multiply total volume of output for an industry like shipbuilding by tenfold or twentyfold, you obviously create the possibility of the redesign of jobs.

You do not create that possibility with a 10-percent increase in production.

Senator CLARK. I think we now have a pretty good clash of opinion between Mr. Weinberg and Dr. Killingsworth. Suppose you rebut.

Mr. WEINBERG. I think Dr. Killingsworth has helped to make my case. He speaks of an enormous change in the pattern of demand under wartime conditions, and he agrees that the labor force did manage to adapt itself to those changes in the patterns of demand. He speaks of a doubling of the durable goods industry.

It is true that in some fields work was broken down, but on the whole, the durable goods industries are industries of higher productivity per worker than the nondurable, and the workers were able to make the shifts, even in those situations where it was not possible to break the jobs down. The breakdown of jobs was based on volume. When we speak of an increase in demand we are speaking of an increase in volume for many industries.

In addition, if we increase the volume in public works, for example, there is a very large unskilled and semiskilled labor component in public works.

Dr. Killingsworth, some time ago, produced a paper to which a great deal of attention has been paid in which he tried to support the structural thesis——

Senator CLARK. It got quite a lot of attention from the Senate subcommittee, too.

Mr. WEINBERG. He conceded in a footnote that if we were doing the kinds of jobs we should be doing in such fields as housing, then we would not have the kind of unemployment problems that we have today. This is basically the matter of demands we are talking about.

Senator CLARK. Is there any middle ground, Dr. Mangum, between these points of view?

Dr. MANGUM. I am reminded of that famous elephant with all the blind men around it.

Mr. WEINBERG. I call economics the elephant science, for just that reason.

Senator CLARK. Quite seriously, from your point of view, first, as counsel for the Senate subcommittee, and then over in the Department of Labor and now as the Executive Director of the Commission on Automation and Technology——

Dr. MANGUM. And Economic Progress.

Senator CLARK. Give us a little bit of your distilled wisdom on this problem.

Dr. MANGUM. First, there is only one way to create jobs; that is by spending money for the purchase of goods and services. If you are going to increase the number of jobs, then you can only do it in a very limited number of ways. You can encourage consumers or investors to spend money that they would otherwise save, or encourage them to borrow——

Senator CLARK. This is assuming we eliminate the chain gang.

Dr. MANGUM. Right.

Or you can reduce taxes and leave more money in private hands for purchases of goods and services or you can increase Government expenditures either for transfer of payments or for direct purchase of goods and services. These are the only things that create jobs.

You train and educate people to help them to fill jobs. You can move them to the jobs. But neither education, nor training, nor placement create jobs.

Senator CLARK. So, to that extent, you agree with Mr. Weinberg and you say that we have to pump enough money into the economy to create an aggregate demand which, in turn, will create jobs.

Dr. MANGUM. Right; to that extent I am agreeing with his premise.

Now, the choice between investment incentives, tax reduction, or expenditure increases are among the most important debates that go on within Government today.

Now, if you get yourself to these very high levels of demand, what happens?

If employers are man-hungry enough, they will do a lot of things Dr. Killingsworth is describing. They will redesign jobs. They will hire people regardless of color or age. They will lower their requirements, they will relocate people, they will even relocate factories, if necessary. But, at the same time, they will bid for the services of the most attractive workers.

This will exert upward pushes on wage and price levels. Employers will also do what Mr. Weinberg is saying. This will create a sellers'

market in which they will exploit their favored position just as workers will exploit their bargaining position, whether organized or unorganized.

My position is that we must create jobs primarily through aggregate means but, assuming we are going to get unemployment to the 3 percent your subcommittee has advocated, we must improve the workings of the labor market and to direct some employment specifically to those disadvantaged groups stressed in Dr. Killingsworth's excellent paper.

Then, back to Mr. Weinberg's position, we have the tasks to be done, we have the people who want to work. We have the economic knowledge and tools. All we need to do is put them together.

Senator CLARK. We will give you a chance in a minute, Mr. Weinberg. As you comment, would you touch on the influence, if any, on what has been said of the threat of inflation and also the balance-of-payments problem?

Dr. ECKSTEIN. First, let me say that we, at the Council, feel that the controversy over structural unemployment was part of the growing pain of developing a good, two-pronged approach to our manpower problems. It was a mistake from the beginning to pose these things as alternatives and we think the day is passed when we really have to defend ourselves against the structural argument. We feel that the evidence of the last year is so strong, and my statement has a long recitation of that evidence, that a middle ground is clearly called for.

We think that manpower policies which do not have job creation as a major part will produce a bitter harvest of trained people unable to utilize their skills. We believe that general policies without manpower development and job matching will keep us with full employment targets which are too low. We hope we are going to get away from this endless controversy of one against the other, in which people of good will probably neutralize each other and do not serve the goals of the American labor force particularly well.

Senator CLARK. In other words, there does not need to be any controversy, because both are necessary.

Dr. ECKSTEIN. That is right. There are real structural problems, and of these, equality of opportunity and the enlarged number of young workers are the two main problems.

Now, lots of other problems have been raised and we think most of these others are of a much lower order if they exist at all.

On the question of inflation, nobody knows how fast this economy can be run before it runs into serious inflationary troubles. We do know something from a careful study of the past. We know that when you have balanced expansion, when you have smooth expansion without sharp ups and downs, without unsustainable investment and inventory booms, without sharp reversals of fiscal and monetary policy, the economy can stand a much higher rate of growth.

If you approach full employment smoothly, you can keep demand, new orders flowing into industry, very closely in line with the expansion of production and shipments.

Senator CLARK. How about this figure, this gap of $30 billion between GNP and the potential of the labor force and the production and sale capacity?

Dr. ECKSTEIN. We have had a rapid rate of expansion, in the first quarter the gap was on the order of $20 billion, computed by the method the Council has used all during this period. That is considerable progress. We hope we can keep closing the gap. We feel that at this time no major inflationary threat is in sight. We know there are always some difficulties. We now have troubles with nonferrous metals prices as we did last fall, but you can expect in an expansion of this sort that you will run into some abnormal price rises somewhere. Fundamentally, the rate of wage increase remains within productivity, costs are stable and wholesale prices are still within a narrow range.

Senator CLARK. Do you happen to know whether the Federal Reserve and the Treasury agree with you?

Dr. ECKSTEIN. It is our impression that they do. In fact, yes.

Senator CLARK. You talk with them, do you not?

Dr. ECKSTEIN. Yes. Of course, they will have to speak for themselves, but I think everyone who follows this problem closely, agrees that we have not had inflation. It is perfectly evident from the figures. I think everyone also agrees there is still considerable margin of productivity left.

Now, as good growth continues, disagreements may develop. But as long as growth continues in this rather balanced way with productivity matching wage increases and costs remaining stable, and without major shortages or bottlenecks, we think that we can achieve a much higher level of prosperity.

Senator CLARK. You would include the recent temporary steel settlement in that? This does not break the productivity ceiling?

Dr. ECKSTEIN. We do not want to overinterpret the steel settlement because it was only in interim settlement, it was at a rate of 2.6 percent, but it was made clear by everyone that it was an interim settlement.

Senator CLARK. It is pretty high, is it not?

Dr. ECKSTEIN. Well, the economywide rate of increase of productivity is on the order of 3 to 3½ percent. On one computation 3.2 percent, but we must not pretend there is excessive precision in that estimate.

Senator CLARK. How about the steel strike?

Dr. ECKSTEIN. Under the wage price guideposts, wages are computed on the economywide trend.

Senator CLARK. So, you do not seriously quarrel with this interim settlement?

Dr. ECKSTEIN. No.

Senator CLARK. How about the balance of payments?

Dr. ECKSTEIN. In the balance of payments, I think it is clear that in the period 1955–61, the United States lost very important ground in its competitive position in the world. Our prices in our export sector rose very substantially, particularly of autos, machinery, and steel. We suffered very heavily for it. In our balance of trade we lost between $1½ and $2 billion in those industries.

Since 1961, these sectors, and indeed, most of our economy, have enjoyed price stability. Our major competitors have had some inflation, so we have recaptured a good part of the group lost then. Whatever difficulties there are in the balance of payments cannot at this time be blamed upon our trade position, unless you go way back into the his-

tory of the fifties. The problems are in the capital account. For that reason, our measures were aimed at that sector.

Senator CLARK. They have been pretty successful, have they not?

Dr. ECKSTEIN. Yes; they have.

Senator CLARK. Mr. O'Hara?

Representative O'HARA. There are many questions I want to ask. Let us proceed backward.

Dr. Eckstein, do these guidelines assume that some sort of a utopian division of corporate earnings between the capital and labor functions at the beginning of the period?

Dr. ECKSTEIN. No. The guideposts are based on the experience of the postwar years. During the postwar years, especially in the 1950's, unions bargained hard and companies bargained hard, and in the process, we experienced a substantial rise in our prices. When the whole story was over the division of incomes was exactly where it was at the beginning, so this whole game—this leapfrogging of wages and prices—gained nothing for either side and lost both of them a share of our foreign markets. We feel that we can do better than that.

People understand that there is a relation between their costs, prices, and markets. It is the wage-price guideposts which point the way to the kind of price behavior and the kind of wage behavior that let us achieve stable prices, and on the whole, the economy's record is in accord with the guideposts.

In other words, the basis of the guidepost is that in that story it worked out.

Representative O'HARA. You do not mean to imply that in a utopian society that would necessarily be the division of corporate earnings between labor and capital?

Dr. ECKSTEIN. Well, the guideposts have always left room for a change in division of income between labor and capital within an industry.

Representative O'HARA. And the administration is proposing bills suggesting that—minimum wage bills and others.

Dr. ECKSTEIN. What the guideposts do try to convince people they should not try to do is to change the division of income at the expense of the consumer and the public.

Mr. WEINBERG. May I comment on that?

Representative O'HARA. Yes.

Mr. WEINBERG. We have had a situation now since 1956 where real employee compensation has been lagging very substantially behind productivity, productivity measures a physical quality and the guideposts of an interpreter by the Council recently in terms of money wages and not real wages, and you cannot have a physical quality on the productivity side without taking account of the physical quality of goods that employee compensation can buy.

If I may, I would like to ask Dr. Eckstein how long he thinks this process can continue of real employee compensation lagging behind productivity without introducing very serious imbalances into the economy. I would like to point out that imbalances have come about despite what he said. Take the period from the second quarter of 1960, which was the peak of the last previous recovery to the third quarter of 1964. Corporate employee compensation went up 20.3 percent, dividends went up 38.9 percent, and corporate retained earnings plus capital consumption allowances went up 35½ percent.

So there are disproportions being introduced. I would like to ask how long this process can be permitted to continue without our becoming concerned about it.

Dr. ECKSTEIN. Dr. Weinberg and I have had a private dispute on this subject for awhile. I do not want to bore the committee with delving into these statistics in great detail, but let me, if I may, introduce into the record a chart from our annual report which shows that the division of the total corporate income between wages and capital is highly responsive to the cyclical condition.

As the economy gets closer to full employment and full capacity, there is always a shift towards profits. As it fades away into recession, there is a shift away from profits.

We think this relationship is unchanged.

Representative O'HARA. I want to say I do not view these guideposts as having the same status as Holy Writ. I very seldom have heard anyone bringing to bear their moral force on an employer to get him to bring wages up to the guideposts, but I quiet frequently hear warnings that employees should not exceed the guideposts. It seems to be one-way operation.

Dr. Mangum commented on what happens if aggregate demand is increased and what that does to demand for labor. He also commented on some of the alternatives available to fill the added production created by increased demand. He mentioned among them bidding higher for skilled labor, relocating people, tailoring jobs to persons not now employed and making use of them, employing minority groups, and where necessary, relocating plants.

I think one of the basic difficulties is that the effect we are seeking—namely, full employment, the effect we have been talking about here today—is rated rather low on that scale. I have been concerned in the past, and I am sure Mr. Weinberg has, even though he now tells me that increased demand will solve everything——

Mr. WEINBERG. I do not say that.

Representative O'HARA. I have been concerned in the past with one particular aspect of this problem. This is the growing preference of employers to meet increased demand by scheduling of overtime employment for current employees instead of hiring new employees.

But I think that by the time you get through running the bidding up, the production, income, as demand increases, and the price of the product can be raised, all the more reasons occur why you can afford to automate your processes as the price for skilled labor goes up. You bid up the price for skilled labor, you work all your employees overtime, maybe you do some relocation, and in the last analysis, if you still cannot meet the requirements you consider hiring on people of low-skill content, low-educational background, disadvantaged groups.

So, I am wondering if, when we talk about increasing demand, if that is not an extremely expensive way without some very sensible manpower, education, and training policies, a very expensive way of achieving our objective.

Dr. Mangum?

Dr. MANGUM. May I comment, first, that I make my living on the manpower side, not the aggregate demand side of this particular dichotomy. I am merely trying to put the roles of these two types of

policy in perspective. I certainly am not arguing for any reduction in our manpower efforts.

I think we have made tremendous progress in manpower policy in a very short period of time. This is what I tried to stress in my prepared statement. The single-minded, aggregate demand approach, which was the initial approach under the Employment Act of 1946, was not very successful. In the period immediately after the war, we kept unemployment down to around 3 percent, but then, we had this long period in which it averaged above 5½ percent. I think the best way of understanding what has happened in the last few years is to say that the single-minded approach failed and that we now recognize that we have to supplement it by manpower policy.

It is that the manpower programs which have begun to make the aggregate demand approach possible. Without addition of the manpower policy approach, the very low level of inflation tolerance in this country would prevent us from getting much closer to satisfactory employment levels than we have gotten. We will need much greater efforts to create the jobs necessary to get to low levels of employment. We face what I consider to be an unprecedented situation, a situation where the labor force will grow for the next 10 or 15 years at about 1⅓ percent per year. With productivity increasing roughly in the 3-percent area, we have to grow at 4½ percent or above just to stand still. We have to grow faster than that to bring down unemployment.

Representative O'Hara. Professor Killingsworth ought to have a chance to say something.

Dr. Killingsworth. I would like to make two comments, first, again on the wartime experience and the role of changes in demand there.

I think it is almost universally forgotten that one of the major aspects of the wartime experience was the most enormous training program in the history of the country—all, of course, conducted at Government expense because most of the contracts were on a cost-plus or some comparable basis.

There was also an enormous recruitment effort, an enormous relocation of labor effort, again, undertaken at Government expense, so to speak of the wartime experience as a good example of the effects of an increase in aggregate demand seems to me to misinterpret that experience rather seriously, because there was a great deal more to it.

In the second place, if I could offer one general comment on what seems to be to me, at least, a mistaken impression which, with all due respect, I think, seems to be reflected in the statements of all three of my colleagues here on the panel, I do not thing that a year and a half ago or 2 years ago, when there was a lot of discussion of structural unemployment versus fiscal drag, that it was really a matter of posing structural remedies versus aggregate demand stimulus as alternatives.

I would like to recall that in my testimony before the Subcommittee on Employment and Manpower, I specifically, and without qualification, endorsed the tax cut which was pending that time. I have never taken the position that stimuli to aggregate demand have no role whatever to play.

My position simply was, and is, that sole reliance on tax cutting in particular is an inadequate remedy. The position I took before the

committee on the policy aspects was that the tax cut would not fulfill the predictions that were being made by the Council of Economic Advisers, namely, a decrease in the unemployment rate to the 4-percent level following a tax cut, and second, the sharpest decreases in the unemployment rates for the most disadvantaged groups.

These were the two points on which the disagreement was the sharpest. My position simply was that the tax cut was fine, but it was a one-legged ladder, and that the neglected aspect of economic policy at that time was a much more adequate manpower policy. I think that the balance has been somewhat redressed now.

But I can think of only one person who posed the so-called structural remedies as a complete alternative to the stimulation of aggregate demand. He is a distinguished Member of Congress. I do not think of anyone who took a position 18 months ago who fully agreed with that.

I can think of a hundred people who took the position that we did need a stimulus to aggregate demand, specifically the tax cut, but that the tax cut was quite inadequate to achieve what the Council was predicting for it.

Mr. WEINBERG. May I, Congressman?

Dr. ECKSTEIN. May I reply to that?

Representative O'HARA. Let's go to Mr. Weinberg. I implied that he said different things on different visits to Washington.

Mr. WEINBERG. I have tried to make it clear in my paper and elsewhere that I do not deny the existence of structural unemployment. Certainly the situation in Appalachia is very largely a structural situation. But I do believe that much of what appears today to be structural would evaporate or dissolve if demand were higher, and I cite some recent evidence in my paper.

I would like, if I may, Congressman, to submit for the record, because I think it would be a very valuable addition to your record, the Wicksell lectures given by Robert Solow in Sweden sometime ago in which he analyzes the U.S. unemployment problem. I think it demonstrates persuasively that ours is not essentially a structural problem but a problem of inadequate demand.

In fact I think the point I am trying to make is supported again by what Dr. Killingsworth has just told us. Employers during wartime engaged in retraining, adaptation of jobs, in relocation in some cases——

Representative O'HARA. At Government expense.

Mr. WEINBERG. It was at that time at Government expense. But the main reason is that it was profitable to do so. High demand made it profitable for employers to undertake training and similar activitives. It is not important that high demand was provided by the Government. What is important is that high demand made it profitable for employers to do these things.

If high demand in the market generated by Government expenditures or by private expenditures made it profitable to do so they would do the same kinds of things again; and, once again, we would have a situation where what appears to be structural unemployment would be dealt with by the natural forces in the economy.

May I make a couple of more points, Congressman?

We face practical situations under present conditions that make for misuse of the manpower programs. We have one in the Chrysler Corp., where, under present conditions, the corporation, instead of undertaking the retraining of workers that it would normally do on its own, is trying to transfer that burden to the Government manpower programs just because they are there. Chrysler is making enough profits to do retraining itself. It needs these workers. It would train them itself if the manpower programs were not there.

I am not suggesting that the manpower program be eliminated because I think they serve a valuable purpose, I think they would serve an even more important one in an atmosphere of full employment. One of my fears is that what we are doing in the way of labor market policy may be discredited if we do not provide the demand which will make the operation of those policies fruitful.

On the balance-of-payments and inflation problems—the major guide to policy in this country is supposed to be the Employment Act. It is an employment act—not an anti-inflation act, not a balance-of-payments act—and you have to deal with those problems as side effects of raising demand.

It would be ridiculous to tell a man who is dying not to take an antibiotic that could cure him just because there may be some side effects that could be dealt with in other ways.

There are ways to tackle the inflation problems, the capital outflow problem. Other countries have controls over the export of capital. There are also ways to tackle the overtime problem, as you well know, by increasing the penalty premium rate on overtime.

I would not disagree with Dr. Mangum's statement on the respective places of demand and manpower policy. What I would like to do—and I do not think he would disagree with this—is to stress the necessity for adapting jobs to people as well as adapting people to jobs.

In that connection, I would like to read a couple of sentences from what Sir William Beveridge said many years ago in his book on full employment:

> This means that the demand for labor and the supply of labor are related qualitatively as well as quantitatively.
>
> The demand must be adjusted to the kind of men available or the men must be capable of adjusting themselves to the demand.
>
> In the light of the facts of unemployment, it is clear that the qualitative and local adjustment of demand for labor and supply of labor has to be approached from both ends—that of demand and that of supply.

If we rely on Government expenditures to give us the demand that we need—and Lord knows there are plenty of useful things the Government could spend on—then the men could be attracted into areas that would make use of their present skills and train the people who are available for employment but who are not employed.

Representative O'HARA. In other words, if necessary, some sort of sheltered employment.

Mr. WEINBERG. Not sheltered employment—that is not the primary idea, although Sweden has found it advisable to provide that for people who are physically or mentally disabled from doing regular jobs, because they can contribute something to their own support in that way. I am thinking of useful jobs that have to be done, in the way of public services and facilities that are seriously lacking and that can be provided by people who are presently unemployed.

Along with that, I would do everything possible to upgrade their skills, to make up for the deficiencies of their training, to increase their productivity so that their living standards and those of the country generally could rise. The two things are complementary.

Representative O'HARA. Mr. Eckstein?

Dr. ECKSTEIN. Let me just comment on a few points in passing.

Let me go back for a moment to Dr. Mangum's remarks. In general, we would agree with his remarks, but I think it would be a mistake to identify the Employment Act of 1946 solely with fiscal and monetary policies, the act itself does not suggest that at all.

The act states that there should be a review of the economic programs of the Federal Government and a review of economic conditions affecting employment in the United States, or any considerable portion thereof. The language of the Employment Act clearly goes beyond fiscal and monetary policies.

Also, I think that we should not say that general economic policy failed in the period when high unemployment developed. General economic policy just did not seek to promote full employment. Inadequate fiscal and monetary policies in a period of rising unemployment do not show that adequate policies would have failed. Total demand was simply not large enough to insure full employment.

Now, on Dr. Killingsworth's remarks, first, I think these hearings, are, in general, a reflection of the development of our thinking. We all recognize that you have to create jobs, develop manpower, and bring manpower and jobs together. I imagine we would not even be that far apart on how much of each should be done.

I think we also are beginning to escape the unhappy terminology of structural unemployment versus general unemployment, and I think we are all coming to appreciate that what you really have to look at is the changing structure of unemployment.

There are changes in the composition of the labor force and these changes have a reflection in the composition of unemployment at any particular time, whatever the global rate.

It is the changing structure of the labor force that creates specific challenges to manpower policy.

Representative O'HARA. Does not another advantage to training and education lie in the fact that the more highly skilled the labor force becomes the less relative importance is attached to tailoring jobs to people, rather than trying to elevate people to jobs? In the long haul, I believe the real income of the Nation is going to go up faster with the emphasis on the first point.

Let me get at one more problem here. These are manpower hearings. This is one of a dozen major training efforts pursued by the Federal Government, including a National Defense Education Act, Higher Education Facilities Act, with emphasis on technical institutes and community colleges, a technical training provision of National Defense Education Act, apprenticeship programs, vocational education, manpower training.

I have been disturbed about this. We have so many slots in x number of programs, and we are going to try to fit people into those slots. I think perhaps we are putting the emphasis at the wrong end by emphasizing the unemployed who are undereducated, without skills, and so forth. Perhaps we ought to be starting at the other end,

putting the major emphasis on upgrading of skills and developing of abilities of those who are best able to absorb such education and training.

It seems to me that our policy, in its actual application, is going in all directions at once. I wonder whether any of you gentlemen have any comments or suggestions about how this training and education function could be dealt with in a more comprehensive and efficient way.

Mr. Mangum, you have been at this business awhile.

Dr. MANGUM. Well, I think there are perhaps a couple of comments, Congressman.

First, one of the obvious things wrong with our training programs is that there are not enough of them. Mr. Weinberg has referred to Swedish labor market policies.

They had set a goal of retraining annually 1 percent of their labor force. They passed that goal and now have decided they might just as well retrain 2 percent. One percent of our labor force would be 750,000 persons per year retrained.

Our retraining programs now have completed the retraining of some 100,000 people. There are more than that enrolled in training programs underway but this is the order of magnitude of our programs.

Now, to your comments concerning the returns to education and training: If, as is generally accepted now, the returns to investment in training and education are very high, it might be well to forget about whether people are employed or unemployed and say, anyone who wants to be retrained or upgraded ought to have an opportunity for that upgrading at public expense. Therefore, training programs should be completely open to anybody who could demonstrate that they could usefully use a higher skill. Then this whole upgrading process you are talking about could take place on a wider scale, with lesser skilled people coming in at the bottom.

Representative O'HARA. Professor Killingsworth?

Dr. KILLINGSWORTH. I would like to make a couple of comments. One is that the administrative organization of this whole retraining effort does remind me a little of the bumblebee, which according to theoretical principles, cannot possibly fly, but which manages to do so.

I happened to be chairman of the Michigan Manpower Development Committee back in March 1962, when we were getting this program underway, and I must say that chaos and confusion were the order of the day in the early months.

I must also say, however, that there has been a considerable adaptation; that the local school board people, the local directors of vocational education, the local directors of the employment service, and so on, these people have learned to live with the organizational structure, all of the forms that have to be worked out, and so on.

I do not think that it is an impossible administrative task.

I do not think that there is some real possibility of greater coordination and I think that just strictly off the cuff, one might suggest the appointment of a coordinator of all of the programs, perhaps at a State or even at a level lower than the State who would have some authority from all of these different Federal agencies that are involved in this program.

In other words, I can see that many of the administrative provisions that were made were responsive to the established bureaucracy, the established division of authority between the various Government agencies, and while this was highly confusing and a great handicap in the beginning, it is my distinct impression that it is much less of a problem today than it was at the beginning of the program.

I would like to make a second point with regard to the specific problems of particular groups. I would like to cite some of the findings that I have from a study of Negro unemployment.

I think we have been neglecting detailed attention to the particular sources of disadvantage of particular groups in our labor force and I think that Dr. Eckstein has indicated and would, perhaps, agree with me, that we need to give more attention to this. This ties in with the comment that you made. Among Negroes, the highest unemployment rates and the greatest Negro-white differentials are not at the lowest levels of education, they are not in the South, they are not among the older people, but it is just the opposite—the highest Negro unemployment rates and the highest Negro-white differences are in the North, they are among the better educated Negroes, they are among the younger Negroes.

This pattern suggests that the basic sources of disadvantage are not nearly so much labor market slack, racial discrimination, too few years of schooling, as is generally assumed, but rather some factors which are rather unique to this segment of our labor force.

This also suggests, as you pointed out, that so far as this particular aspect of our unemployment problem goes, we probably ought to be giving more attention to some sort of program to remedy the disadvantage of those higher up in the educational scale than is generally contemplated.

Mr. Weinberg?

Mr. WEINBERG. Churchill once said that democracy is the worst possible system, except all the others, and we are undoubtedly going to be sloppy in many ways in working in the manpower field as well as in other fields.

But that does not mean we should not strive for improvement. It may be that people out in the field have learned to live with the present chaos that exists in the manpower field. But we have a lot to learn, I think—and again I refer to Sweden, from their coordination of their entire manpower operation through their Labor Market Board—and I think we should at least try to move in that direction, though I think it will be a slow process.

And I do not think coordination at the local or State level is enough. I think we need coordination at the national level.

I would like to pick up one point that you mentioned, Congressman, the question of priorities as between the unskilled or the disadvantaged and those who are sometimes called the gifted. I think we have to devote enough resources to this whole problem so we develop every human being to his highest capacity. I think it would be a tragedy if we tried to establish that kind of priority.

We do not know the capacities of many people who today are working as unskilled workers or young people coming into school now who are greatly disadvantaged, who will probably be relegated to the unskilled category unless we do something about it. We have no

idea of what their potential capacities are until we work at it and give them the opportunity to overcome the disadvantages of background and to develop themselves. It is a matter of devoting enough resources to the total problem. I thoroughly agree that such use of our resources is about the soundest investment possible for this country to make, that this will pay off, and that this is the last area in which we should stint.

Representative O'HARA. Before Dr. Eckstein comments, let me suggest this: We have enacted in recent years a poverty program with a high investment in education, through the Job Corps, Neighborhood Youth Corps, work training; a Higher Education Act, with some emphasis, as I suggested, on 2-year colleges and technical institutes; an elementary and secondary education bill which proposes to devote 50 percent more money and education to the educationally disadvantaged.

Earlier witnesses have suggested education is the rapid growth industry of the United States.

Several years ago, when I was a part of an ad hoc committee of this House committee that worked on technical education, we discovered that, according to the experts, there were tremendous shortages of technically trained personnel of a subprofessional category—engineering aids, laboratory technicians, science aids of different kinds. I suggested along with others that perhaps we ought to very seriously consider a type of educational approach at the Federal level to provide 2 additional years of free public education to all who wanted to avail themselves of the opportunity.

California has gone quite a long way toward doing so.

I wonder if we should not be paying more attention than we are to educational opportunities beyond high school and graduate education beyond the baccalaureate level. Perhaps these are neglected areas of manpower policy.

Mr. WEINBERG. I think we should make the kind of provision you suggest for higher education. But I think we have to recognize, also, that many people who could profit from higher education will never be able to actually obtain its benefits unless we do something about their backgrounds when they are very much younger, long before they reach the higher education stage.

My wife happens to be a teacher in what is known as the great cities school improvement project. Her school happens to be predominantly white—about 60 percent white and 40 percent Negro. The kids come into her school with home backgrounds where there are not only no books or magazines or newspapers, but where there is no conversation in the home. They have never learned to talk, they have never been off their blocks, they have never been to a park, to a beach, or a zoo. I think one of the most useful things we are doing under the poverty program is Operation Head Start to give these kids enough of what they lack in background today so they can come into a school system that is geared essentially to kids with middle-class backgrounds and compete on a plane of equality. It is only by doing that that the higher educational opportunities that we should provide will be meaningful as far as those kids are concerned.

Representative O'HARA. Where are we going to find the personnel to work with these kids?

Mr. WEINBERG. We have to spend money to prepare personnel.

Representative O'HARA. In the poverty program, we have suddenly got off on counseling kick. Now everybody wants to put a heavier input of counseling into each of these efforts—in the employment service, Job Corps, Neighborhood Youth Corps, MDTA, and so forth. The supply of counselors is not adequate. Are we not spinning our wheels in much of what we are doing because we do not have the resources to do the job in terms of highly qualified people?

Dr. KILLINGSWORTH. It seems to me that this ties into some of the comments that have been made concerning job creation. It has been said that education is to some extent, and a greater extent should be, a great growth industry in the next 10 or 20 years. Just as in ship building and in other war industries, an enormous growth in the scope of operations made it possible to redesign jobs and to assign certain highly specialized functions to people with relatively little training, so it seems to me, that an enormous expansion of counseling, of preschool training, and all of these things create the possibility of breaking down the highly skilled jobs and training aids to the professionals.

I have noted in my statement that there are great opportunities for job creation in hiring the poor to help the poor. There have been a good many experiments along these lines, and it is possible to train aids to professionals in education, in social work, in mental health, in a great number of other fields, and in this way, meet two kinds of shortages with one program—the shortage of jobs for the poor people, and the shortage of highly trained professionals to rehabilitate the poor.

It seems to me that we are just barely beginning to glimpse the possibilities in this area and I think that much greater effort along these lines would be highly desirable.

Representative O'HARA. Dr. Eckstein, we have not been giving you much of a chance.

Dr. ECKSTEIN. What is the question before us?

Representative O'HARA. I wonder how you feel about the need to expand educational and training opportunities at the higher end of the scale?

Dr. ECKSTEIN. Well, of course, the Federal effort in education has taken such an enormous jump forward in this Congress and in the preceding Congresses that we want to see how it all works out.

The National Defense Education Act has been a major input of resources into higher education and now the Primary and Secondary Education Act of this year is a major breakthrough in providing Federal resources from the great Federal tax base for general education.

In all of these policies, the Federal Government, as you all know, has to observe the traditions of local initiative, direction, and control. The Federal Government cannot do very much more than to provide grants in aid to States and localities for encouragement of local effort, and to impose certain conditions that the money be well spent.

Of course, as these programs expand—the poverty program and the manpower development and training program, and the rest—there will be a great increase in the need for social workers.

So far, the need is not fully reflected in the wages they receive—social work is still a badly paid profession. As more resources are needed, they will have to be better paid.

These are professions occupied very heavily by younger people. Since we also have more people going through the colleges, we ought to be able to step up the number of people available in a fairly short time.

Representative O'HARA. I think that excuses the need for some coordination, research, and thought. We have not really gotten much in the way of an idea about what the needs are going to be for manpower a month from now, much less 10 years from now. I feel very strongly that we have to put more effort into that.

Dr. MANGUM. I would like to give one reaction to that, Congressman.

I have been serving as the Executive Director of the Committee on Manpower. One of the things that we have been exploring within that internal Government committee has been the need for Government agencies to do a better job of projecting the manpower requirements of their own programs.

Coming out of that discussion is the need to look at the kind of thing that you are talking about in your example of the counselors. When we develop a Federal program that will have an important impact upon a scarce skill we should look not only at how many dollars it is going to take us but whether we have adequate supplies of people, then, if necessary build into the program a device for producing the supply of people to act within that program.

Representative O'HARA. Precisely. I am going to give Mr. Hathaway a chance, but first I want to comment on that. We recently passed the medicare bill. A part of that bill involves nursing home care and visiting nurse services—just as one little example.

The supply of people who are qualified to undertake this sort of care, particularly in the visiting nurse field and the nursing field generally, is not adequate for the present level of such care. Obviously it is going to be grossly inadequate to carry out the kind of program which we are attempting to adopt. Yet we make no provision whatsoever for increasing the supply of such persons.

We have a concomitant program. We do have a nursing act, but it does not envision training of additional personnel anything like the magnitude of probable need.

Mr. Hathaway, would you like to ask some questions?

Representative HATHAWAY. I would like to ask Mr. Weinberg if the proposal that Congressman O'Hara advocated, that is devote more attention to the higher skilled, give them greater priority, could not be accomplished if we could now in someway improve the elementary and secondary school curriculum and better gear it to our actual job needs?

Mr. WEINBERG. I think we need coordination in education as well as we do in other fields. I think it goes beyond the matter of improving the curriculums of the schools, where they now start.

I think we have a very large number of kids who have to be picked up before they enter the ordinary school curriculum, because these kids enter an atmosphere where they are defeated before they start.

They have never seen a picture book with animals, for example. When the teacher talks about an elephant or tiger, the middle-class kid knows—but these kids do not. They have no comprehension of what goes on in the classroom.

I think you know that studies have shown that the IQ of many of these kids goes down as they continue in school. They are licked before they start. They lose motivation, they fall further and further behind. This I think is one of our major problems. You take Tom Mboya in Africa—he was one of a fairly large family—he was the only one whom his father could afford to send to school.

He would have been completely lost if his father had not been able to send him to a school. Yet he has enormous talent. There is that kind of talent among these kids. They could make a tremendous contribution to the society in years ahead. We can lose that contribution. No matter how much we improve the curriculum it will be too late for them unless we reach them at an early age.

Representative HATHAWAY. I agree with you there.

For example, in Maine the greatest employer is the shoe industry, yet no basic shoe skills are taught in any grade in school. I presume the same thing is true throughout the country, in the Michigan area nothing is taught about automobiles, perhaps, I am not sure about that.

Mr. WEINBERG. There is some. I think we have to make some rational division between the responsibility of the public education system for vocational training and the responsibility of the private employer. With rapid industrial change we, like other industrialzed countries, face a situation far different from the historical situation where son followed father, generation after generation, in the same occupation.

Now we are going to have the same people go through three or four different occupations in the course of a lifetime. Under those circumstances, it seems to me, the school system ought to train kids in fundamentals—or train them for flexibility and adaptability—and the employer ought to take that background that the public educational system gives the kids and then use it as the basis on which he builds towards his particular requirements.

One of the problems that I am concerned about under the present situation of low demand is that much of our training efforts become misdirected.

For example, everybody knows that under the Manpower Act we are training the cream of the crop, because—if you are in the administration of the act—you want a good placement record and you want to be sure the people will find jobs after they are trained. But these are the people who would most easily find employment if demand were higher. We are neglecting the ones who most need the training. There has been some correction for that; there is now provision for basic literary training and so on. But still the tendency will be to pick the cream of the crop for training—the ones who, if they were in the line in front of the hiring gate, would be the first ones the employer would pick up even without the training.

Representative HATHAWAY. But I think we could continue to do that if the curriculum in the schools were better geared to the industries surrounding the schools, or do you agree?

Mr. WEINBERG. Lord knows if we will have 14 or 15 or 20 years from now a shoe industry where the technology is anything at all like the present industry. If you train somebody to do the job according to the present technology, at age 35 he may be unemployable as

far as that or any other industry is concerned under the technology then in use.

Representative O'HARA. Not only do we have a problem with respect to education because they come to school without the kind of background the middle-class kid brings to school with him, but as they progress in school the relevancy of what they are doing in school to the world as they know it is not strong. We need adaptation of the curriculum.

Mr. WEINBERG. There is a big factor—motivation. When I was younger the Negroes I knew who had graduated from college were doing jobs like operating elevators, so there was limited motivation for them to progress.

As opportunities open up—and this again is a function of demand because the Negro, unless demand is high enough, is going to be at the end of the hiring line—if opportunities are there, and the younger kids can see that the older kids are getting good jobs, then they will be motivated to stay in school.

We have a situation—the Manpower Report mentioned it—where the unemployment rate among Negro high school graduates is higher than among white high school dropouts.

Representative HATHAWAY. That prompts me to comment that not necessarily Negroes, but anybody, may be operating an elevator after graduation from college because he probably has not learned enough in college to have any particular skill other than that.

Representative O'HARA. He can go to Congress.

Mr. WEINBERG. I think if there is 1 job to fill and 10 guys in the line in front of the hiring gate, then the employer is free to follow his prejudices. But if he has 10 jobs to fill and 5 guys at the hiring gate, he is going to grab all of them and train them or break down the jobs to suit their capabilities. He is going to do everything possible that offers an opportunity to make a profit from the labor of those people who are available.

Representative HATHAWAY. Do any of the others have any thoughts on this, or have given any attention to the elementary and secondary school curriculum problem?

Since it is a local problem I suppose it has to be engineered at least quite carefully from the Federal level but perhaps some encouragement on the part of industries in various States would be of considerable help.

Dr. KILLINGSWORTH. I think that there have been some studies that have shown that in the case of Negro schools, particularly—and, of course, most unfortunately when we talk about Negro schools we are talking about the North as well as the South, because of de facto segregation. In the Negro sections in our big cities, these studies have shown that the range of vocational programs offered in these schools is far narrower than in the schools that are better financed and that serve primarily white students.

It does seem to me that one of the greatest manpower challenges lying ahead of us is to improve the quality of education and this is particularly important at the elementary and secondary level I certainly would not except the colleges. Certainly anyone who teaches in the colleges has some ideas about how the effectiveness of college training could be improved. But the more that we study this problem

of education and particularly the problem of dropouts and most essentially in my judgment the problem of Negro unemployment with these really amazingly high rates of unemployment among better educated Negroes, the more clear it becomes that something is badly wrong with the education that we are giving today to these disadvantaged people.

I think that the basic reason why the Negro unemployment rates are highest among the better educated Negroes is simply because the quality of Negro education is very far below the quality of education that we are giving even in the same community, let us say in the suburbs. I do not think it is necessary to document that. Dr. Conant has certainly shown that very clearly, and, of course, this is true not only of Negroes, it is true of any other group that is trapped in the slums of the big cities.

Mr. WEINBERG. On vocational training, I think that it might be pertinent to mention the new British Industrial Training Act which I think would provide very great assurance that vocational training will be directed toward the needs of industry.

The British Industrial Training Act taxes all employers for training.

Those employers who set up an approved training program get the tax back to finance that program, and small employers who are incapable individually of establishing any training program can pool their training activities and get the tax rebated if they set up an approved training program.

It seems to me that this directs vocational training toward the specific needs of employers and enables the public education system to concentrate on giving the kids the fundamentals that will enable them to profit from that training that the employer should supply.

Dr. MANGUM. It seems to me that the British Training Act also encourages the proper division of labor within the school system. It is stressing training beyond the secondary school level. I would advocate real caution in some of the discussions we have had in recent times about everybody coming off the high school assembly line with some kind of an employable skill. What Mr. Weinberg said was true. The kid who receives vocational education in high school pays a very high price for his skills. He gives up some very valuable alternative kinds of training and education that he should receive. This group of economists might say the opportunity costs are much too high.

He has too little experience to make a valid occupational choice. Then we can only train him to some limited degree, and this is a highly vulnerable training. We are making the right move when we stress postsecondary vocational education. There is still concern for that kid who drops out because he does not see the relevance of education. If we want him to see the relevance, we do not have to train him for one specific skill. One of the best alternatives for the youth who is already too far along to compensate for the deficiencies of his early education, is a work study program where he can spend time on the job to really learn what work is all about, but also be in school getting the basic education.

In this complex world, the high school has more than it can do, to train people to be human, without training them to a specific occupation.

Representative HATHAWAY. Perhaps we could train them in a skill that is common to a number of organizations. Some kids come out of school without being able to use their hands at all.

Dr. MANGUM. Or expose him to the kinds of opportunities he is likely to meet, so he will be able to make a sensible job choice when the time comes.

Representative PUCINSKI. I want to congratulate you for your contributions here today. I think this whole series of hearings on the administration of the Manpower Act have been extremely helpful, and I am very happy we have had a chance to take a look at this bill and see how it is being administered.

I am sure that the ideas expressed here are going to improve the administration, not that it needs too much improving, in my judgment. I believe that this Manpower Act of ours probably will go down in history as perhaps the most significant single piece of legislation passed by the Congress, with all due respect to all of the other efforts being made. I regret that I could not be here for your entire testimony, but I was at the other side of the hill attending the poverty hearings. Dr. Eckstein, I would think that Mr. Johnson would be very, very happy to hear a statement made here today that employment gains were substantial in every other major industry except one.

The Federal Government.

I think you ought to pass that on to him because I am sure he would like to use that in one of his public pronouncements.

I would like to very briefly question you gentlemen on one aspect that I do not hear too much discussion on, and which in my judgment is becoming more and more serious in this country. As a matter of fact, I think it is very serious now, and yet we hear almost nothing about it, and that is the mounting discrimination in America, because of age.

I recently had a young man who was a cigar salesman come to me looking for a job—and five others had been displaced because of a reduction in force. He was very experienced.

I happened to know of a soda manufacturer that needed a salesman of this type, so I called him and I said, "I have the man you are looking for," and I gave him the background. "Marvelous," the manufacturer said, "send him over and we will put him to work at $110 a week."

Then he said, incidentally, "Roman, how old is he?" I said, "He is 43." He said, "My God, I cannot take him; we have a company rule we cannot take them over 40."

This is a problem that I think is growing in America, and we have some figures, if you have the manpower report over there, on page 208, charge a–13, showing the unemployment rate by color, sex, and age, we see that the age group 35 to 45 heading up from 1.9 in 1948 to 2.5, and the age group 45 to 54, in 1948 from 2.2 to 2.9, and the age group 55 to 64, in 1948 from 2.7 to 3.5 in 1964.

Now, I am mindful that when we look at the other age groups, the rise is sharper. I am also mindful, and perhaps this is a tragedy of this age discrimination, that the nonwhite is being hit twice—he is not only the victim of racial discrimination, but the same table shows that the ratio of nonwhite in these older middle-aged groups, not older, but middle-aged groups, has increased much more from 1948 to 1965.

We look at the age group 35 to 44, and it has gone from 4.5 for the nonwhite in 1949 to 6.2 in 1964, and the age group 45 to 54, from 3.1 to 5.9, in the age group 55 to 64, from 3.3 to 8.1 which is a very serious jump. Therefore, I wonder if I could get some idea from you as to whether you feel that this is a growing problem, and more particularly I would like to get some expression from you, if you wish, about a bill I have introduced to take the economic factor out of this problem.

When we were holding hearings on FEPC, with the committee headed by Congressman Roosevelt, and I happen to be a member of that subcommittee, I asked in New York, in Chicago, and Los Angeles of people who were testifying whether there was an economic factor involved, and in each instance they admitted that an economic factor does exist.

The Metropolitan Life Insurance Co. will set up a pension plan and a health and benefits plan at a fixed rate for every employee up to the age of 40. In other words, whether the worker is 22 or 28 or 32 or 39, the contribution by the employer is the same, but it begins escalating at age 40, so there is an economic factor involved. I have introduced a bill which I hope the President will review as he is studying new ways to cut taxes, which would give an employer a tax credit on any difference in cost involved between hiring a younger person and an older person hired for comparable jobs.

I am mindful that there would be a little problem with administration, but I am told that it could be done.

In other words, if it costs an employer $100 a year in fringe benefits for a worker aged 35, and it costs that same employer $180 a year in fringe benefits for a worker of, let us say, age 50, he may now claim the $100 as a deduction, but he would then claim the other $80 as a tax credit so that we would remove completely the economic factor, and give these middle-aged people a chance to compete for jobs on the basis of experience, ability, reliability, all the other factors.

I wonder if you gentlemen would care to comment at this ball of wax I have thrown at you?

Dr. Mangum, as the head of the President's Committee on Manpower, is this a problem, is age discrimination a problem?

Dr. MANGUM. Let me say modestly and quickly that the Secretary of Labor is the head of that committee and I am just the staff director.

I think you would be interested in looking at what happens in terms of the duration of unemployment. The phenomenon you are talking about is more clear there, because older workers are protected to some degree by seniority and that kind of thing. But once unemployed, the older worker finds it extremely difficult to get back into employment. Therefore, you will find him to a higher degree in the long-term unemployed than you will in the shorter-term unemployed.

Representative PUCINSKI. The Department of Commerce said in a survey recently that the chances of an older worker, a worker past 45, getting another job, once he had been dislocated for whatever the reasons may be, are 6 to 1 against him.

The Manpower Act has been trying to retrain these people and doing a good job. I think the problem, though, is placing them if there is this kind of discrimination, and if these Commerce Department figures are correct, then we have a problem.

Dr. MANGUM. This is a serious problem. It is a worldwide one. The Canadians have been experimenting with something similar to what you are talking about—a subsidy to employ older people. They have not really found the answer to it. The Labor Department is holding meetings—I am to be in one at 2 o'clock this afternoon—working on this particular problem.

The only thing I can say about the bill without examining it is it should have some influence in encouraging an employer. But it is a marginal decision. The extent of that influence would take considerable study and then probably experimentation to find out.

Mr. WEINBERG. Congressman, I am for doing everything that can be done—legislatively or any other way—to eliminate all forms of discrimination in the labor market, whether based on age, sex, or race. But I think it is significant that the only two countries that give serious consideration to this kind of thing are Canada and the United States—the two industrialized countries with the highest unemployment rates in the industrialized world.

I would like to suggest, Congressman, that you probably would not even have thought of introducing that bill had we had a high enough level of demand to provide full employment.

Where were these older people in wartime when demand was high? They were in jobs.

I did some studies for BLS that indicated the sources from which warworkers were drawn during the war. Many of them were grandfathers who came out of retirement. We could have that situation again and we would not have to worry about these other solutions if we had a high enough level of demand. I think we have to recognize that, even as we eliminate discrimination, we do not increase the total number of jobs. If we get a 60-year-old man a job, it may be at the expense of an 18-year-old kid or a 35-year-old guy with a family being unemployed. This in itself cannot create jobs. I am in favor of eliminating discrimination, but I would suggest we would not be concerned with this kind of solution if we had what I think is the basic solution.

Representative PUCINSKI. I agree, there is an old Polish saying that if my aunt had a mustache she would be my uncle.

Then it is true, I have heard Mr. Meany make that same kind of statement. We were talking about double time for overtime, we were talking about the 35-hour week, and we discussed all sorts of efforts including increasing the minimum wage. The AFL–CIO policy and the UAW policy and the IUD policy are properly and correctly one. You will not have these problems if you have full employment.

Certainly, this is a great goal of our President, and, I am sure, of any previous President. But we do not have full employment.

We hope some day we are going to reach that time when there will be a job surplus in America where age, color, and sex and all the other things are not going to be considered. Unfortunately, we have not reached that utopia yet, and so the middle-aged worker today competing for the jobs that are available finds himself at a serious disadvantage.

I offered an amendment when the civil rights bill was being considered, as a matter of fact. At one point our committee had accepted my amendment to include a bar against discrimination because of age in the FEPC when the original bill was before this committee.

When the package went over to the Judiciary Committee and they moved the whole civil rights bill as a package, they dropped sections. If you recall we restored sections on the floor of the House by an amendment and we tried to restore age, and, of course, we had some help from elements that were not concerned with our problem but rather were trying to torpedo the bill, if you recall.

Particularly the gentleman I had in mind was not so much interested in Pucinski's amendment as he was in cluttering the bill and torpedoing it.

Representative O'HARA. We noticed that collusion.

Representative PUCINSKI. We felt uncomfortable in getting that sort of support for the amendment.

Now the bill is on the books, working well in many areas, not as well as we would like in other areas.

I am wondering whether this Congress should not address itself more forcefully to this problem of discrimination because of age. I, myself, have said, you cannot force an employer to buy discrimination because of age, unless you recognize the economic factor and help him take care of that economic factor. That is why I introduced the tax credit bill.

He could have the tax relief, so he would not have to bear the increased cost of hiring older people.

Representative O'HARA. Gentlemen, if I may interrupt. I think after Professor Killingsworth's response we will adjourn the meeting, but I would like to hear what he has to say. Dr. Eckstein.

Dr. ECKSTEIN. Let me comment. Of course, I am in no position to respond to the specifics of this bill.

I think there has been a good deal of progress in this country in the attitude of employers toward older workers. There are still specific problems not only in connection with pensions but also with other fringe benefits. These make it a little bit more expensive to hire an older worker than a younger worker and can tilt the balance if the employer has his choice.

If you look at unemployment rates, the rates for older workers are fairly low today. In fact, for the women the older they are the lower the unemployment rate. This is a remarkable development of the last 15 years and has occurred despite the fact that the percentage of women over the age of 35 who work has almost doubled. A social revolution in the attitudes of women toward work has been occurring.

Representative PUCINSKI. Have you seen the kind of work they are doing—as charwomen, scrubwomen, taking care of offices after hours because the number of office buildings has increased, because the biggest increase among these older women who have obtained jobs—and you are right, these figures are correct—is in the lowest kind of employment and they are the only people who will take this kind of employment.

Dr. ECKSTEIN. Some of them are also coming back into the labor force in the professions. They constitute one of the places we have to look to staff the poverty program and the schools. These well-educated women retired, to raise a family, are now being drawn back into the labor force to meet new opportunities in these fields.

When an older worker is unemployed it is a much more serious matter. It is more difficult for him to find another job, even through the unemployment rates are low.

We are very pleased at the Council that older workers have participated in the expansion of these last few years. Their unemployment rates are now down. For example, the unemployment rate of 55- to 64-year-old males dropped from 5.3 to 3.5 percent in the last 3 years; this is really important progress.

We have passed through a lot of changes in the last 20 years. One of the big changes that has happened in our major industries is a charge in the pattern of compensation. A wide variety of fringe benefits have been added regular wages. As we have added these fringe benefits, we have run into problems which we had not anticipated. I am sure as collective bargaining contracts are renegotiated, some of these problems will be straightened out.

Mr. Weinberg will be more competent to speak on that. One would hope that part of this problem could be solved by private parties.

Representative PUCINSKI. What about those who do not have the benefit of the excellent potential of the negotiated or bargaining committee?

Mr. WEINBERG. A part of our problem is that we rely on fringe benefits provided through collective bargaining to provide forms of security that are provided in other countries through governmental action with uniform decisions that does not affect employers' decisions as to whom they are going to hire.

For example, we are the only industrialized country on either side of the Iron Curtain that does not have even the rudiments of a national health service or national health insurance program. To the extent that medical care costs tend to be higher for older people, then there is some tendency on the part of employers, if these benefits are provided through collective bargaining, to discriminate.

Representative PUCINSKI. What about all of these people who do not have the benefits provided?

Mr. WEINBERG. In many cases they have the same fringe benefits provided by the employer because he is trying to keep the union out; so you have the same thing operating. If they did not have that reason for discrimination, there are many employers who would find other reasons to discriminate against older people.

I may say, Congressman, we have supported legislation against discrimination based upon age. We are against any form of discrimination in the labor market and will support any legislation that we believe is sound and directed toward that end. I do believe that the problem would be at least very much less in magnitude if we had a higher level of total demand. I think the figures Dr. Eckstein has cited about what has happened to the unemployment rates of older people in the last few years do point in that direction.

As demand rises, the older people, the unskilled, all of the disadvantaged have improved their opportunities for employment.

Representative PUCINSKI. If you will look at this table you will see where the figures have fluctuated to bear out what you say. Where there is a short labor market you will notice that the percentage of unemployed goes up, where there is a period, as we now have, of continued economic expansion, the figure has been coming down steadily. I believe there is no question that what you say is correct. The full answer to all of these problems is full employment.

Representative O'HARA. Professor Killingsworth. It looks like you're going to have the opportunity of the last word.

Dr. KILLINGSWORTH. A rare opportunity. There is one factor in this problem of older workers, as Dr. Mangum pointed out. It is not only the unemployment rate, it is much more the problem of the duration of unemployment.

The older workers on the average have a much lower educational attainment than younger workers, this gives them a competitive disadvantage. There is also the obsolescence of skills of the older workers.

One very brief example. I have a friend who is concerned with building the 2-mile-long linear accelerator at Stanford University. He had to hire 12 engineers to work on that extremely advanced project. After interviewing some 300 applicants he found that he was unable even to consider anybody whose engineering degree was more than 5 years old.

This is an extreme example, of course, but then it simply illustrates the point even in areas of less advanced technology, knowledge that was fairly adequate 30 or 40 years ago may not really be adequate to meet the demands of today's world, so that you have not only an economic problem, and you need not only the solution of this pension problem and the fringe benefits problem, it seems to me you need a specialized training and refresher program for these older workers if you are really going to meet their need in the labor markets.

Representative PUCINSKI. We must have been anticipating your statement, Doctor, because the committee in conference and in both Houses provided for refresher courses in the Manpower Act in this latest amendment that the President signed the other day, so that I think your point is very well taken.

Representative O'HARA. I would like to thank the witnesses for a very valuable discussion. I do not know if the quality of today's discussion was due to the fact that two of the four witnesses are from Michigan, but I think it has been very useful to all of us.

Mr. Weinberg, I believe you had a statement you wanted entered in the record with respect to a series of talks which had been given in Sweden by Robert Solow.

Mr. WEINBERG. He used to the top staff man on the Council of Economic Advisers; he is a professor at MIT.

Representative O'HARA. Without objection, at the conclusion of the proceedings of today, we will include the statement in the record.

(The prepared statement of Mr. Solow follows:)

PREPARED STATEMENT OF ROBERT M. SOLOW, PROFESSOR OF ECONOMICS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY

THE NATURE AND SOURCES OF UNEMPLOYMENT IN THE UNITED STATES

PREFACE

These lectures are confined to a detailed examination of the unemployment question. Yet it will be realized, I hope, that they are part of a wider discussion. The combination in the United States of a somewhat stagnant economy and rather spectacular scientific and engineering achievements has led many people to the conclusion that there is a kind of revolution in progress, connected with the advance of automation. One hears from intellectuals—though rarely from economists—that the age of scarcity has ended, that productivity has outrun consumption, or even the possibility of consumption, and that some

substantial, but unspecified, change in the basic framework of economic organization and policy is now necessary.

As it is usually presented, this line of argument is too vague to lend itself to careful discussion. That is why I have picked out the unemployment problem for closer analysis; here at least there are some concrete issues to be thrashed out. About the rest of the argument, I am reminded of someone's description of Herbert Spencer's idea of tragedy: a promising theory killed by a fact. So far as I can tell, the theory of automation and abundance seems to thrive without the slightest bit of evidence to support it. I am not in the business of predicting what will happen in 50 years' time, but I'm prepared to hazard a guess about the past. There seems to be no approach to satiation with consumption even in the rich countries of the world, certainly not in the poorer ones. It is everyone's right to disapprove of the way others spend their incomes. But I cannot see that the savings statistics of the United States or Europe show any tendency for the ratio of consumption to disposable income to fall out of sheer desperation.

If the figures show no trace of satiation, neither do they show any spectacular acceleration of productivity. I will come back to this later; for the moment I shall only say that despite computers, transistors, servomechanisms, and the automatic factory, output per man-hour in American manufacturing has risen only slightly faster since the war than it did before, that the fastest growth occurred just after the war and not more recently, and that one can identify no break in the trend curve with any certainty in the years since the American economy grew soft.

Nevertheless, I rather welcome some of the criticism of economic policy associated with the belief in an automation revolution. Certainly the richer countries of Europe and North American are now in a position to guarantee a fairly generous minimum standard of living to everyone—we are still rather far from this in the United States. And indeed one can also legitimately begin to look critically at the way in which we use our leisure and spend our income in excess of physical needs. These are sensible and important questions, though not ones to put to an economist. But their importance is independent of any radical change in the way people earn their livings or in the general balance between resources and needs. Maybe the romantic talk about automation is necessary to attract attention to these social problems. But I think it may be dangerous to try to achieve important policy goals by pretending it is already the middle of the 21st century, when the true problem in the United States is to drag the making of economic policy against all resistance into the middle of the 20th.

I owe a double debt of gratitude to the members of the Wicksell Society: first, for the honor of an invitation to deliver these lectures; and second, for the unfailing hospitality that turned what might have been a chore into a memorable pleasure. I want particularly to thank Karl-Olof Faxén for looking after us so carefully in Stockholm.

I would like to begin with a quotation which states clearly and fairly the problem to be discussed in these lectures.

"The view is abroad that the United States has a hard core of unemployment. The limited extent of the reduction in unemployment which has occurred since 1961 has given rise to a conviction that unemployment will not fall to the levels which used to be considered normal, unless specific attention is given to the composition of the work force; and policies designed to alter the composition of the work force require a relatively long period to affect substantially the level of unemployment. The hard-core doctrine is a less subtle version of the concept of structural unemployment, which means in broad terms unemployment that exists because the workers available for employment do not possess the qualities that employers with unfilled vacancies require. Whichever concept is used, the inferences commonly drawn are that the resulting unemployment is both inevitable and excusable and, more specifically, that the Federal Government is justified in not having given a greater stimulus to demand." [1]

I owe it to you to confess that I have doctored that paragraph in two places to make it speak of the United States. In fact it was written about Australia. It serves my purpose in two respects: it states my subject compactly; and it suggests that the importance of the subject extends beyond the boundaries of my own country.

Since I have a case to make that may surprise some members of a Swedish audience, I had better bring the Australian story up to date, because it provides

[1] K. J. Hancock: "Unemployment in Australia," Eighth Summer School of Business Administration, 1963, University of Adelaide.

a kind of experimental evidence so far lacking in the United States. Hancock's remarks date from February 1963. In 1962, the average number of persons unemployed in Australia had been almost 95,000, or about 2.2 percent of the work force. There were only a quarter as many unfilled vacancies as people unemployed. At the height of the Korean war boom in 1951 the average unemployment was under 11,000, less than a third of 1 percent of the labor force; and there were more than 10 times as many vacant jobs as there were people seeking them. More important, and this is very reminiscent of the United States, from 1957 to 1962 the unemployment rate stayed persistently high by early postwar standards, sinking in the more prosperous years not much below the level reached in relatively bad years like 1952 and 1953.

The peak level of unemployment, seasonally adjusted, seems to have occurred in September 1961, when 3 percent of the labor force was unemployed, and the number of vacancies fell below 0.45 percent of the work force. By February 1963, the unemployment rate had fallen to 2 percent and the number of unfilled vacancies had risen to 0.6 percent of the labor force. At that time, as Hancock says, there was talk that further economic expansion could not significantly reduce the unemployment rate. Yet, with economic expansion continuing, it turns out that by October 1963 the unemployment rate had fallen below 1.5 percent and the vacancy rate had risen to 0.75 percent. (The figures show a slight deterioration in November and December, but this is almost certainly a failure in seasonal adjustment; you must remember that on the other side of the world November and December are the school leaving months. November and December 1962 also show a misleading upturn in unemployment.) The reduction in unemployment appears to be continuing into this year. What is more important, it seems not to have been accompanied by any general pressure in the labor market. Certain longstanding scarcities of particular skills have reappeared, but the number of unfilled vacancies is not extraordinarily high for the current level of unemployment. Dr. Hancock tells me that the references to a hard core of structural unemployment, so common a year or 18 months ago, are no longer heard.

ANOTHER CASE HISTORY: DENMARK

Before I examine the American situation in detail, let me mention another similar story closer to home, the case of Denmark. As you know better than I, during the first postwar decade Denmark had one of the softer and slower growing economies of Europe. Between 1950 and 1958, average annual insured unemployment never fell below 30,000 (in 1954) and rose as high as 54,000 (in 1952 and again in 1957). What is more to the point, the rural economy experienced particular difficulty. The Government moved to expand training facilities for medium-level technicians, and began to offer special inducements to industry to locate plants in depressed rural areas; but these efforts had little success. Just as in Australia, it began to be said that the Danish unemployment problem was "structural."

After the middle of 1957, there was an improvement in the Danish terms of trade and the precarious balance-of-payments situation eased considerably. This lucky development provided the breathing space necessary for a policy of general internal expansion, and the Government seized the opportunity for a substantial easing of monetary policy, and some slight fiscal stimulus. During the next 3 years, real GNP rose by 5 to 6 percent a year; industrial production rose at an annual rate of nearly 10 percent. Here I can quote the words of an OECD review committee:

"For the first time in the postwar period, full employment was achieved and maintained for a significant period. It is also interesting to note that many of the problems relating to labor mobility and regional and occupational unemployment, which had been difficult to tackle in earlier years, almost disappeared when the economy was expanding fast. Labor market policies still had an important role to play, but the problems became much less pronounced when the economy was growing fast."

In fact, the annual average number of insured unemployed fell from 50,000 (7.1 percent) in the spring of 1958 to 25,000 (3.5 percent) in 1959, 15,000 (2.1 percent) in 1960, and 11,000 to 12,000 (1.5 percent) in 1962. The 1963 unemployment totals show the effects of the harsh winter of that year, but the figures remained low for the other quarters of the year. From the peak in 1957 to the low point 5 years later, the volume of unemployment fell by four-fifths.

The Danish Government, writing about these developments, reported: "Very few of these (structural reform) measures had begun to operate when the economic situation underwent a radical change in 1957–58. * * * In the light of the experience gathered earlier in the fifties, this vigorous upswing gave rise to a grave concern about the reactions of the economy to a sharp rise in demand. More particularly it was feared that shortages of manpower and capacity would soon dampen the growth of production. * * * When the economy was put to the test, however, industry and the labor market soon proved quite capable of adjusting themselves to a faster rate of economic progress. * * * It was possible to attract labor which was not previously available for production. For instance, there was a comparatively rapid increase in the employment of women, presumably because a growing number of married women looked for paid employment, and older people who previously found it difficult to find or keep their employment were likewise employed in greater numbers. The heavy demand for manpower also provided increased employment opportunities for partially disabled persons and for greater numbers of part-time employees. * * * The reduction (of summer unemployment) was among unskilled workers in the provinces with the result that for the first time for several years the difference between levels of unemployment in the various parts of the country was very small. * * *" [2]

It is worth noting that in the spring of 1957 the overall unemployment rate had been 7.8 percent and that for unskilled workers 13.5 percent; by the autumn of 1962, when the overall rate was down to 1.5 percent, the rate for unskilled workers was 2.6 percent. I am told that factories have begun to leave Copenhagen voluntarily to seek labor in the rural areas. I imagine there is much less talk of structural unemployment in Denmark than there was 5 years ago.

HIGHER UNEMPLOYMENT IN THE UNITED STATES

As for the United States, you can now imagine what my thesis is going to be. I am not going to discuss absolute differences in unemployment rates between the United States and other industrial countries. It is clear on the face of it that, even when labor markets are as tight as they can be expected to get, recorded unemployment rates in America exceed those characteristic of most European countries in similar circumstances. The lowest annual unemployment rate observed during the second World War was 1.2 percent in 1944 (probably 1.5 percent by the definition now in use), when there was surely no shortage of effective demand. Many European countries experience rates as low as that almost as a matter of course. We used to think that much of the difference was a matter primarily of different statistical methods, but recent studies have concluded that this can account for only a small part of the difference.[3] No one can say with any confidence whether the true explanation has to do mainly with the geographical and numerical size of the American labor market, or with its demographic or industrial or occupational composition, or with the rate of technical progress and obsolescence of old skills, or with the characteristically high turnover rates—including voluntary turnover—of American jobholders.[4] But the debate about the causes of unemployment in the United States—and I think it is the liveliest debate about economic policy now going on—does not rest on comparisons of American experience with other countries. It is enough to look at recent history in the United States itself.

The broad picture can be quickly traced because it is widely known. From 1947 to 1953, from the first full year after reconversion from a war economy to the year in which the Korean war ended and a minor recession began, the unemployment rate averaged 4 percent. From 1954 through 1963, the average was 5.5 percent. Naturally one can argue whether this is a fair or meaningful comparison. From some points of view it would be better to include the recession year 1954 in the first half of the period, or even to divide the postwar period in 1957. Then the comparison would be less sharp, but the contrast would still be

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[2] Economic Survey of Denmark: 1961, p. 18; 1962, pp. 51–52.

[3] See "Measuring Employment and Unemployment." Report of the President's Committee To Appraise Employment and Unemployment Statistics, Washington, Government Printing Office, 1962, ch. X and app. A.

[4] In Sweden in 1961–63, hirings and discharges in manufacturing and mining averaged less than 1 percent of employment. In the United States the accession rate was 4 percent and the separation rate was about equal (even the voluntary quit rate was about 1.4 percent). In 1953, when the aggregate unemployment rate was 2.9 percent, the accession rate was 4.8 percent and the separation rate 5.1 percent, of which 2.8 percent were voluntary quits.

there. On the other side, one can argue that more inclusive measures of unemployment would show an even sharper contrast. If some account is taken of the loss of work through part-time unemployment, and of the probable number of disappearances from the measured labor force because of the lack of jobs, the difference between the tight early years and the soft later years appears more marked. Allowance for the first of these adjustments gives an average unemployment rate of 5.2 percent for 1956–57 and 7.1 percent for 1958–63. A more conjectural adjustment for the second factor alone (for which I am indebted to Prof. Thomas Dernburg, of Oberlin College) suggests an increase in the unemployment rate from 4.8 percent in 1953 to 9.5 percent in 1962, with every year from 1958 on showing a higher rate than the recession year 1954. It is obvious there is something here to be explained. The explanation would be easy if one could show that the first half of the period represented predominantly high phases of the business cycle and the second half low phases. But the fact is that even at business cycle peaks the unemployment rate is higher in recent years than earlier: And today, after more than 3 years of expansion from the low point at the beginning of 1961, the seasonally adjusted unemployment rate stood at 5.4 percent in February and March 1964 and has barely fallen since the spring of 1962.

THE STRUCTURAL UNEMPLOYMENT THESIS

It is therefore hardly surprising that in the United States, as in Australia and Denmark, the hypothesis has arisen that the economy suffers primarily from "structural" unemployment that will not yield to—and would indeed frustrate—the standard recipe of expansionary fiscal and monetary policy. This view of the situation has become commonplace among journalists, including those writing for foreign readers. Here is an example that came to hand just as I was preparing this lecture: "American society has been so transformed by the new technology and demographic trends that, under present conditions, the private sector of the economy is no longer capable of providing jobs for our burgeoning work force. The tremendous increase in productivity or output per man-hour over the last 4 years simply means that increased consumer demand—say, the result of the proposed tax cut—could be satisfied with little if any increase in payrolls." [5] It would be easy to collect many such statements from the serious press, from congressional debates, and from trade union and business executives.

In fact, as you will have guessed, I believe this analysis of the problem to be wrong. The evidence, as I hope to show, suggests overwhelmingly that the pace of structural change in the United States has not accelerated recently. and that the chronically high unemployment rate is the sign of chronically weak demand and not of a progressively worse mismatching of the knowledge and skills of the labor force with the requirements of a modern economy. Even so, I might not have used this occasion to argue against the "structuralist" view if it had not recently been adopted by so acute and justly respected an observer of the American scene as Prof. Gunnar Byrdal. In his California lectures of exactly a year ago, extended and published in a new book "Challenge to Affluence," Professor Myrdal lends his prestige as economist and plain-talker to the "structuralist" explanation of American unemployment. He says: "American unemployment is * * * increasingly structural * * *. This structural character of unemployment in America means, first, that already at the present low rate of economic growth and at the present high and rising level of unemployment there is a scarcity of educated and skilled labor which shows up in the high figures for overtime among employees belonging to this elite. A rising trend of business activity would very soon be bottlenecked by a lack of this type of worker, long before the hard core of unemployed—those of an inferior quality—had become absorbed. Expansion simply cannot proceed very far before it meets this physical limitation, which must also have inflationary effects since wages must tend to rise. A balanced employment situation cannot be achieved purely by business expansion." [6]

Although I intend to go on and argue that this view is mistaken, I must make it absolutely clear that Myrdal avoids entirely the policy errors into which other "structuralists" tend to fall. A page before the passage I have already quoted

[5] Arnold Beichman in the "Spectator," Jan. 31, 1964, p. 135.
[6] "Challenge to Affluence," pp. 29–30.

he says, with emphasis: "The first inference to be drawn from the present situation in the labor market of the United States is undoubtedly that business should be given a spurt to expand rapidly. All other measures are otherwise hopeless." That he sees this is a tribute both to the sureness of his instinct as an economist and to the fact that he is the author of a celebrated book on "The Political Element in the Development of Economic Theory."

The political role of the structuralist argument in American debates on economic policy is an interesting study in the sociology of knowledge and ideology. Generally speaking, one can hardly doubt that it is felt to be, and is used as, a conservative argument. Obviously Myrdal is to be excluded from this characterization, and there are other exceptions. But one finds the theory adopted by Representative Thomas Curtis, who is the Republican Party's spokesman on economic affairs in the House of Representatives, by William M. Martin, the Chariman of the Federal Reserve Board within the Democratic administration, by the financial press quite generally. I suppose it is fair to say that the ideological role of the structuralist thesis is to provide an alternative explanation of the high and rising level of unemployment for those who are unalterably opposed to the "Keynesian" (or perhaps I could say "Swedish") fiscal and monetary policies that would otherwise be the natural remedy. Myrdal himself points out how the American policy response is hemmed in by the fear of Federal Government "interference" in the economy and by what Keynes called the "humbug of finance." And yet the paradox is that the structuralist view suggests much less confidence in the ability of the free labor market to perform its allocative function than I feel, or than the Keynesian view requires.

Suppose that, as output expands from below-capacity level in response to increased demand, the supply of highly skilled and perfectly trained labor in some narrow category approaches exhaustion. Textbook economics does not argue that production must stop expanding. Textbook economics says instead that the wages of skilled workers will rise compared with those of unskilled workers and that the prices of goods and services heavily weighted with the services of highly skilled workers will rise relative to those of goods and services produced more with unskilled workers. We know that it is always or almost always possible to make marginal substitutions of somewhat less skilled for somewhat more skilled labor here and there in the production process. This is not without cost; but the change in relative wages is supposed, in the textbooks, to make the cost worth incurring. And the change in relative prices is supposed, in the textbooks, both to cover the additional cost and to induce consumers to ease their pressure on those goods and services which have become more costly to produce, and to substitute instead those whose supply is more easily expanded.

Now I am not so naive as to believe that the labor and commodity markets in any advanced economy behave exactly like textbook markets. But I should be very surprised if there were not some of this kind of flexibility to be observed in real life markets, and the Danish story I quoted to you earlier bears me out quite precisely. But what I find so amusing is that the American defenders of the virtues of free enterprise against the encroachment of perfectly ordinary compensatory fiscal and monetary policy should be prepared to abandon so lightly one of the chief virtues of the system they claim to be defending. One must be quite clear: the claim that American unemployment is increasingly structural is equivalent to a statement that the labor market (and to some extent commodity markets too) is becoming less and less efficient in its operations.

Of course, if this were a true description of the state of affairs, then the fact that it is used as an argument against strong compensatory fiscal and monetary policy would be beside the point—though perhaps interesting to the student of politics. I propose now to argue that it is, in fact, not true.

THE "STRUCTURALIST HYPOTHESIS" PRECISELY STATED

The proposition I want to establish is not that there is no structural unemployment in the United States; nor even that there is only a little: it is that there has been no substantial increase in the amount of structural unemployment. I have already granted that there is some casual evidence that there may be more structural unemployment in the United States than in some European countries; by which I mean, roughly, that when, by any reasonable measure, the pressure of general demand is about equally high in the United States and in Europe, the unemployment rate will be somewhat higher in the United States I think there is little to be gained by trying very hard to define precisely what is

to be meant by "full employment" or "structural unemployment." The important thing is to say something about how employment and unemployment will respond to an increase in the general pressure of demand. If an increase in demand results in a reduction of unemployment, then, evidently at least, that much unemployment was not "structural" in character. If an increase in general demand fails to reduce unemployment, then one may say that such unemployment as remains is "structural." (I don't think one can simply ask whether an increase in demand will begin to generate inflationary wage increases. That is an interesting and important question in itself but it is not what people have in mind when they speak of structural unemployment, unless the wage increases are a symptom of important bottlenecks. But in that case there will be little increase in employment and the criterion I have suggested will suffice.)

It may be thought, however, that I am seriously begging the question when I speak casually of "the general pressure of demand." There is no such thing as general demand, there are only particular expenditures. Some kinds of expenditures may avoid pressing on the bottleneck resources; they will be able to generate increases in employment. Other expenditures may not do so. Thus, Professor Myrdal proposes that the U.S. Government should launch a massive program of civil public works construction which will be able to absorb masses of unskilled labor as a temporary expedient until the structural bottlenecks can be removed by a slow process of education and training. I would be delighted to see the program of public works construction, but primarily because I would like to see the public works. While I am prepared to grant the point about "general demand" in principle, I think that for empirical analysis the concept is quite good enough and one can apply it to this problem.

In the first place, under current American conditions, the shortrun multiplier is about two. So, given any billion dollars of Government purchases, whatever their composition within reason, the total amount of output and income generated will be about $2 billion. Moreover, if one makes allowances for the investment outlays generated by any primary increase in demand, it is possible that a good estimate of the longer run multiplier would be about three. Thus, somewhere between a half and two-thirds of the income and output generated by, say, a public works program, comes from the multiplier chain of spending and respending. It is, therefore, more or less independent of the precise direction of the initial or primary expenditure.

This proposition is strengthened by a second point. A large part of the employment and productive activity that goes on in an industrial economy goes on in the production of intermediate goods: semifinished materials, fuels and power, transportation, trade and financial services, and the like. The steel beams in public buildings are, at a certain stage of their career, indistinguishable from the steel plates in a refrigerator. The fuel that heated the furnace to make glass for windows in hospitals might instead have made glass for whiskey bottles. For both the reasons I have mentioned, the particular aspects of particular expenditures are rather less significant than they seem. For ordinary purposes, I think we will not go far wrong if we speak simply of the general pressure of demand. The most important exception to what I have just been saying is probably the regional distribution of expenditures; and even there, leakage begins pretty soon.

The hallmark of rising structural unemployment is a tendency for unemployment to become more concentrated in certain groups of the labor force or sectors of the economy. This comes about because the demand for certain kinds of labor (unskilled labor, manufacturing labor, West Virginia labor) falls, compared with the demand for labor generally, while the supply of those kinds of labor fails to fall, or rises, in relative terms. In a sense, structural unemployment is the symptom of a failure of labor mobility. It is a sign of something else as well. Given the circumstances I have just mentioned—falling demand for one category of labor, even at a constant general level of demand, but without fast enough net migration to other parts of the labor market—the result might not be the emergence of concentrated unemployment but falling relative wages. One would expect both consequences to occur, in fact. Wage structures are sticky but not completely immovable, even in organized labor markets. They will give at least a little in the face of growing excess supply. But they may not give enough to provide employment for all those who have not, or not yet, left this weak sector of the labor market. (I hope it is clear that I am not suggesting that cuts in the real wage are a solution for general unemployment, but that a lower relative real wage may mop up some relative unemployment—a quite

different matter.) So a rising level of structural unemployment is a sign of some combination of insufficiently rapid labor mobility and insufficiently flexible wage structures. It goes without saying that I would not regard the problem as "solved" if incipient structural unemployment could be converted into chronically low wages in some sectors of the labor market. It is not much better to have people trapped in low-wage employment than in structural unemployment. The solution in either case is to open up new routes of mobility. But for analytical purposes one must see all the dimensions of the problem.

To put the structuralist hypothesis to a test one must try to find—by direct observation or by some kind of statistical adjustment—two or more periods of time when the general pressure of demand was about the same. If it then turns out that in the more recent period the level of unemployment was higher, or more strongly concentrated in certain skill categories or industries or regions, then the conclusion is that there has been an increase in structural unemployment. If the general level of unemployment and its incidence on different groups, or its dispersion among the various groups in the labor force, is about the same in the two periods, then there is evidence that the volume of structural unemployment has not significantly changed. The difficult thing is to know when the general pressure of demand is about the same in 2 separate years. About all anyone can do is to exercise some statistical ingenuity, and this has been done in various ways by the several students of the problem whose results I would like to describe.

UNEMPLOYMENT AND UNFILLED VACANCIES

One attractive possibility will have occurred to you, but is unfortunately not available for the United States. That is to compare the behavior of unemployment and unfilled vacancies through time. We know, of course, that when unemployment falls the number of unfilled vacancies tends to rise. This fact, as you may remember, has often been made the basis for a definition of "full employment," which is said to exist when the number of unfilled vacancies is at least equal to the number of people unemployed. If this is the case, it is tempting to say that the reason why the number of unemployed workers and the number of unfilled jobs are not both lower must be that the unemployed have the wrong qualifications for the available jobs, or are located in different parts of the country, or do not know about the availability of the jobs—in any case, one is tempted to say that they are unemployed for structural or frictional reasons, and not because of an inadequate demand for commodities or for labor. (Even in such circumstances, as you in Sweden know, a further increase in demand can lead to still lower unemployment, and still higher unfilled vacancies, as employers are led to accept somewhat lower qualities of labor, and higher wages induce workers to move.)

For my purpose it doesn't matter whether this is a satisfactory definition of full employment. But the following experiment suggests itself. Imagine 2 years in which the unemployment rate is the same; if there is a greater number (or, more accurately, a greater rate) of unfilled vacancies in the later year, then one would say that the incidence of structural unemployment must have increased. I can put this a bit differently: you can imagine the economy in any very short period as moving along a downward-sloping curve relating the unemployment rate to the vacancy rate—the higher is one, the lower the other. If, over time one observes this curve shifting outward, so that a higher vacancy rate is associated with the same unemployment rate or a higher unemployment rate with the same vacancy rate, then the structuralist hypothesis is verified. This statistical device is used by Hancock in the Australian study with which I began this lecture.

An even simpler picture can be read from the monthly OECD publication of Main Economic Indicators. There you will find time series of unemployment rates and vacancy rates plotted on the same graph, one for each of several countries. When one curve goes up, the other goes down. The points where the two curves cross are points where vacancies and unemployment were exactly in balance. (They correspond to points where Hancock's curve cuts the 45° line from the origin.) It is easy to let the eye follow the crossing points and see if they occur at successively higher or lower unemployment rates; i.e., whether Hancock's curve is shifting outward or inward along the 45° line. To my eye it appears that the locus of crossing points, taking the period 1950–63, is approximately horizontal for the United Kingdom, the Netherlands, and Switzerland. For Norway there is no clear pattern, but a horizontal one appears most

likely. For France, there are no crossing points, but one would have to say that the two curves have not shifted relative to one another, so that if there were crossing points they would form a horizontal pattern. For Sweden it is harder to say. There are no other OECD countries for which the required data exist. In no case do the graphs give an impression of increasing structural unemployment.

None of this throws any direct light on the United States. We have no statistics of unfilled vacancies, so no conclusive evidence can be had in this way. I think it would be rather amazing if the United States were the only industrial country in which the structuralist hypothesis were true. I know of no evidence to suggest that the pace of structural change has been faster in the United States than elsewhere during the postwar period, nor that the mobility of the labor force is less or deteriorating more rapidly. There is one rather unsatisfactory bit of evidence which does suggest that the rate of unfilled vacancies would be no higher or only very slightly higher now than it was a decade or more ago at comparable overall unemployment rates. There exists a time series of the number of help wanted advertisements appearing in a selected newspaper in each of 33 major labor markets accounting for 44 percent of nonfarm employment. One can regard this series as a rough indicator of how a comprehensive figure on vacancies would behave if there were one. If the help wanted index is expressed as a proportion of the labor force and plotted against the unemployment rate, there emerges the kind of downward-sloping curve I spoke of earlier. The economy does indeed travel up and down along the curve as one phase of the business cycle succeeds another. There is no clearly visible tendency for the curve to shift outward—to associate more help wanted advertising with a given unemployment rate—as time goes on.[7] But I admit that this is a very unsatisfactory source of knowledge, and so I will have to go on to less direct ways of testing the structuralist hypothesis.

REGIONAL UNEMPLOYMENT DIFFERENCES

My job now is to see whether there has been in the past decade or two any tendency for unemployment to become more concentrated in particular sectors of the labor market. There are various ways of dividing the labor market into sectors: by industry, by skill or occupation, by age or other demographic characteristics, by region, or by other broad or narrow categories. Apart from color—which is a special though not independent problem in the United States—I think most people would expect the regional division of the labor market to be the one with the sharpest barriers. Most countries have a "problem of the North" or a "problem of the South," and the United States is so large in land area that one might expect the barriers to geographical mobility to be especially high. Even the interregional flow of information about employment opportunities might be limited. So I will review some recent evidence on the regional incidence of unemployment and its changes during the postwar period.

The most clear-cut study is one made by Edward F. Denison for the Committee for Economic Development. He is able to work with a very detailed geographical breakdown because he uses not the regular unemployment statistics, but the censuses of 1950 and 1960. The recorded national unemployment rate was 4.8 percent in April 1950 and 5.1 percent in April 1960, when the censuses were taken. These rates are, in fact, essentially identical, because a change in definitions that was made in 1957 had the effect of raising the measured unemployment rate by exactly 0.3 percent. Thus the economist is in the rare but lucky circumstance of having had history perform an experiment for him. With the overall unemployment rate the same at two dates 10 years apart, we can observe how uneven the incidence of unemployment was and how the unevenness changed.

If on looks at the unemployment rates for the 48 States (Alaska and Hawaii offer special problems and are omitted), there is a wide range. In 1950, Maine had 9.1 percent and Iowa 2.1 percent (I have added 0.3 percent to make these comparable with the 1960 data); in 1960, the highest rate was 8.3 percent in West Virginia, and the lowest 3.1 percent in Nebraska. Some of the interstate differences in unemployment rates are easy to understand. It is no accident that the low States were Iowa and Nebraska; they are heavily agricultural and agricultural populations have a low risk of unemployment. There is a tendency for States which had above-average unemployment in 1950 to have it in 1960 too,

[7] Higher Unemployment Rates, 1957–60: Structural Transformation of Inadequate Demand," Joint Economic Committee, Washington, 1961, pp. 73–74.

though this is not universal. But the most remarkable of Denison's findings, and the one that bears directly on the structuralist hypothesis, is that "there was a general and pronounced tendency for regional and State unemployment rates to be closer to the national rate in 1960 than in 1950"; that is, the incidence of unemployment by geographic areas became more even between 1950 and 1960, not more uneven. This finding contradicts both the hypothesis of increasing structural unemployment and common gossip, and it suggests how unreliable casual impressions of complex statistical facts can be.

Denison has repeated his calculation using, instead of State boundaries, so-called standard metropolitan areas of which there are 149. This confines the analysis to the urban, generally nonagricultural, labor force. The conclusion, however, remains the same: between 1950 and 1960 the dispersion of unemployment rates decreased and did not increase. Metropolitan areas became more alike, not less alike in this respect in the course of the decade.

A different kind of evidence on the regional incidence of unemployment has recently been produced by Gallaway.[8] There are available annual insured unemployment rates for each of eight regions of the United States in every year 1948–60. To the extent that these regional unemployment rates go up and down together, one may say that rising unemployment is a national problem, rather than a problem of disadvantaged areas. If the regional unemployment rates diverge, some remaining high while others fall, then the structuralist hypothesis receives support if a test can be constructed using a measure of the average degree of correlation among the eight regional unemployment series. There are several ways this average degree of intercorrelation might be measured and Gallaway chooses a simple and natural one. Like any average of correlation coefficients it must lie between minus 1 and plus 1. In fact it comes out to be 0.8905 for the period 1949–60. Changes in regional unemployment rates are thus mainly a reflection of a common impulse, the pressure of demand in the national economy as a whole. Notice that this does not mean that there are not persistent differences in the level of unemployment by regions. There are: indeed the rank correlation of regional unemployment rates in 1949 and 1960 is 0.9. But there is no sign of increasing concentration of unemployment in particular regions. The range of regional unemployment rates seems if anything to be narrowing. Moreover, as Gallaway shows, the degree of intercorrelation of regional unemployment rates in the 1957–60 period is almost exactly what it was in 1949–56. Once again there is no evidence that any large region has become more or less "detached" from the nationwide swings in unemployment.

It is so easy to misunderstand what I am saying that I will run the risk of repeating myself. I am not asserting that there is no "regional problem" in the United States. I have already said that there are persistent differences in unemployment rates. There are also substantial differences in personal income per head. In 1960, personal income per capita was 64 percent higher in the Far West than in the Southeast. Differentials among smaller areas are even more striking. But the structuralist hypothesis requires that the differentials be increasing over time, and they are not. If anything, they are decreasing. In 1948, the Far West region also had the highest personal income per head and the Southeast region the lowest. But in 1948 the differential was 77 percent rather than 64 percent. Moreover, it seems to me highly likely that if the general level of economic activity had been higher in the last few years, the interregional differentials would have fallen even faster than they have done. One of the best ways to promote geographical mobility is to have some expanding centers of activity where jobs are easily available and a strong demand for labor keeps wages high. People are pulled into moving much easier than they are pushed. But that attraction to mobility, and that incentive for manufacturers to move to pools of unemployed labor, has been lacking in the United States since the end of 1957. The adjustment mechanism appears to be working as well as it used to, but the fuel to run it has been wanting.

AGE AND EDUCATION

I turn briefly now to two other categories according to which the global unemployment totals can be broken down, age and education. We have rather good figures on unemployment by age group and much less satisfactory figures on unemployment by educational status. In consequence, one can be fairly definite about the implications of recent changes in the age structure of the labor force, and

[8] American Economic Review, September 1963.

much less definite about changes in the demand for and the supply of people of different educational attainments.

It is perfectly clear that different age groups have characteristically different unemployment rates, and there are analogous differences between the incidence of unemployment on men and women. The main source of these differences is probably different mobility patterns. Young people, in particular, are less firmly attached to any given job than are more experienced workers, and so they have always suffered higher unemployment rates. Something similar is true, to a lesser extent, about women. There are, no doubt, other reasons for the differentially high unemployment of young workers, and there is evidence that the pattern may have been changing for the worse recently. Prof. Albert Rees, of the University of Chicago, points out that the unemployment rate of teenagers has been rising relative to the rate for adults. In 1963, 15.6 percent of those in the labor force between 14 and 19 years old were unemployed. Moreover, within that age group the incidence of unemployment is highest for those with the least education: Rees gives figures for October 1961 when the unemployment rate for June high school graduates not attending college was 17.9 percent, and for those who had dropped out of school before graduation was 26.8 percent. Whatever the cause of this shift, it is clear that changes in the demographic composition of the labor force can change the unemployment rate associated with any given volume of effective demand.

It is possible to show, however, that up to now this demographic factor has not been the cause of the upward drift in overall unemployment. I made a study of this for 1960 and Rees has recently reported a similar study for 1962. The results are the same and so I will quote Rees' more up-to-date analysis. The method is to apply the 1962 unemployment rates for detailed age-sex categories to the demographic composition of the labor force as it existed in 1955, when the unemployment rate was 4 percent. If that is done, one calculates that the overall unemployment rate in 1962 would have been 5.5 percent; in fact it was 5.6 percent. The difference of 0.1 percent is all that can be attributed to changes in the composition of the labor force since 1955. It is worth underlining that, even if this source of increased unemployment has been negligible in the past 7 years, it does not follow that it will be negligible in the future. It simply means that demographic shifts have so far been slight. More radical shifts in the composition of the labor force can be expected in the next half dozen years; unless age differentials are reduced, this will be a force making for higher unemployment rates in the future. Fortunately, young workers are the most flexible and mobile part of the labor force; it should be possible to improve their adaptability to the demands of the labor market, but not without devoting public resources to the effort.

The current high rate of unemployment is not the result either of relatively worsening unemployment rates among special age groups nor of a shift in the composition of the labor force toward age groups with higher specific unemployment rates. This much is proved by Rees' figures and my own earlier ones. Nevertheless there has been an increase in unemployment rates among young people, aged 14 to 19. This is an important enough social fact to be worth some comment.

The fact itself is easy to see. One need only compare the years 1954, 1959, and 1963, when the overall unemployment rates were 5.6, 5.5, and 5.7 percent. In 1954, the unemployment rate among male teenagers was 11.4 percent (after adjustment for a change in definition that took place in 1957); in 1959 it was 13.8 percent; in 1963 it was 15.5 percent. It appears that the change was not smooth; there was a small deterioration in 1957 and a major deterioration in 1963. One can say that there are now about 200,000 more unemployed teenagers than the 1948–57 experience would have predicted for this year. This is less than one-third of 1 percent of the labor force, but it is a number one doesn't like to contemplate, especially since it may get worse.

One cannot be dogmatic about the causes of higher unemployment among young people. By no means all of the young unemployed are premature school-leavers, and the others may well be better educated than their opposite numbers a decade or more ago. One hypothesis makes even this component of unemployment a result of the years of stagnation of demand since 1957. Imagine that young people are in some ways "inferior" employees, because they are inexperienced, or more likely to change jobs frequently, or interested in part-time employment. All these things may well be true. Then during a prolonged period of stagnation, with the supply of labor exceeding the demand, it may well happen that employers succeed in gradually exchanging "inferior" workers for superior ones. Then

teenagers will come to suffer abnormally high unemployment rates for the given level of general unemployment simply because the high unemployment is prolonged rather than occasional. Moreover, if the weak growth of demand shows itself not in a high rate of layoffs or discharges (as in fact it has not), but in a slow growth of new job opportunities, then it is natural to expect unemployment to become abnormally concentrated on new members of the labor force.

I find these arguments fairly plausible. They do not mean that one can afford to ignore increasing unemployment among young people, but they suggest that adequate growth of demand over several years might correct even this aspect of the unemployment problem.

On the relation between unemployment and educational attainment Prof. Charles Killingsworth of Michigan State University has produced some figures which suggest a kind of imbalance. They show that between April 1950 and March 1962, the unemployment rates for males with amounts of schooling ranging between none and 12 years had increased while the rate was about constant for those with 13 to 15 years of school completed, and fell sharply, from 2.2 to 1.4 percent for college graduates. From this and some other analysis he concludes: "* * * that long before we could get down to an overall unemployment rate as low as 4 percent, we would have a severe shortage of workers at the top of the educational ladder. This shortage would be a bottleneck to further expansion of employment. * * * We could not get very far below a 5-percent overall unemployment level without hitting that bottleneck." This is a rather different argument from the one we have been considering so far. The structural unemployment thesis is usually applied to what Myrdal calls the "underclass" of unskilled, low productivity, often even illiterate members of the labor force. Here we are being told that it is in effect the tail of college graduates that wags the dog of unemployment. I find this new line of argument implausible. In the first place, it would be peculiar if the United States, with its very large poportion of university-trained people, should be unable to reduce its unemployment rate to 4 percent because it does not have even more, while the other major industrial counties of the world should be able to maintain much lower rates with little difficulty despite a smaller diffusion of university education. In the second place, as Rees has commented, it is natural that when labor markets are generally soft, employers should insist and be able to insist on hiring college graduates for positions which do not really require so much education. A tightening of the labor market would involve a reshuffling of the educated labor force to other kinds of jobs without generating any real bottleneck.

Moreover, there are some difficulties with the figures themselves. I will not bore you with the details, but it may be that the 1950 figures are not directly comparable with the later ones, which come from a different source. But even taking the figures as they stand, they may require a different interpretation. Between April 1950 and March 1957, while the overall unemployment rate was falling by one-third, from 6.2 to 4.1 percent, the rate for college graduates fell by almost three-quarters, from 2.2 to 0.6 percent. Between March 1957, and March 1962, while the overall unemployment rate rose back to 6 percent, the rate for college graduates actually rose more rapidly to 1.4 percent. Thus it appears that while the balance of supply and demand may have favored highly educated workers to an unusual extent in 1957, it may actually have been shifting against them slightly in the past 5 years. This interpretation is confirmed by the figures for unemployment among professional and technical workers, an occupational category which is not identical to the group of college graduates. In the years 1948–51, unemployment in this category was rather higher than one would have expected it to be, given the general economic situation. Since then, speaking roughly, the normal situation seems to have been restored. You can imagine that I do not like to say a word against higher education; but I cannot honestly attribute the high unemployment rates in the United States to a shortage of my own product. Unless it results from the apparent inability of university courses in elementary economics to produce any impact on the ideas of those who sit through them.

In my first lecture I was able, I hope, to dismiss as contrary to fact the notion that the recent high unemployment rates in the United States can be laid to a worsening age distribution in the labor force, or to a specific scarcity of highly educated workers. I was also able to produce strong evidence that regional disparities in unemployment rates are now, if anything, less significant than they were earlier in the postwar period.

UNEMPLOYMENT BY INDUSTRY AND OCCUPATION

Of course differences among regions are in large part reflections of industrial and occupational differences, and I must turn next to those aspects of the structure of unemployment. There is no dispute about the basic facts here. The figures show a grossly uneven incidence of unemployment among industrial and occupational groups in the labor force.

In 1962, for instance, when the aggregate unemployment rate was 5.6, the rate was 12 percent among workers whose current or last previous employment was in construction as against 3.9 percent among those attached to the transportation and public utilities industries, and only a bit over 2 percent for those working in the financial sectors of the economy. The unemployment rate among unskilled laborers was 12.4 percent; that among craftsmen was 5.1 percent and among professional and technical workers only about 1.5 percent. Equally great discrepancies could be found when the labor force is classified by age and color; 13.3 percent of male members of the labor force between 14 and 19 years old were unemployed against 4.6 percent of those aged 20 and over. More than 11 percent of Negroes were unemployed and fewer than 5 percent of whites. The predicament of a 17-year-old unskilled Negro constitutes, as you can imagine, a major social problem. Indeed, it is such immediately visible social facts as these that makes the structuralist hypothesis so apparently compelling.

I trust I will not be taken as minimizing the importance and immediacy of the social problem when I say that such figures can not possibly by themselves support the hypothesis that the volume of structural unemployment has been increasing in recent years. The fact is that for as far back as the figures go—which, by the way, is not much beyond the postwar period—the incidence of unemployment has always been uneven. That this is so is no doubt evidence that the labor market has never functioned perfectly and frictionlessly. I imagine that this comes as no surprise to anyone. It is not hard to think of reasons why the unskilled and the inexperienced should usually suffer higher rates of unemployment than the skilled and the experienced.

In the first place, mobility between industries and occupations is far from perfect, and wage structures respond at best sluggishly to changes in the balance of demand and supply in particular labor markets. In the second place, when output declines or grows very slowly, it will generally be to an employer's interest to lay off an unskilled or inexperienced worker and fill his place with a—no doubt underemployed—skilled employee, even at a higher wage; because when sales improve again, new unskilled help can be added with only small disruption to production, whereas turnover among skilled and experienced personnel can be much more costly. In the third place, skilled and experienced workers are more likely to be protected from layoff by seniority, whether by informal custom or formal trade union rules. In the fourth place, some industries—say durable manufacturing, goods production generally as against services—are much more vulnerable to trade cycle fluctuations than others; for them a fringe of unemployed workers is a form of spare capacity.

It is desirable that the overall rate of unemployment should be low. Beyond that, it is desirable that the incidence of unemployment should be relatively even, or at least that those groups in the labor force exposed to a disproportionate risk of unemployment should be compensated by higher wages while they are employed. But whenever there are obstacles to mobility and uncertainties about employment prospects, the incidence of unemployment is likely to be uneven. Moreover, for all the reasons I have mentioned, the unevenness of unemployment rates is likely to be greater when the general level of unemployment is higher. This expectation is amply borne out by the facts. Kalachek [9] has calculated annual indexes of the dispersion of unemployment rates by industry and occupation. There are some mysterious things about their behavior, but one thing is clear: "The amount of absolute inequality in the incidence of unemployment clearly varies with the stages of the business cycle. Unemployment becomes more concentrated among select groups of workers as the unemployment rates rises." The correlation between Kalachek's index of dispersion and the overall unemployment rate, 1948–60, was 0.98 by occupation and 0.83 by industry. There was some tendency for the dispersion of unemployment rates to increase overtime, but all this was complete by 1956, and since 1957 the changes in unevenness appear to be fully explained by the weakening of the general demand for labor.

[9] "Higher Unemployment Rates, 1957–60 * * *," pp. 49–55.

To confirm the hypothesis that structural unemployment is increasing requires not simply a showing that the incidence of unemployment is uneven, but that it has been becoming more uneven, more concentrated in special groups in the labor force; not only that, it must be shown that the unevenness is more than can be accounted for by the usual tendency for some groups to suffer disproportionately when aggregate demand is inadequate to employ the economy fully.

The fullest test of this hypothesis is due to Kalachek in a MIT Ph. D. thesis which has also appeared as a study paper for the Joint Economic Committee of Congress. The method is simple. Consider any industry or occupation for which specific unemployment rates exist. The choice is not very great, and this is inevitable because people cannot be described as "attached" to very narrowly defined industries or even occupations. But the classification is adequate for the problem at hand. Among occupations the groups are professional, technical, and kindred workers; farmers; managers, officials, and proprietors; clerical workers; sales workers; skilled workers; semiskilled workers; private household workers; service workers; and unskilled laborers. Among industries one can distinguish agriculture; mining; construction; durable-goods manufacturing; non-durable-goods manufacturing; transportation, communication, and public utilities; trade; finance; and government. The unemployment rate for each such occupational or industrial group can be plotted against the overall unemployment rate, year by year. The points will fall along an upward-sloping curve: on the average, when the overall unemployment rate rises, each specific unemployment rate will rise. If structural unemployment has been increasing, then there will be a tendency in the disadvantaged groups for more recent points to lie above the curve, even after allowance for changes in overall unemployment. Correspondingly, there must be relatively favored groups and industries for which the points tend progressively to lie below the curve, when account is taken of movements in the general unemployment rate. It should be possible to isolate these tendencies by the standard statistical methods.

In fact, no such tendency is found. The fact that general increases in unemployment fall unevenly on different groups is obvious from the scatter diagrams and the straight lines that seem to fit them adequately. For instance, on the average a 1-point increase in the general unemployment rates goes along with an increase of 0.25 point in the unemployment rate among professional and technical workers, 0.42 point among sales workers, 1.26 points among skilled manual workers, 1.76 points among the semiskilled, and as much as 2.56 points among unskilled laborers. The results of analysis by industry also conform to expectation. A 1-point increase in the overall unemployment rate is associated with less than 1-point increases in the specific unemployment rates in finance, service industries, and trade. It is associated with an increase of 0.93 point in the unemployment rate in public utilities, including transportation, and 0.94 point in non-durable-goods manufacturing. But when the general unemployment rate goes up or down by 1 point, there is a corresponding average change of 1.65 points in the rate for durable goods manufacturing, 1.70 points in mining, and 1.84 points in construction. Thus one can easily pick out the segments of the labor force which will show the widest fluctuation in unemployment rates over the business cycle, and those that will show the narrowest.

From the analyses one can also read off what specific unemployment rate in each occupation or industry would correspond to some standard overall unemployment rate. Thus, for example, if the overall unemployment rate were 3 percent, past experience would lead one to expect an unemployment rate of 3 percent for skilled workers, 4½ percent among semiskilled workers, and almost 7½ percent among unskilled laborers. By contrast the expected unemployment rate for sales workers is near 2½ percent, that for clerical workers about the same, and the rate for professional and technical workers only a bit over 1 percent.

Analogous differences arise by industry. If aggregate unemployment were 3 percent, one would expect demand conditions to be such that unemployment would be little over 2 percent in durable goods manufacturing, but 3½ percent in nondurable-goods manufacturing. More than 6 percent of workers in the construction industry would be unemployed, but only 2 percent in transportation and public utilities. These figures contain few, if any, surprises.

But these statistical analyses permit one to go much further, to conclusions of some analytical importance. In general, the pressure of aggregate demand, as

measured by the overall unemployment rate, gives an excellent explanation of movements in specific unemployment rates. There are some categories where the degree of explanation is not so good, notably mining, but generally speaking, the correlations are close enough to inspire a certain amount of confidence. (The scatter diagrams and correlations can be consulted in Kalachek, pp. 59–66.) The hypothesis of increasing structural unemployment requires that over and above the influence of changing aggregate demand conditions, certain industrial and occupational groups should be found to suffer higher unemployment rates simply with the passage of time. This proposition can be tested in a number of ways. One is to introduce time as a variable into the correlations just described. Kalachek has done so. So far as occupational groups are concerned, only one category showed a statistically significant tendency for unemployment to increase with time, and that was the group of farm laborers. (There was a very slight tendency for semiskilled workers to behave in the same way, but the partial correlation with time clearly failed the standard test of significance.) Among industries, three showed a statistically significant tendency for unemployment to increase over time after allowance for the effects of general economic activity; two of these were agriculture and construction and the third, surprisingly, was finance. One must conclude that there is in this material no convincing evidence of increasing structural unemployment. The weight of the evidence goes the other way.

There is an even more dramatic way to make this point, and the experiment has been made by Kalachek and the Council of Economic Advisers. The first step is to estimate the average relationship between specific and general unemployment rates, using only the experience of the 10 years 1948–57. The second step is to use these relationships to predict specific unemployment rates for 1962. If the structuralist hypothesis is true, then the result should be to underestimate the specific unemployment rates in 1962 for the industries and occupations most likely to have been affected by increasing structural unemployment. This is a rather strong test, since a gap of 5 years separates the last year with any influence on the predictions and the year for which the predictions are made. The results of the experiment are striking. I cite them in terms of the change in specific unemployment rates between 1957 and 1962, compared with the change expected on the basis of the statistical relationships.

In mining and construction, the unemployment rate did rise by more than early postwar behavior would have led one to expect, but by only a half of 1 percentage point more. On the other hand, in the industries manufacturing durable goods and nondurable goods, the unemployment rate rose by a half of 1 percentage point less than expectation. Among unskilled manual laborers, the unemployment rate rose between 1957 and 1962 by four-tenths of a point more than expected, but among semiskilled workers by four-tenths of a point less. Among skilled craftsmen, the behavior of unemployment was exactly in accord with statistical expectation. It is remarkable that the major discrepancies occurred elsewhere. Unemployment in wholesale and retail trade rose by a full percentage point more than statistical expectation, and similarly for the financial industries. This observation is reinforced by the greater-than-average increases in unemployment rates for workers in clerical and sales occupations.

It is important to understand the correct interpretation of these figures. They are not evidence that no structural change is taking place in the skill, occupational, and industrial composition of the employment offered by the economy. There is good reason to believe that service-producing industries are gaining relative to goods-producing industries, and white-collar occupations relative to manual occupations. These changes are related no doubt to systematic changes in the composition of final demand as incomes rise, and to technological developments. It cannot be part of sensible policy to try to arrest or reverse those changes, and no parties to the debate suggest that it is. The basic question is whether the changes are occurring so rapidly as to make adjustment to them impossible or nearly so; or, to put it differently, whether an attempt to achieve a high level of employment by general expansion of demand would founder on specific labor bottlenecks before very much had been achieved. The question thus turns on whether the skill, occupational, and industrial mobility of the labor force is adequate to cope with structural changes, if aggregate demand were adequate to provide the pull of job opportunities.

It would be foolish to ignore the uncertainty surrounding any answer to this question. It is, after all, almost 7 years since unemployment in the United States was as low as even 4 percent of the labor force. No one can honestly claim to

know with confidence what would happen in the labor market if a pressure of demand as strong as that of 1956, say, were to be recreated. The figures I have quoted provide some support for two tentative hypotheses: First, that differential changes in specific unemployment rates have not been qualitatively different since 1957 from what had been standard in the first postwar decade; and second, there is enough mobility of labor, across occupational and industrial lines, and even across State lines, to keep the composition of the labor force at least roughly in line with demand. It is a common debating device to shift the burden of proof always to the other fellow; I think that believers in increasing structural unemployment owe us an alternative interpretation of the facts.

A "STRUCTURALIST" INTERPRETATION OF THE FIGURES

Since I wish to be fair, and since I am above all interested in a correct understanding of the American economy, I shall suggest what seems to me the interpretation of the statistics most favorable to structuralism. The specific unemployment rates themselves classify unemployed workers not by industry or occupation of permanent or long-term attachment, but by industry or occupation of most recent attachment. Thus, for instance, an unskilled or semiskilled worker in manufacturing may become unemployed for "structural" reasons, say because the technology of his industry or group of industries has become too sophisticated for him to be usefully employed at anything near the going wage. It would not be uncommon for such a worker to obtain a period of casual employment in a service industry, or even in retail trade during a busy season. If he then becomes unemployed again, perhaps for a long period, the figures will classify him as belonging to the service industries, or to trade, while one can argue that from the economic point of view he should be thought of as a structurally unemployed member of the manufacturing labor force. If this interpretation is correct, then the reason why the figures fail to show a piling up of structural unemployment in the expected industries and occupations may simply be that the statistics themselves tend to shift the formal burden of unemployment to those sectors where employment is growing fairly rapidly anyway, or where casual employment is easier to find.

This is a difficult argument to deal with, because the sequence of events it describes is, after all, part of the normal functioning of the labor market. The point about structural unemployment is not that industries rise and fall, because that is inevitable. The point is that there are serious barriers to mobiltiy. If those who are displaced from unskilled jobs in declining industries could find work in growing industries, there might be other problems, but there would be no problem of structural unemployment. General expansion of demand would absorb unemployment without trouble. (I am here skipping over a very important aspect of the process of technological change; displaced workers, whose skills have become obsolete, may be able to find employment in other occupations and industries, but only at the price of a terribly painful reduction in real wages. Such workers have in effect suffered a major capital loss and a good society would compensate them. But we are talking about unemployment itself.) Mobility of labor does not merely hide the structural character of unemployment, but eliminates it. On the other hand, if mobility is really very limited, so that the usual fate of the displaced worker is at best casual employment but rarely permanent employment, then the figures may indeed be misleading.

One way of getting at the true story is to observe what happens to specific unemployment rates when general unemployment falls. From 1961 to 1962 the unemployment rate for all experienced wage and salary workers fell by 1.3 points, from 6.8 to 5.5 percent; the rate for all experienced workers (including self-employed—one must use this total for studying occupational breakdowns) fell by one point, from 5.9 to 4.9 percent. If it were to be found that the unemployment rates in service occupations, in trade, finance, and other service-producing industries, fell much more slowly than past experience would suggest to be normal, then one might conclude that the figures tend to shift the locus of structural unemployment from the place where it actually occurs to these special sectors. In fact, the unemployment rate in wholesale and retail trade usually changes by 83 percent of the change in the unemployment rate for experienced wage and salary workers; thus one would have expected the rate to fall by 83 percent of 1.3 points, or just under 1.1 points—it actually fell by 0.9 point. The expected fall in unemployment in service industries was 0.7

point, and the actual fall 0.6 point. The expected fall in the rate for service occupations was one point, and the actual fall was one point. The expected fall for clerical workers was 0.7 point; so was the actual fall. The expected fall for sales workers was 0.4 point, the actual fall 0.6 point. One tends to think that any theory which is repeated often enough must contain some kernel of truth; but I confess I can see no confirmation of increasing structural unemployment in these figures. A determined believer might find a very little bit, but hardly more.

NEGRO UNEMPLOYMENT

The same method of comparing a specific unemployment rate with the general unemployment rate, so that one can see whether the relation is shifting in time, has been applied by Dr. Barbara Berman to the case of Negro unemployment. Here the loophole I mentioned earlier cannot apply; if the Negro unemployment rate is high or increasing, it is not open to Negroes to become unemployed white workers. Dr. Berman's findings confirm the heavy burden of unemployment borne by Negroes in the United States. According to average behavior since 1948, if the white unemployment rate were to fall to 3 percent, the Negro rate would be just under 6 percent. And for every one-point movement up or down in the white unemployment rate, the Negro rate tends on the average to rise or fall by a little over two points. There does appear to be some tendency for the differential disadvantage against the Negro to rise over time. But remarkably enough, this worsening of the Negro's relative position appears to have taken place between 1948 and about 1955, and to have added no more than one percentage point to Negro unemployment rates. Since 1955–56, the relationship seems to have remained quite steady and cannot have contributed to any increase in structural unemployment since 1957.

Before I leave the question of differential changes in unemployment rates among industrial and occupational groups, I should report on the results obtained by Gallaway, whose work I have already mentioned in connection with the regional problem. His method, you will remember, is to scan the whole array of unemployment rates by industry and occupation for the period 1948–60. To the extent that the recent worsening of unemployment is a national rather than a localized problem, the specific unemployment rates should show a fairly high degree of mutual correlation. The structuralist hypothesis requires that special groups in the labor force experience a more or less autonomous increase in unemployment, out of harmony with others. The result would then be a fairly low degree of mutual correlation. Gallaway's approach differs from the one I have already described mainly by considering all industries simultaneously rather than one at a time. The key statistic is a measure of the average degree of correlations or harmony among the series of specific unemployment rates. For the eight major industrial groups (mining, construction, durables, nondurables, public utilities and transport, trade, finance, and services) he finds an average degree of correlation of 0.88, compared with the extreme of perfect correlation corresponding to 1.00. For the eight major occupational groups (skilled workers, semiskilled workers, unskilled laborers, farm laborers, sales workers, service workers, clerical workers, and professional and technical people) he finds an average correlation of 0.89. In both cases he concludes, as I would, that there is remarkable degree of "togetherness" in the movements of the sectoral unemployment rates.

Gallaway makes a further check. Since the structuralist hypothesis relates primarily to the last few years, he recomputes the correlation statistics separately for the years 1948–56 and 1957–60. He finds that the degree of correlation is actually a little higher in 1957–60 than in the earlier decade: 0.96 against 0.89 for the industrial classification and 0.91 against 0.90 for the occupational. On a purely statistical basis, the difference is significant for the industrial classifications, but obviously not for the occupational. Thus the figures show no tendency for certain sectoral unemployment rates to "break loose" from the general movements after 1957. It seems highly unlikely that analysis of the figures for 1961–63 would upset this general conclusion.

It must be admitted that these figures are open to the same criticism as Kalachek's. In the first place the industrial and occupational groupings may be too broad to offer a useful test of the hypothesis of increasing structural unemployment. Against this I can only reply (*a*) that our statistics simply do not permit any finer detail and (*b*) that the structuralist theory loses a good deal of its interest if it can only apply to very narrowly defined groups in the labor

force. If it were clearly the case, as it may well be, that employment opportunities were disappearing for elderly unskilled manual workers in shipbuilding in New England and that the people concerned had neither the geographical, the industrial, or the occupational mobility to find other employment, then I would be the first to argue that this presents a social and economic problem that a rich society ought to remedy and/or relieve without delay. But it would not constitute an argument that the high general level of unemployment could not be reduced by demand expansion—unless it is only one of many similar problems. But in that case it should show up even in such coarse statistics as we have—and it does not.

LONG-TERM UNEMPLOYMENT

There is one important aspect of structural unemployment to which I have not yet referred. In the terms of the human costs of unemployment, it is perhaps one of the most important aspects. I have in mind the incidence of long-term unemployment. Up to now I have been concerned to show that the post-1953 or post-1957 rise in unemployment rates (though not the generally high level compared with European countries) is primarily the result of the general weakness of effective demand, and less—if at all—the symptom of worsening mobility and adaptability of the working population to the demands of changing technology and tastes. If I am right about this, then a policy of expanding private and public demand to the levels experienced in 1953 or 1955 would reduce unemployment to the low levels observed in those years. But even if I am right, it could still be true that such unemployment as would then remain would be more heavily concentrated on a few individuals or families.

Any given amount of unemployment is socially more tolerable if it is, so to speak, passed around from hand to hand and spread fairly evenly among people in the labor force, than it is if a relatively small group bears most of the burden. This would be so, even if the provision of free social services and unemployment compensation were adequate; since it is not, and especially not for those who are unemployed for long periods, the human damage done by long-term unemployment is all the greater. Professor Myrdal and Mr. Michael Harrington, in his book "The Other America," have warned us about the danger that the United States may be developing or have developed an "underclass" cut off from the benefits of a rising average standard of living and even cut off from the attention of the rest of the society. It is encouraging that the Johnson administration has carried on with President Kennedy's decision to make an attack on poverty an important part of post-tax-cut economic policy.

I have said that a tendency for unemployment to become more and more concentrated on a relatively small number of working people could occur even outside the structuralist hypothesis. But the two are obviously related, and so I must inquire into the facts, and behind them. The facts themselves are clear enough. We can arbitrarily define the "long-term unemployed" in any quarter as those who have been unemployed for 15 weeks or more, or as those who have been unemployed for 26 weeks or more. According to the first definition, the picture is roughly this. In the third quarter of 1948, 13.8 percent of all the unemployed were long-term unemployed. But the third quarter of 1950, this percentage had risen to 22.7. Toward the end of the Korean boom, in the third quarter of 1953, the percentage of long-term unemployment in total unemployment had fallen back to 11.1. (Since the figures are not adjusted for seasonal variation, I am sticking as far as possible to the third-quarter figure.) In the third quarter of 1954 the long-term unemployment percentage rose to 26.2, reflecting the recession of that year. By the third quarter of 1957, after 3 years of boom, 17.4 percent of the unemployed were long-term, and in the third quarter of the recession year 1958 the figure reached 34 percent. In the third quarter of 1960, just after the business-cycle downturn of May, the long-term unemployed were still 22 percent of the total unemployed, and never went lower. The figure rose as high as 31.4 percent in the third quarter of 1961, after recovery had begun, and was still 23.8 percent in the third quarter of 1963.

The picture is very similar if one takes the sterner definition of "very long-term unemployment." In the bad third quarters of 1950 and 1953, 11.8 and 11.6 percent of the unemployed had been unemployed for 26 weeks or more; in the bad third quarters of 1958 and 1961, it was 19.6 percent both times. In the good third quarters of 1948 and 1953, the figures were 6.3 percent and 4.8 percent; in the third quarter of 1957 it was 8.4 percent; in 1960 11.2 percent. And in the third quarter of 1963, long-term unemployment was 13.5 percent of total

unemployment, an even higher percentage than 3 years earlier. On a simple gross basis, the incidence of long-term unemployment seems perhaps to have doubled.

We have learned earlier that such gross changes in partial unemployment rates need to be related to general conditions in the labor market before they will reveal their true significance. No such statistical study of long-term unemployment seems to have been done, so I will report here on some preliminary unpublished explorations that I have made together with Mr. James Litvack, a graduate student at MIT. Nothing quite so simple as the methods already described will suffice for the study of the duration of unemployment. Clearly the extent of long-term unemployment must depend not only on the current level of unemployment as a whole, but also on past developments in the labor market. If the unemployment rate in the current quarter is 6 percent, one would expect there to be more long-term unemployment if the unemployment rate had been near 6 percent for the past year than if the rate had just risen to 6 percent from some lower figure. In other words, even if there has been no structural change in the specific incidence of long-term unemployment, general labor market conditions will affect the extent of long-term unemployment with a lag, and perhaps with a considerable lag. And if one wants to estimate the rate of structural change, one must simultaneously take account of the persistent effects of past conditions in the economy and the labor market. There are well-known statistical methods for doing this.

In applying these methods we have tried to test for possible structural changes in two different ways. Our analysis refers to the 16 years beginning with the first quarter of 1948 and ending with the last quarter of 1963. We allowed first for the possibility that there was a more or less discontinuous change in the incidence of long-term unemployment occurring at the end of 1957, and second for the possibility that there was a slow smooth increase in the incidence of long-term unemployment throughout the whole period. We seem to get better results with the hypothesis of a smooth development than with that of a discontinuous change. It is quite possible that if we had placed the discontinuous change elsewhere in the period, or if we had considered the alternative of two or three discontinuities, we might have found that a more suitable working hypothesis. But it is not likely that our quantitative results would be very much affected, and so I will talk only about the hypothesis of a smooth increase in long-term unemployment.

I take first the definition of long-term unemployment as unemployment lasting more than 15 weeks. Generally speaking we find that most of the quarter-to-quarter variation in the percentage of the unemployed who are long-term unemployed can be satisfactorily explained by current and past overall unemployment rates. The lag effect is quite noticeable. The previous quarter's unemployment rate is a more important determinant of long-term unemployment than the current quarter's, and one can trace the lag still further back in time, but with rapidly diminishing significance. That the major determinants of long-term unemployment should be the condition of the labor market in the current and immediately preceding quarters in quite natural, since 15 weeks is just a little over a quarter of the year.

The exact lag pattern is not worth discussing here, but I can give some idea of the overall incidence of long-term unemployment by describing the implied steady-state properties; i.e., by giving the implied answer to the question: How much long-term unemployment would there be if the general unemployment rate were steady at x percent? The statistical results suggest, in round numbers, that if the overall unemployment rate were steady at 3 percent of the labor force, between 13 and 14 percent of the unemployed in any quarter would have been unemployed for more than 15 weeks. Moreover, for every addition of one point to the steady overall unemployment rate, an additional 5 percent of the unemployed would fall into the longrun category. Thus if general unemployment were to rise to 7 percent and stay there, about a third of the unemployment would be long-term. During the second half of 1962 and all of 1963, the unemployment rate hovered around 5.6 percent. According to what I have said, one would expect long-term unemployment to be about 26.5 percent of the total; in fact, during 1963 it averaged 26.1 percent. Similarly, from the first quarter of 1956 to the third quarter of 1957, overall unemployment was fairly steady and averaged 4.3 percent. One would have expected the incidence of long-term unemployment to have been about 20 percent; in fact, it averaged 19.8 percent.

As these figures suggest, there is little to be gained by invoking the additional hypothesis of an autonomous increase in the incidence of long-term unemployment. I would not go so far as to reject it entirely. When one asks the figures whether there was a smooth trend increase in the amount of long-term unemployment, the result is that the trend increase always comes out positive, but generally fails to be statistically significant. As so often happens, when you ask a delicate question of imperfect figures, they reply "Maybe". Instead of pursuing this question here, I turn to the figures on very long-term unemployment (more than 26 weeks), because there the question receives a much less ambiguous answer.

As you would expect, the lag of very long-term unemployment behind general unemployment is longer. The current unemployment rate is in fact not very significant, but the preceding quarter's rate is, and the lag effects die away more slowly as you go back in time. As for steady-State properties, one could say, very roughly, that with a steady unemployment rate at 3 percent, between 4 and 5 percent of the unemployed would be victims of very long-term unemployment. And for every one-point increase in the steady unemployment rate, the proportion of the very long-term unemployed would rise by about 3 to 3½ percent. Thus with 7 percent unemployment, they would account for 17 to 18 percent of the unemployed. You will notice that at 3 percent unemployment about a third of the long-term unemployed are very long-term unemployed, while at 7 percent unemployment more than half of the long-term unemployed are very long-term unemployed.

What is more important, there are now definite signs of a slow increase in the amount of very long-term unemployment. Even after the lag effects are taken into account, the figures suggest that as of any given patten of past unemployment rates, the proportion of those who have been unemployed for more than half a year has been creeping up year by year. Since there is little, if any, sign of an increase of unemployment in the more than 15-week category as a whole, it may be that what has been happening is a shift from moderately long-term unemployment to very long-term unemployment.

The methods used to isolate this autonomous increase in very long-term unemployment also permit us to estimate its extent. The best estimate that I can now make—and it is tentative, because the research is not yet complete—is this: with the general pressure of demand held constant, there has been a tendency for the percentage of very long-term unemployed among the total unemployed to increase by two-tenths of a percentage point a year. Thus the increase over the full 15-year period from the beginning of 1948 to the end of 1963 has been about 3 percentage points. In the fourth quarter of 1963, 12.3 percent of all the unemployed had been unemployed for more than 26 weeks; my estimate is that, if the same general economic conditions had been ruling in the first quester of 1948, only 9.3 percent of all the unemployed would have fallen into the over 26-week category. Since the number of unemployed at the end of 1963 was about 4 million, some 492,000 were very long term. I attribute about a quarter of that number, or 120,000 to the slow structural change that appears to have been taking place throughout the postwar period. Whether this is a large number or a small one depends on your point of view. In terms of the overall functioning of the economy, I suppose it is a small number: a quarter of the very long-term unemployed, therefore one thirty-second of all the unemployed, therefore one six-hundredth of the labor force. In terms of human pain, and what is worse, avoidable human pain, it is far from trivial.

I should add, though I cannot be precise, that the figures I am forced to use may contain a built-in underestimate of the magnitude of the problem. We know that people who are unable to find work may stop looking for it. In the statistical sense they drop out of the labor force and no longer count as unemployed. Yet as regards waste of resources and personal cost, they are unemployed. It seems likely that this statisical illusion would apply especially to the long-term unemployed, and this would reduce both the apparent extent of the problem and very likely its rate of increase. I doubt that correction of this statisical fault could change one's assessment of the broad, purely economic, significance of the increase in long-term unemployment; it would, I hope, increase the burden on the American conscience.

I cannot speculate on the causes of this slow increase in very long-term unemployment. It may be related to a tendency for employers to rely more than they used to on fluctuations in hours worked rather than changes in employment to absorb the ups and downs of production. This tendency itself has been occasionally discussed but not carefully investigated. If it is a fact, it may in

turn be related to technological changes or to the development of "property rights" in jobs through seniority systems or nontransferable pension rights. If I have learned anything from the study of structural unemployment, I have learned that it is dangerous in this field to rely on casual empiricism.

FASTER PRODUCTIVITY GROWTH?

I do not have time to speculate at length on another relevant and interesting question, whether the rate of increase of productivity in the United States has at last made the spurt that has been predicted by believers in a "second industrial revolution". I lack more than the time; I lack the evidence. We know that in the United States, as in Europe, the advance of productivity has been faster since the end of the Second World War than before. For the United States the acceleration has been perhaps less marked than for Europe; I can summarize it in the fact that output per man-hour in the private nonagricultural economy increased at an average rate of 2 percent a year from 1919 to 1947 and at 2.6 percent a year from 1947 to 1963. Actually the acceleration was a bit sharper than that: if some allowance is made for the greater excess capacity in 1963 than in 1947, the postwar rate of increase in output per man-hour at constant utilization of capacity may have been closer to 2.9 percent a year. There has been some recent speculation that the rate of productivity increase may have accelerated further during the past 2 or 3 years: output per man-hour rose at annual rates of 3.7 percent from 1947 to 1950, 2.1 percent from 1950 to 1960 and 3.2 percent from 1960 to 1963. If the recent spurt is permanent, then it may put new strains on the ability of the labor force to adjust to rapidly changing conditions.

The trouble with all such relatively short-run propositions is that industrial productivity is known to be subject to important transitory influences connected with the pace of capital investment and the changing margin of excess capacity. Before one can know whether the pace of technological progress has quickened, one must find some way of allowing for the transitory effects. This allowance is necessarily hypothetical. (There is another difficulty arising from the fact that we have two separate sources of information about the man-hours used in production. One set of figures comes from the survey of the labor force and the other comes from payroll reports. Over short periods of time the two sets of figures can give rather different results.) When a rough attempt is made to eliminate the transitory movements in productivity, some evidence emerges that the residual rate of productivity increase during the last 2 or 3 years may be as much as 1 percent a year higher than the whole postwar experience would lead one to expect. An honest man must admit that this may be a reflection of the vast increase in research and development expenditures during the past decade; it may even reflect automation. But an honest man must also admit that it may prove to be only a temporary flutter in the figures.[10]

CONCLUSION

I can only guess how a Swedish audience will react to the argument of these lectures. I am afraid I know how a similar American audience would react: too many of them would say to themselves "So he is against labor market policy." Of course, I am not opposed to labor market policy. I am strongly in favor of it for a number of reasons. In the first place, I am in favor of it because anything that improves the efficiency of the labor market is good for the economy, because the personal and economic benefits from more and better information and more and better vocational training seem certain far to outweigh their costs, and because there are good reasons to believe that these services are likely to be insufficiently provided unless the Government provides them. In the second place, I favor labor market policy because even if the United States has not been suffering from increased structural unemployment, it does suffer from too

[10] Since this passage was written, there have been two new pieces of information which more than justify my skepticism. (1) A study by Wilson and Eckstein on "Short-Run Productivity Behavior in U.S. Manufacturing" (Review of Economics and Statistics, February 1964) uses statistical relationships based on the years 1948–60 to predict man-hours of employment in 1961 and 1962. For 1961 there was a minor but definite tendency to overestimate employment, suggesting a bulge in productivity. But by 1962 the tendency seemed to be gone. (2) Even more devastating, the international edition of the New York Times for Mar. 17, 1964, carried a front page story to the effect that the Bureau of Labor Statistics had revised the 1961–62 productivity spurt out of existence. According to the revised figures, the rate of productivity growth from 1959 to 1962 was 2.9 percent a year (the unrevised figure was 3.6 percent) which leaves nothing extraordinary to be explained.

much structural unemployment, and there remains a real possibility that demographic and technological trends will cause the problem to worsen in the next decade. In the third place—and most important to my mind—I favor labor market policy as a way of getting greater equality in the distribution of employment, income, and opportunity. I have already remarked that high levels of unemployment are easier to bear if unemployment compensation and free social services are full in coverage and generous in amount. But they are not, especially not in proportion to the wealth of the American economy. I applaud Myrdal's insistence on the paradox that in the U.S. public services seem perversely designed to skip over the very neediest claimants in favor of some middle group. As an example I need only mention that unemployment compensation benefits usually become exhausted after 26 weeks, presumably just at the moment that they become most urgently needed. In a generally rich economy, extremes of very great wealth may be merely unesthetic, but extreme and self-perpetuating poverty is or should be intolerable.

What I have been trying to say in these lectures is that among the reasons for favoring extensive labor market policy one cannot legitimately count a belief that the American economy has behaved badly in recent years because of a creeping failure of adjustment to new technology and new demands. That plausible-sounding analysis simply will not stand up under close examination. The corollary to this conclusion is that to set up labor market policy as an alternative to expansionary fiscal and monetary policy is a double mistake. It is a mistake, first, because the immediate problem to be faced—the weak economic performance of the last 7 years—is primarily a reflection of insufficient aggregate demand and needs to be attacked in the obvious way. It is a mistake, second, because as Mr. Bertil Olsson[11] and others have pointed out, it is hopeless to expect labor market policy to work successfully in a climate of general underemployment. Even the motivations to try it are lacking: employers see little advantage in using resources to improve the supply of labor when labor is not a bottleneck to production and profit; and employed workers cannot be expected to press very hard for training programs which will merely generate more competition for already scarce jobs. And the essential driving force is lacking: it is like clearing the fuel lines in an automobile which has run out of gas.

I have spent these 2 hours in a rather painstaking investigation of the nature of unemployment in the United States. I hope you have not been excessively bored; but if you have been bored, it is in a worthy cause. It is important for the world economy that the American economy be healthy. And it is useful to all countries to understand what has been happening to the American economy recently, because its problems may repeat themselves elsewhere with a lag. My conclusion has been that the developments of the past 5 or 10 years require no very new or unconventional explanation. The economy has been suffering from a period of chronically insufficient demand. What it needs is a policy of determined expansion. It appears to me that the main obstacle to rational economic policy in the United States is ideological. For reasons which I don't pretend to understand, the business and banking communities in the United States, the press and public generally, and worst of all the Congress, simply haven't caught on to the basic principles of fiscal and monetary policy which are by now commonplace nearly everywhere in Europe. This leads in a peculiar way to a kind of off-focus economics even on the part of people who know better but are anxious to pave the way for concrete policy proposals. Thus we justify a budget deficit in 1 year by claiming that we ought to be balancing the budget over the business cycle—which is a better policy, but still erroneous. We justify a slow increase in public consumption by claiming that public consumption expenditures are a stable proportion of GNP, when it seems very likely that we ought to devote a rising proportion of the national product to public services. We justify the tax reduction of this year on the grounds that it will eventually balance the Federal budget—though we may very well regret that if it occurs.

I don't know what the answer is. But I hope I have convinced you that this is really the heart of the problem. I don't think that the cliches about automation and structural unemployment are very productive in analyzing the problem or bringing the remedy any closer. Like any fireman, when you are trying to put out a fire, you are not much helped by people who go around claiming that it is not really a fire but only the end of the world.

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[11] See, for example, his contribution to "Adjusting to Technological Change," edited by Somers, Cushman & Weinberg, New York, 1963, pp. 190–205.

Representative O'HARA. I want to thank the witnesses and express my appreciation to Senator Clark, who had to leave, for suggesting these hearings. I know that the members of the House committee have felt every minute they could attend was very worthwhile.

The joint hearings on the Manpower Report of the President for 1965 are hereby adjourned. The record will be open until May 22.

(Whereupon, at 12:15 p.m., the subcommittee adjourned.)

APPENDIX

CONFERENCE ON ECONOMIC PROGRESS,
Washington, D.C., May 21, 1965.

HON. ELMER J. HOLLAND,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN HOLLAND: In response to your original invitation on April 28, I am sending you herewith 25 copies of my prepared statement, dated May 21, 1965, responding to the 18 questions which you sent me related to the hearings on the President's 1965 Manpower Report held jointly by the House Select Subcommittee on Labor and the Senate Subcommittee on Employment and Manpower.

You will note that, as in the past, I used charts as an essential and integral part of the development of my statement. A set of these 39 charts is attached to the end of each of the 25 copies of my statement. As has been the custom of your committee and other committees in the past, I hope very much that it will be feasible to have these charts printed in the record at the end of my statement.

The charts are appropriately numbered 1 through 39, and it would be desirable that, before reproduction for the record, the chart numbers be printed thereon: Chart 1, chart 2, etc.

With much appreciation of the opportunity which you have extended to me to make available my studies of the vitally important matters under consideration by the joint House-Senate group, and with all good wishes,

Very sincerely yours,

LEON H. KEYSERLING, *President.*

STATEMENT OF LEON H. KEYSERLING, FORMER CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS; CONSULTING ECONOMIST AND ATTORNEY; PRESIDENT, CONFERENCE ON ECONOMIC PROGRESS

I welcome the opportunity to respond to the 18 questions submitted to me by the chairman of the Select Subcommittee on Labor of the House Education and Labor Committee, these questions arising out of the Manpower Report of the President transmitted to the Congress in March 1965.

1. Using existing rates of job displacement from technological change and other causes plus the increases in the size of the labor force which we can expect during the coming decade, what rate of economic growth is required to prevent unemployment from rising? To get it down to 4, 3.5, or 3 percent?

In answering this question, it is essential to recognize how much unemployment we now have, and how unsatisfactory has been the progress toward it. Unemployment today, as conventionally measured, is hovering around 5 percent of the civilian force (4.9 percent in April). This is about two-thirds higher than unemployment ought to be, and a tragic demonstration for a great Nation which has been confronted with excessive unemployment for about 12 years (we at no time have enjoyed maximum employment since the start of the recession in 1953), and made so many efforts to reduce it for about 4 years.

And the conventional 5-percent figure is highly deceptive. Because unemployment hits different people at different times of the year, a 5-percent average means that about 20 percent of the civilian labor force suffers unemployment for an average length of about 3 months within the year, loses about one-quarter of its regular income, and in many instances is pulled down below the poverty level for the year as a whole (if not there already because of low pay when working). The 5-percent average also means an unemployment rate about twice as high among Negroes as among whites, and three to four times as high as 5 percent among young entrants into the labor force, who are thus demoralized and degraded by being told that they are not wanted by the economy in which they live.

In addition, the 5-percent unemployment rate is not the true level of unemployment. Taking account of the full-time equivalent of part-time unemployment, and the concealed unemployment resulting from those not actively looking for work because of the scarcity of job opportunity (and, therefore, not counted as being in the civilian labor force nor unemployed), the true level of unemployment now is certainly in excess of 8 percent of the civilian labor force. The President stated in his most recent Economic Report that, if unemployment as conventionally measured were reduced even to 4 percent, this would draw about a million additional people into the civilian labor force.

Nor is it true that unemployment has been reduced substantially during "the longest recovery movement on record." We have become accustomed to adjusting unemployment seasonally within the year; 4 million unemployed in March is higher than 4 million unemployed in July, when the young people have gotten out of school. But we do not, and we should, adjust unemployment also for cyclical factors. The unemployment rate today is lower than at the trough of the most recent recession in 1961, but it is much higher than at the crest of any previous recovery movement since 1953. Thus, there has to date been no significant interruption of the chronic trend toward rising unemployment. The Council of Economic Advisers expects unemployment to remain about the same in 1965 as in 1964, despite its anticipated continuation of the economic upturn; and the general informed expectation is that unemployment some time within the next year or two is likely to be much higher than now, and higher than at the trough of any recession since 1953—and indeed higher than at any time since the era of the great depression.

My chart 1 (charts attached at end of statement) shows the chronic rise of unemployment (and also the chronic rise in our GNP "gap") from the beginning of 1953 through the end of 1964. Chart 2 shows the amount by which the true level of employment has exceeded the level consistent with maximum employment, and also the duration of unemployment. Chart 3 shows total civilian employment trends by industry, indicating the phenomenally low growth rate in employment (or the absolute downturn therein) in many important sectors since 1953. Chart 4 shows employment trends among production workers, indicating even more unfavorable trends. Chart 5 shows employment trends among nonagricultural wage and salary workers. Chart 6 shows unemployment rate trends among wage and salary workers, illustrating the chronic turn for the worse since 1953. Chart 7 shows total unemployed by category since 1964, indicating how widespread the evil is among the various sectors.

With respect to the economic growth rate required to prevent unemployment from rising, I regard an estimate of this as relevant only as part of the process of estimating what growth rate is required to reduce full-time unemployment, within a reasonable period of time, to the 2.9 percent of the civilian labor force which I regard as compatible with maximum employment.[2] Even this would be much higher than in some advanced industrial countries whose records we regard as impressive. The interim target of 4 percent stated by the Council of Economic Advisers in early 1961 seemed to me initially an avoidance of the mandate under the Employment Act, which relates to maximum employment; and, in any event, it is much too late to talk about an interim target after 4 years of failure even to approximate it.

The Council of Economic Advisers estimates that an economic growth rate of 3.5 to 4 percent in future would hold unemployment constant. Aside from begging the question of the growth rate required to restore maximum employment, this estimate seems to me in defiance of both the record of the past and our needs in future. Insofar as an average annual growth rate in the neighborhood of 4 percent in real terms during the past 3 years has reduced unemployment somewhat, it is only because the growth rates in the civilian labor force and in productivity have been repressed artificially by the excessive idleness of both manpower and plant. Moreover, under favorable economic conditions, productivity growth accelerates over the years, and the growth rate in the civilian labor force will be unusually high during the years immediately ahead. And in fact, the 3.5 to 4 percent estimate is very far below the average annual growth rate actually registered during any significantly long period since World War I when we maintained reasonably full utilization of our productive resources (quite apart from the accelerated growth rate in productivity which is the hallmark of the new technology and automation).

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[2] A true level of unemployment of about 4 percent would be compatible with maximum employment.

The 1965 Manpower Report of the President depicts, during recent years, an average annual growth rate in productivity of 3.5 percent, and indicates between now and 1970 an average annual growth rate of 1.7 percent in the civilian labor force. These two determinants of our gross national product growth-rate potential add up to 5.2 percent, which might be reduced to the neighborhood of 5 percent by allowance for some gradual reduction in the workweek in accord with historic trends. Moreover, viewing how far below reasonably full resource use we are now, we need for a couple of years an average annual growth rate of 8 to 9 percent to restore reasonably full resource use even as late as 1967.

As I have stated, even during the past 3 years the economic growth rate has averaged annually in real terms only about 4 percent. This should be contrasted, not with 5 percent needed after full resource use is achieved, but rather with the 8 to 9 percent required for about 2 years to restore reasonably full resource use. Yet the CEA in January 1965 forecast only about a 4-percent growth rate in real terms for 1965, and in May an important group of business forecasters predicted no further expansion in 1965.

Under current and prospective programs, combined with the new technology, my estimate is that the gap between our productive potentials and their use will increase in the years ahead. This could cost us, for the period 1964–70, inclusive, almost 22 million man-years of excessive unemployment, and almost $700 billion worth of total national production. It could turn the war against poverty, which has been commenced not adequately but bravely, indeed, into a nightmare of disillusion.

My chart 8 depicts our actual growth rates 1922–64, and this record establishes the foundation for what I have said above about needed growth rates in contrast with the trends in the most recent years and with the current projections of the Council of Economic Advisers. Chart 9 shows my estimates of the staggering losses which we have suffered since 1953, due to the inadequate growth rate. These losses also include forfeiture, at actually existing tax rates, of about $135 billion in Government revenues at all levels. Chart 10 contains my estimates of how much we could lose, during the years 1964–70, inclusive, if our average annual growth rate during these years should be not appreciably higher than during the past 11 years, measured in contrast with what we would achieve if my estimate of needed growth rates were translated into actual performance.

2. What impact on employment can we expect from the proposed cuts in excise taxes, increased social security benefits, and the Federal budget this year? Early next year?

This question requires, first of all, an analysis of the effects of huge tax cutting in general upon unemployment. I submit that the benefits of these huge tax cuts have been grossly exaggerated, and that in view of the immense additional tax cuts now in prospect there is no issue of national economic policy so important as a candid reappraisal of the whole tax-cutting theory.

The most gigantic and widely heralded effort to reduce unemployment, the tax reductions in 1962 (by administrative action) and in 1964 (by legislation) have an annual value in the neighborhood of about $13 billion. More than half of this tax reduction, according to my calculations, was pointed as a practical matter toward increased saving for investment purposes by corporations and relatively high income individuals. As funds and other incentives for this purpose were already ample or redundant, this part of the tax reduction has been diverted substantially to bidding up stock prices, and to investments overseas which have complicated our balance of payments and gold problem. The smaller portion of the tax reduction, flowing into immediate stimulation of personal consumption, should have been almost the whole of the tax reduction, and perhaps in larger amounts than my estimate that about $6 billion were pointed effectively to this purpose.

However, even if most of the tax reduction flowed into immediate spending at home, this would make relatively little dent upon the 22 to 27 million new-job problem which the Government itself says confronts us over the next decade. This is because no feasible expansion in the demand for the kinds of products bought with tax reduction is likely to outrun the advances in productivity and technology in the industries which turn out these products. (See especially chart 15.)

The only way to make great inroads upon this 22 to 27 million new-job problem is to shift much more of our total production toward areas where our unmet national needs remain so great that appropriate expansion of output would far outrun the technological trends in these areas. These areas manifestly call for

more public spending instead of more tax reduction, as they include housing and urban renewal, educational and health facilities and personnel, natural resource development and mass transportation, and the whole complex of social insurance and welfare programs—all of which are also infinitely more relevant than tax reduction to the war against poverty.

It is no worthy response to all this to say that tax reductions at an annual rate of about $13 billion have stimulated the economy and prolonged the upturn. Thirteen billion dollars thrown into the streets, to be scrambled for by the first comers, would have done this for a while, and might even have distributed the proceeds better. Moreover, the cry now that all this tax reduction has been so "successful" that more of the same is already required (to prevent the upturn from leveling off or becoming a downturn within only a year or two of a 1964 tax cut having a continuing annual value of about $11 billion), should lead us to question the remedy instead of worshiping it.

The real question, in any event, is how much more good could have been done—and can still be done—by alternative policies. Largely in exchange for these tax reductions, Federal budget outlays per capita, measured in 1963 dollars, fell to $476.07 as originally proposed for fiscal 1966, compared with $482.37 in fiscal 1965, and $558.19 in fiscal 1954. Measured in ratio to total national production, total Federal budget outlays declined from 18.72 percent in fiscal 1954 to 16.32 percent in fiscal 1964, and 15.25 percent in fiscal 1965. The ratio has been still lower in fiscal 1966; and, in exchange for another $4 billion of excise tax reduction over the next few years, and promises of other tax concessions to come, a continuing tight rein on Federal spending is in prospect. This mix of fiscal policy may yield some sort of consensus, but the price paid is much too high.

My charts 11, 12, 13, 14, and 15 depict the economic analysis upon which I rest my conclusion that a preponderance of the tax cutting in 1962 and 1965 was misdirected in terms of the problem of restoring an economic equilibrium conducive to maximum employment, production, and purchasing power, which equate with optimum economic growth. My charts 16, 17, and 18 contain further substantiating analysis as to the functional impacts of the tax cuts, and as to the imposition of the total tax burden. And my chart 19 illustrates how the spending side of the Federal budget has been most unwisely repressed, and certainly in large part in consequence of the excessive reliance upon tax cutting.

Most of my objections to the recent tax cuts apply with only minor modifications to the proposal to cut excise taxes by somewhere between $3 and $4 billion, even though this approach might well have been preferable to about $7 billion of the tax cuts of 1962 and 1964 combined. Standing where we are now, and viewing the exorbitant reliance which we have already placed upon tax cuts, increases in Federal spending would be immensely preferable to the excise tax cuts, in terms of reducing unemployment, stimulating economic growth, and making war on poverty. At the very least, it is submitted that the excise tax cuts should be limited to the necessities, and not extended to luxury or quasi-luxury goods.

The increased social security benefits are likely to have little net effect upon improvement of the employment picture, because their stimulative effect will be canceled out in whole or part by the additional payroll taxes in contemplation (part of which are paid directly by worker-consumers, and the other part of which (paid by employers) are probably passed on to the consumer through the price structure). For reasons essential to the adequate stimulation of total consumption, and in view of the fact that more than 27 percent of all the poor people in he United States are in consumer units headed by people aged 65 and over, old-age-insurance payments should be increased at a tremendously faster rate than is now in contemplation. But these increases should be financed in substantial measure by Federal contributions, supported by general taxation of a progressive nature.

What I have already said above makes clear my view that the total composition of the fiscal 1966 budget provides nowhere the needed economic stimulation, and how much stimulation the budget should provide is indicated by what I shall say subsequently in this statement.

Indeed, the January 1965 Annual Report of the Council of Economic Advisers (which presumably takes into account all programs and policies in being and intended for action in 1965) unites the forecast that the real economic growth rate in 1965 is likely to be only about 4 percent (in contrast with the 8 to 9 percent needed for reasons stated above) with the forecast that unemployment in 1965 is likely to average about the same as in 1964. Quite apart from the highly

debatable question as to whether a 4-percent growth rate in future will prevent unemployment from rising, this CEA "forecast" is a poor substitute for the mandate under the Employment Act to set targets for maximum employment, combined with policies designed to achieve these targets.

3. On page 47 of the President's Manpower Report it is said: "It is obvious that an aggressive policy of action to stimulate output and employment growth will be necessary if even the present high rate of unemployment is not to rise still further." Ideally, what should those actions be?

This question is so all inclusive that to answer it fully would carry the scope of this statement beyond practical length. Therefore, I take this occasion to make reference to my December 1964 study (published by the Conference on Economic Progress, 1001 Connecticut Avenue NW., Washington, D.C.) entitled "Progress or Poverty." This study is not limited to the poverty problem as such, it surveys the entire U.S. economy and covers the whole range of actions which I deem essential to cope with the inseparable problems of excessive unemployment, inadequate economic growth, and massive poverty.

More briefly, I set forth below my proposals for an aggressive policy of action to stimulate output and employment growth, not just to prevent unemployment from rising further, but to get back to maximum employment sometime in 1967, and to maintain it thereafter. These proposals are not what I consider ideal; they are what I regard as practical and essential.

And I cast these proposals in long-range rather than short-range terms, because I do not believe that we can develop sufficiently effective short-range policies except in this long-range perspective. Using an American economic performance budget which reconciles all of our productive capabilities and needs (on the manpower side, the income side, and the product side), I estimate what we can and should achieve by 1970 and by 1975. As I have used this performance budget for almost two decades, I have been able to test and revise it year by year in terms of actual developments.

The main targets in addition to restoration of maximum employment by 1967, are based upon an average annual growth rate of between 8 and 9 percent until then, and about 5 percent thereafter. These feasible targets also include, by 1975, the virtual liquidation of poverty in the United States; a decent home for almost all families; a substantial rebuilding of our urban areas and mass transportation systems; education within the reach of practically all, up to the limits of their capabilities and ambitions; health services, in line with the advance of medical science, available to practically all at costs within their means; needed public assistance programs based upon income floors below which almost no families should be permitted to remain; labor and manpower program to train and relocate those in need of these services; and natural resource development compatible with the needs of a growing population and rapid population shifts. Many unmet needs would remain even in 1975, but in terms of the standards of that year, not the standards of 1965.

The main employment, production, and purchasing power goals, underlying the other targets, are quantified on my charts 20 and 21.

Because the Federal budget is the most powerful single instrument for meeting a large portion of our national needs and for galvanizing action at other levels of government and in the private sector, and because the decisions to be made in connection with the fiscal 1967 Federal budget to be submitted next January are of such towering importance, I set forth on my charts 22 and 23 goals for the Federal budget, on a per capita basis related to a growing population, in ratio to an adequately growing GNP and on an aggregate dollar basis, taking the actual fiscal 1966 Federal budget at the point of departure.

This proposed Federal budget does not rely too heavily upon Federal action. In an adequately growing U.S. economy, which this budget itself would help powerfully to induce, the proposed Federal outlays measured in ratio to total national production, compared with an average of 16.3 percent during the fiscal years 1954–66, would reduce to 15.4 percent in calendar 1970, and 14.2 percent in calendar 1975. My proposals contemplate that the annual rate of Federal outlays for goods and services be lifted to a 1975 level about $42 billion above the 1964 level, and that over the same period of time the annual rate of State and local outlays for goods and services be lifted about $32 billion. Compared with this increase of about $74 billion in the annual rate of outlays for goods and services by governments at all levels, there is projected an increase of almost $98 billion in gross private investment (including net foreign), and an increase of $317 billion in private consumer expenditures, adding up to an increase of about $489 billion in the annual rate of total national production.

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Other policies are, of course, needed, and they also have been factored into the performance budget which I have constructed. Any further tax reduction should concentrate upon enlarging the after-tax incomes of low- and middle-income people, through much higher exemption credits in the personal income tax structure, and any reduction of Federal excise taxes should relate to necessities, not luxuries. The policies of the Federal Reserve Board should be drastically revised toward a more liberal money supply and much lower interest rates.

Conventional-type public works should receive at least a billion dollars a year of additional Federal support. Federal minimum wage legislation should be greatly improved; coverage should be made almost universal, and the basic floor (with appropriate flexibility) should be lifted to $2. With Federal aid, unemployment insurance should be made available to all who need it, with average benefit payments at least half the average full-time working wage. Old-age insurance benefits should be doubled within 5 years, and financed increasingly through general Federal taxation.

An entirely new farm program should be enacted, aimed toward income parity rather than price parity, with help redirected toward those farm families who need it most, and with much more stress upon expansion of consumption both at home and through enlarged exports to the half of the world which still goes hungry. Developmental programs for the distressed areas should, with appropriate modifications, be lifted to the comprehensiveness which distinguished the TVA.

Beyond these public and mixed-enterprise efforts, and equally important, we need vast readjustments in price-wage-profit-investment relationships throughout the private sector. Toward this, some public guidelines more realistic than the current ones could emerge in the framework of a performance budget.

My next series of charts amplify some of the most pervasive of the interrelated problems and objectives set forth above. Charts 24, 25, and 26 estimate the extraordinary misdirection of about $50 billion of national income involved in the policy of tight money and rising interest rates since 1952. This has repressed economic growth, aggravated unemployment, fed the fat at the expense of the lean, and deprived governments at all levels of funds which could have been used well to make war against poverty.

Charts 27 and 28 depict the extent and location of poverty in the United States and indicate goals for its reduction which are reconciled with the other goals and thus brought within our productive potentials. The high relevance of the poverty problem to the unemployment and inadequate economic growth problems is developed later on in my statement.

Charts 29 through 37 portray the extraordinary close connection between the relentless decline in farm income and unemployment and inadequate economic growth in the nonfarm economy. They indicate the nature of the new farm efforts required to bring a prosperous agriculture to the support of a U.S. economy functioning at maximum employment, production, and purchasing power.

Charts 38 and 39 deal with housing. I am convinced that an adequate long-range program of rehousing the one-sixth to one-fifth of a nation who still live in seriously deficient housing, combined with urban renewal, could be the most important single element in the war against poverty; and, in my view, could come close to providing one-half of the 22 to 27 million new jobs which the Government itself estimates to be needed over the next decade or so. Moreover, the types of construction programs which housing entails would afford a high mix of unskilled and semiskilled jobs, which is indeed essential.

4. On page 2 of the President's Manpower Report it is said: "The challenge which confronts us is not merely to adjust successfully to technological and other change but to make it the means for solving the country's mutually intensifying problems of poverty and ignorance, urban and rural blight, in sufficient economic growth, and chronic unemployment." What are some of the measures needed to meet that challenge?

My answer to question 3 really answers this question. The problems of technological and other change, of chronic unemployment, of insufficient economic growth, of poverty and ignorance, and of urban and rural blight, are really all one problem in terms of national economic policies. They cannot be dealt with effectively, if fragmented or compartmentalized.

Those who argue that we could have adequate economic growth, and still not get rid of excessive unemployment, overlook that the appropriate test of economic growth is whether it utilizes fully our productive resources, including those who can be made productive by well-designed efforts.

Those who insist that we could have adequate economic growth and maximum employment, without making optimum progress against poverty, do not perceive that, in view of our burgeoning productive powers, the only way to use them fully involves rapid and varied efforts to bring up to an American standard of living the 34 million Americans who now live in poverty, and the approximately equal number who live in deprivation (above the poverty ceiling but below the accepted requirements for a modest but adequate family budget).

Those who say that maximum employment would not help those too old to be employed do not recognize the lifting to an American standard of living the approximately 2 percent of all the U.S. poor who are in consumer unit with heads aged 65 and over is an inescapable part of the task of creating enough demand to sustain maximum employment.

The opinion that we might succeed on these fronts, without rebuilding our slums and renewing our urban areas, neglects that this latter task is the largest single element in a full-scale war against unemployment and poverty.

The separatist view of inadequate growth, excessive unemployment, and poverty both in our private lives and in public services, their treatment in insulated compartments instead of as veritably one problem, is the prime exhibit of inadequate planning in our national policies, and a main reason why we are still falling short on all three fronts.

5. What are the components of an active manpower policy? How many of them are presently being used in the United States?

My answers to the previous questions indicate clearly my belief that an active (which I assume to mean adequate) manpower policy is really one and the same thing as an adequate policy with respect to employment, economic growth, and a war against poverty. Manpower is the sole ingredient in employment and a very important ingredient in economic growth, and its utilization is the most important factor determining incomes and living standards under the technological conditions prevailing in the United States. Consequently, my answers to the previous questions indicate the respects in which I feel we are falling short of an adequate manpower policy in the United States.

6. What have we done to assess our manpower needs for the future in the broad occupational groups?

The estimate by the Government that we need 22 to 27 million new jobs over the next decade or so is not in my view an adequate appraisal of manpower or job needs. The vital issue relates to what kinds of jobs, and how they will be created. The official (and other) publications which I have examined thus far engage too largely in projecting the manpower use patterns of the past, allowing, of course, for the revealed historic trends in these patterns. But for reasons stated above and below, the nature of the new technology means that the patterns of the past will not persist in the future, and that the restructuring of these patterns required to achieve maximum employment or anything near it will not occur automatically. (See especially charts 3, 4, 5, and 15.) Second, manpower needs should be related not only to the number of jobs required, but also to the kinds of output required to meet the great priorities of our national needs instead of neglecting them. Theoretically, we could satisfy the requirements for maximum employment by building pyramids, or by stifling ourselves morally if not economically as well with a plethora of gadgetry.

What is therefore needed, and thus far sorely lacking, is a projection for 5 or preferably 10 year ahead of a nationwide job budget, taking all of these factors into account, and developed as an integral part of what I have called an American economic performance budget. This would project ahead, as a guide to public policies (and as an informational guide to private policies as well), a viable economic model at reasonably full resource use, taking into account the employment side, the product side, and the income side. This alone would establish the foundation for consistent and adequate national economic policies.

The equivalent to this performance budget is really, in my view, a mandate of the Employment Act of 1946. The unwillingness of the Council of Economic Advisers thus far to respond to this mandate, and its noninclusion in the Economic Reports of the President are, in my view, an enormously significant gap in our approach as a nation and a people to our nationwide economic (and related social) problems.

7. What kinds of mechanisms can we devise to anticipate technological change and keep workers, industries, and communities adequately forewarned about impending employment changes? What are we doing to develop such an "early warning network"?

There is always room for some improvement in warning mechanisms. But this is not a major problem. We have had many warnings at least since the end of the Korean war, and we have many warnings now. In my own work, I have found the available warnings sufficient, year by year since 1953, to call attention rather accurately (in my published studies and testimony before congressional committees) to the chronic problem of rising unemployment and inadequate economic growth which was descending upon us in view of technological changes and many other revealed developments which we were not meeting adequately.

What we need most basically is not more warnings, but a long-range integrated program which responds fully to available warnings, rather than short-range and ad hoc improvisations, to deal fully with problems which are already quite well revealed.

8. What are the deficiencies in our principal mechanism, the public employment services, for matching men with jobs?

There may be some deficiencies in the public employment services, but I have no special competence in discerning these. To the extent that these deficiencies may exist, we should and can correct them without much difficulty. Infinitely more important, the public employment services cannot create jobs. We have gotten considerably off the road, in assigning far too high a priority to the insupportable proposition that the main problem is to match men to jobs by programs of training, retraining, education, etc. These programs are needed, but they can lead only to frustration and resentment to the extent that the jobs are not there.

All previous experience shows that a reasonably full employment environment quickly draws the manpower to the jobs, trains them on the job, and in any event tells us what to train them for. The tiny number of people placed in jobs by the manpower program to date, compared with the size of the unemployment problem, reinforces what I am saying. And the antipoverty program is another poignant illustration of the erroneous assumption that the main reason why people are poor or unemployed is some remediable characteristics within themselves, rather than systemic defaults in our overall economic performance, programs, and policies.

9. What are some of the major factors contributing to the immobility of labor in the United States? What should we do to alleviate them?

Unemployment and poverty in themselves contribute to the immobility of labor, and a successful war on these fronts would greatly increase labor mobility (and also, perhaps, reduce the amount of mobility required). Besides, wartime experience and other periods of reasonably full employment indicate fairly conclusively that labor is fairly mobile, when the pressure of demand for workers is pressing hard against the supply. To be sure, potential workers will still need to be told where the jobs are, and, in some instances, furnished the means to get to the jobs. Largely by Federal action, these means should be made available; they are not adequately available now. But we cannot tell potential workers where the jobs are, or motivate them to go there, when the jobs are not really there.

Despite all the talk about the tremendous number of unfilled jobs, the unfilled jobs are a very small fraction of the excessive unemployment, and the Government itself has not yet come forward with acceptably comprehensive quantifications, on a nationwide basis, as to the relationships between the unfilled jobs and the unemployed people. This should have been done years ago, and one of the most important byproducts would have been to disclose that the job availability problem is paramount, and the mobility problem secondary.

10. What alternatives are available for facilitating the transferability of pension rights, for example?

I do not believe that the nontransferability of pension rights is a very important factor in such genuine labor immobility as exists on a nationwide basis. Nonetheless, we should always strive to prevent the accrual of pension rights from working against labor mobility (except to the extent that a pension system instituted by a firm may in some instances be regarded as entitling the firm to the reward of having its employees desire to stay with it). The most important and necessary step toward improviding labor mobility, in connection with pension rights, would be to bring the nationwide system of old-age insurance into line with the much higher standards made imperative by our current and

prospective productive powers, and by the dictates of plain human justice. The lines along which this effort should be made have been indicated in my answer to question 3.

11. What are the most dramatic changes we can expect in our work force during the coming decade?

The most dramatic changes to be expected are the unusually rapid increase in the size of the civilian labor force, the increasing relative numbers of women in the labor force, and the explosive forces which will result unless unemployment is greatly reduced. And the dramatic changes in the patterns of employment, required to achieve maximum employment and to meet the great priorities of our national needs, will not be created automatically. As indicated in my answer to question 3, they will require fast and prompt changes in national public policies and in our social inventiveness.

12. What segments of our manpowed are being seriously underutilized? Where are the most serious manpower shortages?

As indicated by my charts 1, 2, 6, and 7, manpower is being seriously underutilized in most of the important sectors of the economy, thus dispelling the fallacy that we have a balanced admixture of manpower underutilization and manpower shortages.

Further, we need to measure manpower requirements by the Nation's real needs, rather than by the current demand for products. Even in agriculture, the tremendous reduction of the work force in recent years was unjustified, and would not have occurred if we had taken the steps needed to provide a balanced and nutritious diet for the millions of American families who do not have it, and to contribute as much as we should to enlarge the food supply of the half of the world's population which goes hungry. Conversely, there could be manpower shortages for some limited types of output, caused by the demand for these types of output running wild in terms of any values to which national policies should respond.

In any event, we cannot properly appraise either manpower underutilization or manpower shortages, except in the perspective of the long-range job budget which I have described above, as an integral part of a long-range American economic performance budget.

13. Recent experience under present high rates of expansion have indicated a lower rate of attrition among production and nonskilled jobs. Does this mean that the victims of the business cycle are primarily in those employment sectors? What does this mean for our employment policy? Our manpower policy?

The prevalent assumption that production and nonskilled jobs have suffered more seriously than others "under present high rates of expansion" neglects completely that we really have had a lamentably low rate of expansion during the past 3 years, when measured against the needed rate, as demonstrated by my answer to question 1. A full rate of economic growth would absorb in useful employment most of the semiskilled and unskilled. The correct observation that they are the most vulnerable, and most likely to be unemployed when aggregate unemployment is far too high, should not be confused with the mistaken assertion that they would be unemployed even if aggregate demand and consequent aggregate employment were high enough. This is one of the more basic errors in much of the current economic thinking.

And as stated in my answer to question 6, while it might be true that a projection of the job patterns of the past might indicate continuing high unemployment of these types of workers, we need to create a drastically altered pattern of employment, which would utilize most of them toward producing what the Nation very much needs.

Here, again, I must stress that we cannot really grapple with this problem, unless we have a long-range job budget, which in itself would reveal the relative requirements for different types of workers at different levels of skills, and, therefore, be indicative of the needed training, retraining, and educational programs, to the limited extent that these are at the heart of the problem.

Finally, in response to this question, I should point out that the victims of the business cycle, or more properly of chronically low economic growth, are not only the unemployed, but also the employed, and, in fact, almost everybody. This is amply demonstrated by my charts 9 and 10.

14. To what extent can it be demonstrated that technological change creates more jobs than it destroys?

The recent and current types of technological change per se do not on net balance create jobs; on net balance, they eliminate jobs. What creates jobs, and adds to national progress, is the degree of initiative and inventiveness required to use for other purposes, rather than to leave in idleness, those who are driven from their jobs by the recent and current technological changes. My chart 15 is very illustrative of this point. When we are told that the advent of the automobile industry created far more jobs than were lost by the destruction of the horse and buggy industry, this is no real analogy to the current situation. The automobile industry created a massive new consumer product, with multiple ramifications. The displacement of workers from the automobile industry and the steel industry by technological change today is not creating any massive new consumer product. It is simply reducing employment in these industries. A long-range job budget and a long-range American economic performance budget would set in proper perspective the relationship between technological change and the job problem.

15. Some argue that our concern over the rising educational demands to qualify for employment is misplaced and that these demands derive not from changing employment requirements but from the increasing willingness of society to educate all its citizens. They maintain that no matter how much education we provide there will always be those at the bottom of the heap—those with less education than most other citizens. There could just as easily be those with less than a high school education or a bachelor's degree. Have you any studies which convince you either of the validity or the error of this argument?

I think that a large part of our approach to the educational problem, as it bears upon jobs, is to a substantial degree erroneous. For reasons that I have stated above, we are confusing the proper conclusion that those with relatively less education are more vulnerable to unemployment when unemployment is too high, with the improper conclusion that unemployment is too high because some are relatively less educated than others. If it were otherwise, there would always be high unemployment, because there will always be a large number of people who are relatively less educated and less equipped in other respects than a majority of their fellow citizens.

Moreover, in our excessive zeal to educate people "so that they can hold jobs," we are overlooking that the primary purpose of advanced education in a rich society is to improve the individual's innate capacities for fulfilment as a human being. The exaggerated stress on the need for education as a means to a job seems to be tantamount to the wrongful idea that we should provide medical care for all, at costs within their means, not because a rich society owes this to the individual, but rather because a healthy person is more likely to have a job than an unhealthy person. Incorrect analysis of the economic problem is thus tending to distort a lot of our ultimate values.

16. Why is teenage unemployment our biggest problem? What can be done about it aside from what we are already doing?

Teenage unemployment is our biggest problem because the rate of unemployment is highest there, and because the most dangerous demoralization and degradation in consequence of unemployment is also there. But here again, while teenagers are for obvious reasons more likely to be unemployed than others when total unemployment is too high, most of them would get jobs in a full employment environment, and the problem of dealing with the "unfit" would then be reduced to manageable size. The problem of teenage unemployment is thus inseparable from the whole problem of unemployment, inadequate economic growth, and poverty. Accordingly, my answers to previous questions state my views as to what we should be doing, and are not doing now.

17. How much of the employment increase in recent years can be traced to governmental activity, Federal, State and local?

My charts 3 and 5 illustrate how much we have been dependent in recent years upon public employment for the total increase in employment; and how, in fact, employment has increased very little, or trended downward, in many other key sectors of the economy. All this has been in part a response to the technological trends shown on chart 15, in part a reflection of the growth (though woefully inadequate) in the servicing of the great priorities of our public needs, and in part due to the inadequate economic performance in its entirety. The balanced development of private and public job opportunities requires the job budget and the American economic performance budget which I have described above.

18. A substantial number of communities are profoundly affected by the shutdown of defense installations. What can be done to facilitate a smooth transition from dependence upon defense industry employment to increased civilian employment? What actions are required with respect to the following:

(*a*) Assisting communities in planning transition.

(*b*) Speeding up Federal property surplus procedures.

(*c*) Assisting homeowners who wish to move to new jobs but who risk financial loss on selling their homes because of real estate price drops as a result of closings.

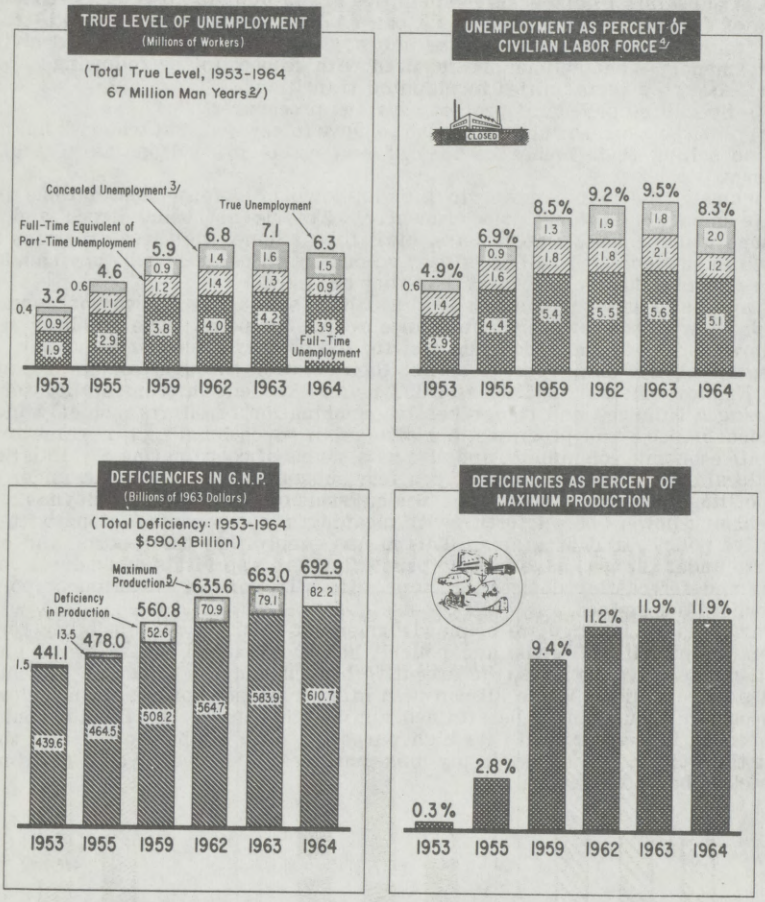
Obviously, the main answer to the shutdown of defense installations is to create enough additional jobs elsewhere. This is not being done; and, for reasons which I have stated above, until this is done, the three programs suggested in this question will be of very secondary value, although they should of course be more highly developed than they are now.

I would add only one point to all that I have said above, by way of summary, and in view of the towering significance of this one point. The problems of unemployment, inadequate economic growth, and poverty are too massive now, and prospectively too dangerous, to permit their solution through random measures. The Employment Act of 1946 afforded us an excellent instrumentality for developing a balanced and comprehensive combination of efforts, not only in our national policies and programs, but also as an educational tool of value to the private economic community, and also as a means of coordinating Federal, State, and local efforts. But there has been very substantial abandonment, under that act, of the statutory mandate that needed levels of production, employment, and purchasing powers be set forth (with meaningful components), along with correlative policies and programs. This means simply that the reports, and other efforts under the act, have become primarily mere appraisals of business conditions and forecasting devices, or mere rationalizations of Government policies elsewhere determined.

Partly as an inarticulate acknowledgment of this, the responsibility for developing our national goals and policies has been excessively scattered among various executive agencies, the executive branch and the Congress, and public and private bodies. While all can help in their proper spheres, in my view an appropriate focus cannot be attained, until action under the Employment Act is brought into accord with its high purposes. One of the most useful things that the Congress could do, in my long-considered judgment, would be to make this clear beyond question.

CHART 1

CHRONIC RISE OF UNEMPLOYMENT AND OF IDLE PLANT, 1953-1964[1]



[1] Except for the base year 1953, no year during which a recession was in process is included.

[2] About 33 million man-years of unemployment (true level) would have been consistent with maximum employment.

[3] Estimated as the difference between the officially reported civilian labor force and its likely size under conditions of maximum employment.

[4] In deriving these percentages, the civilian labor force is estimated as the officially reported civilian labor force plus concealed unemployment.

[5] Based upon sufficient annual rate of growth in G.N.P. to provide full use of growth in labor force, plant and productivity under conditions of maximum employment and production.

Note: In 4th Quarter 1964, seasonally adjusted, True Unemployment was 6.2 million workers, or 8.1% of the Civilian Labor Force; the GNP deficiency was $87.2 billion, or 12.4% of maximum production.

CHART 2

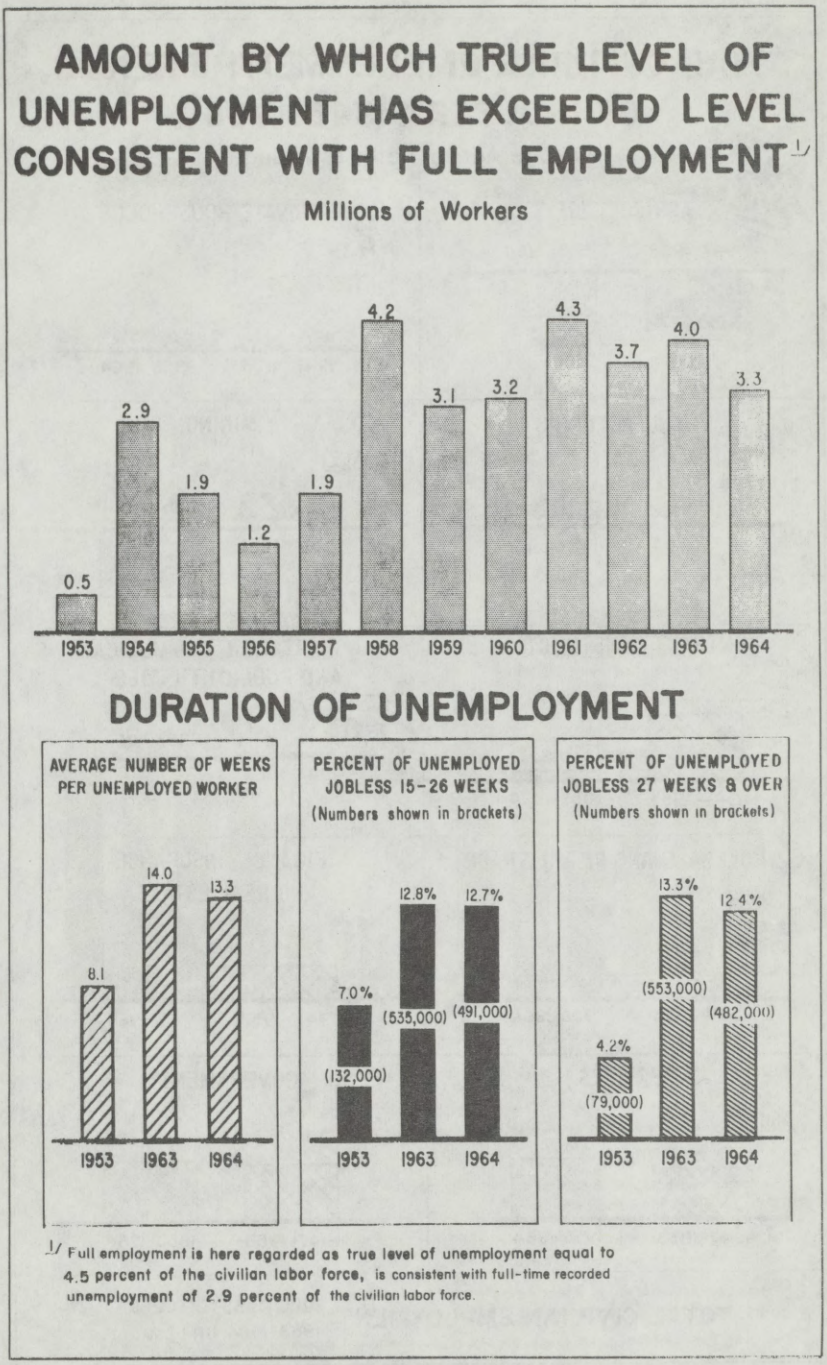

AMOUNT BY WHICH TRUE LEVEL OF UNEMPLOYMENT HAS EXCEEDED LEVEL CONSISTENT WITH FULL EMPLOYMENT 1/
Millions of Workers
0.5
2.9
1.9
1.2
1.9
4.2
3.1
3.2
4.3
3.7
4.0
3.3
1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964
DURATION OF UNEMPLOYMENT
AVERAGE NUMBER OF WEEKS PER UNEMPLOYED WORKER
8.1
14.0
13.3
1953 1963 1964
PERCENT OF UNEMPLOYED JOBLESS 15-26 WEEKS
(Numbers shown in brackets)
7.0%
(132,000)
12.8%
(535,000)
12.7%
(491,000)
1953 1963 1964
PERCENT OF UNEMPLOYED JOBLESS 27 WEEKS & OVER
(Numbers shown in brackets)
4.2%
(79,000)
13.3%
(553,000)
12.4%
(482,000)
1953 1963 1964
1/ Full employment is here regarded as true level of unemployment equal to 4.5 percent of the civilian labor force, is consistent with full-time recorded unemployment of 2.9 percent of the civilian labor force.

CHART 3

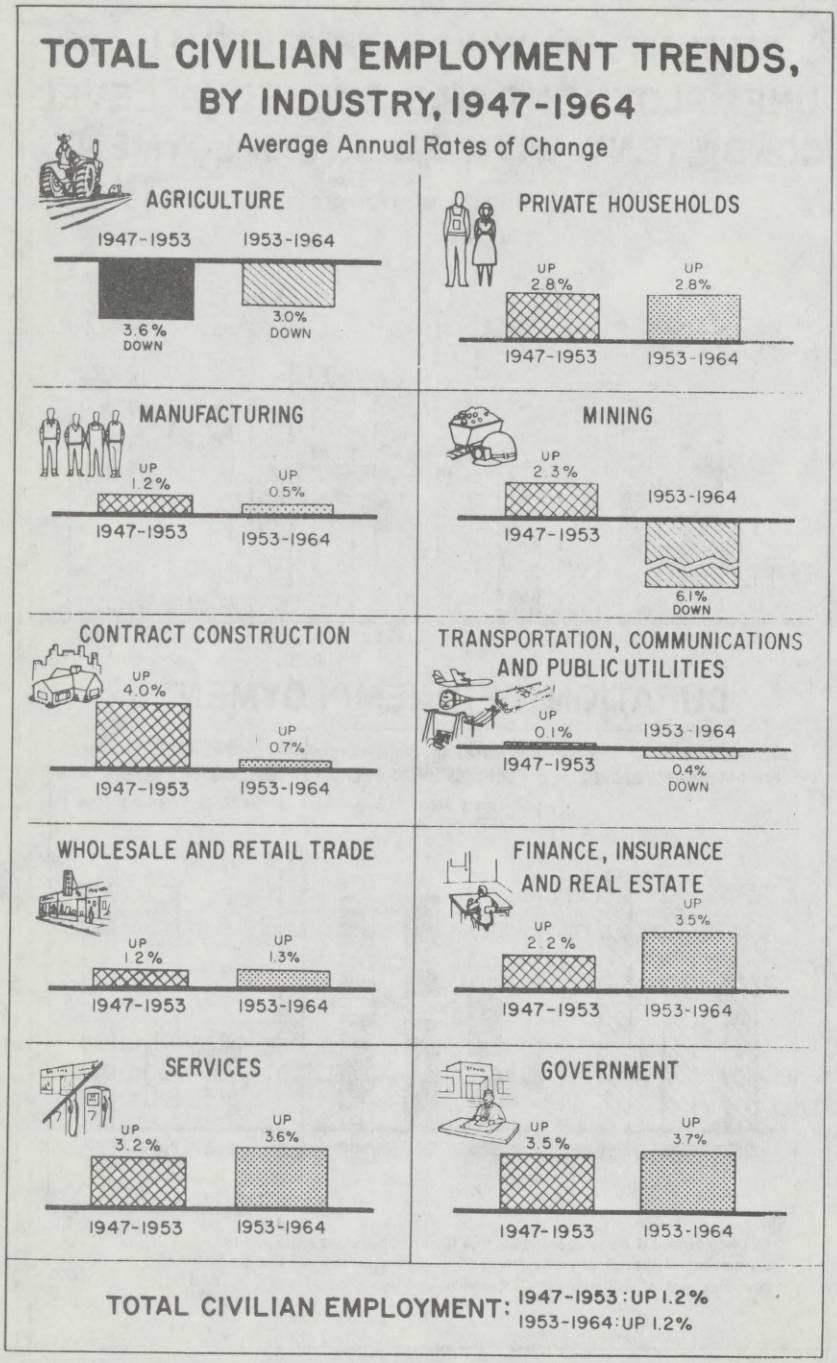
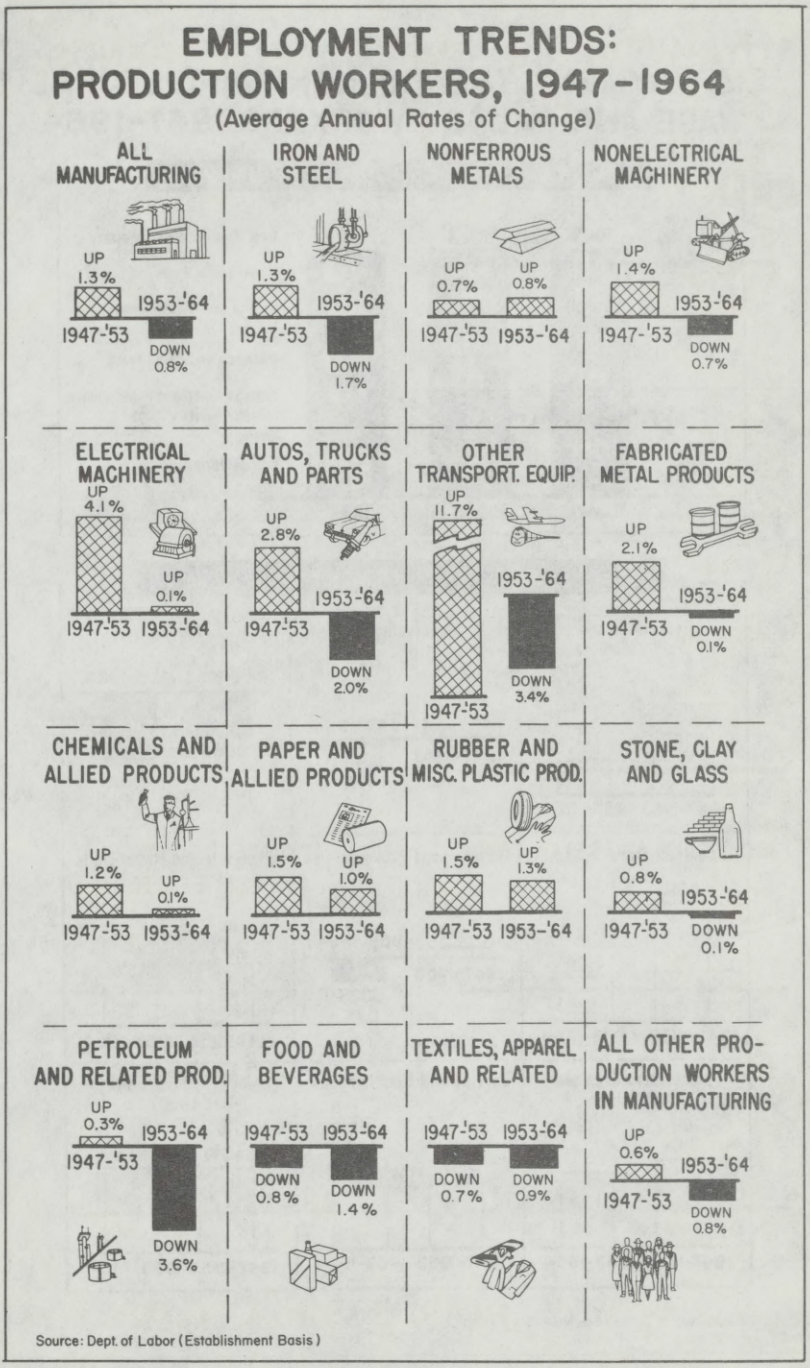
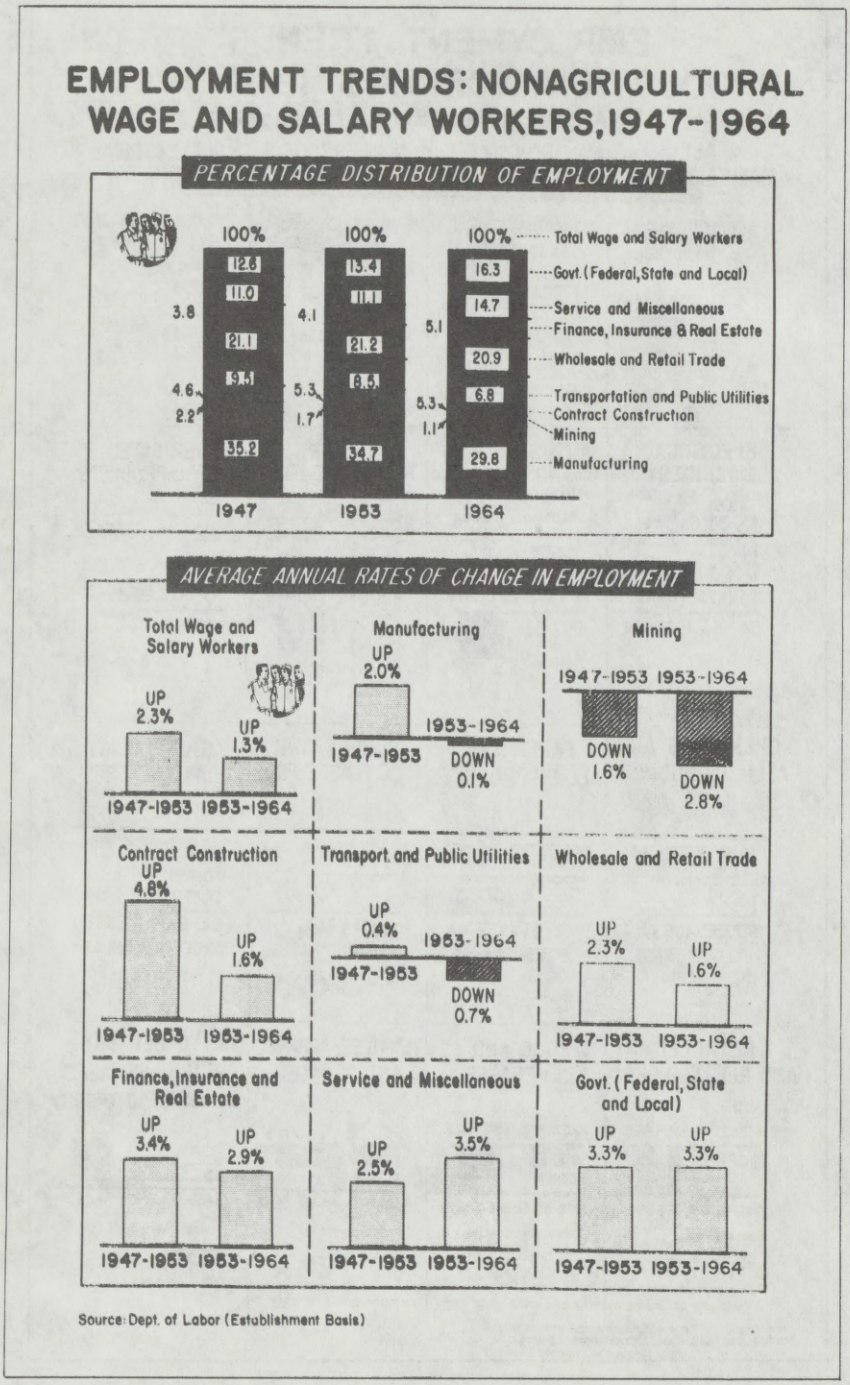

TOTAL CIVILIAN EMPLOYMENT TRENDS, BY INDUSTRY, 1947-1964
Average Annual Rates of Change
AGRICULTURE
1947-1953
1953-1964
3.6% DOWN
3.0% DOWN
PRIVATE HOUSEHOLDS
UP 2.8%
UP 2.8%
1947-1953
1953-1964
MANUFACTURING
UP 1.2%
UP 0.5%
1947-1953
1953-1964
MINING
UP 2.3%
1953-1964
1947-1953
6.1% DOWN
CONTRACT CONSTRUCTION
UP 4.0%
UP 0.7%
1947-1953
1953-1964
TRANSPORTATION, COMMUNICATIONS AND PUBLIC UTILITIES
UP 0.1%
1953-1964
1947-1953
0.4% DOWN
WHOLESALE AND RETAIL TRADE
UP 1.2%
UP 1.3%
1947-1953
1953-1964
FINANCE, INSURANCE AND REAL ESTATE
UP 2.2%
UP 3.5%
1947-1953
1953-1964
SERVICES
UP 3.2%
UP 3.6%
1947-1953
1953-1964
GOVERNMENT
UP 3.5%
UP 3.7%
1947-1953
1953-1964
TOTAL CIVILIAN EMPLOYMENT: 1947-1953: UP 1.2%
1953-1964: UP 1.2%

CHART 4



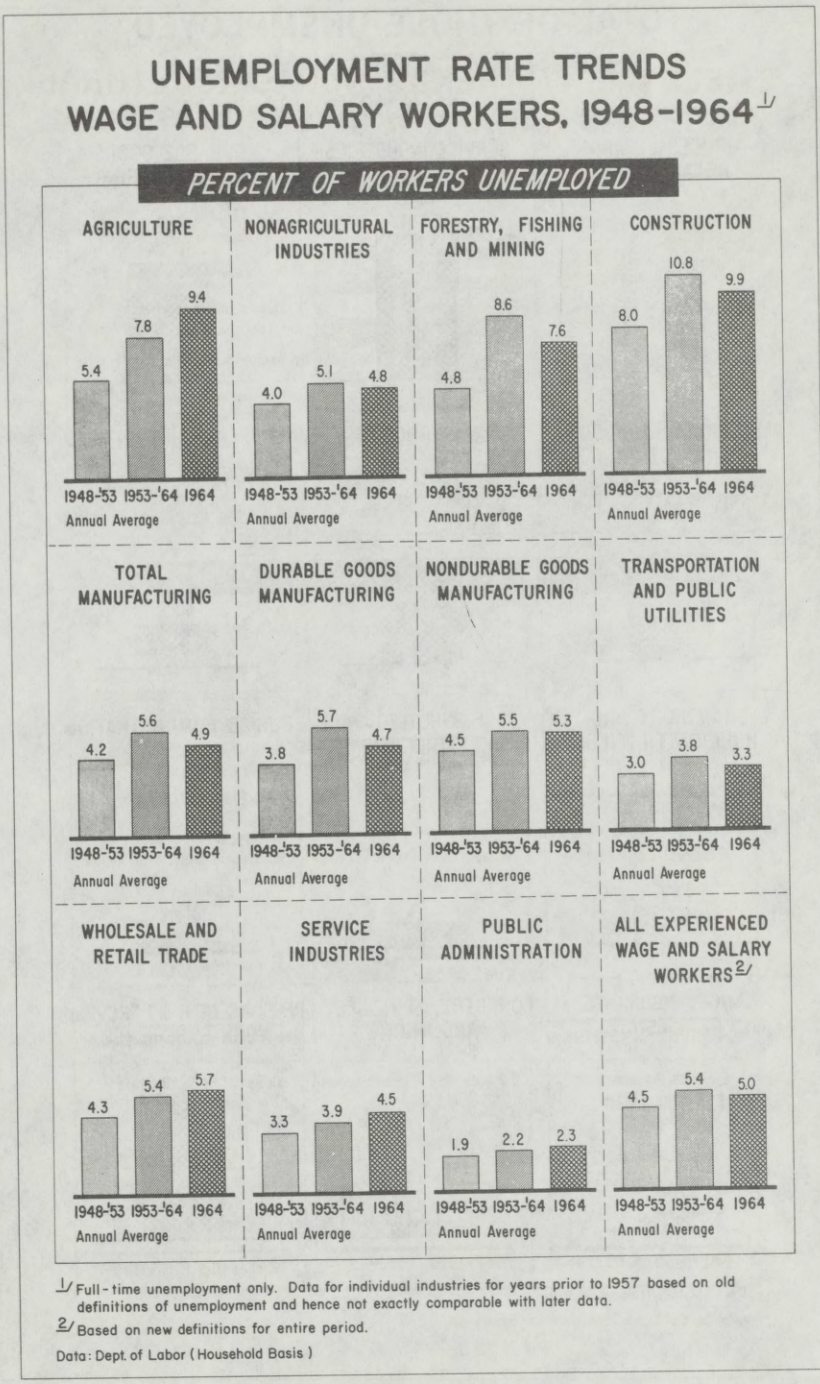
Source: Dept. of Labor (Establishment Basis)

CHART 5



Source: Dept. of Labor (Establishment Basis)

CHART 6



1/ Full-time unemployment only. Data for individual industries for years prior to 1957 based on old definitions of unemployment and hence not exactly comparable with later data.

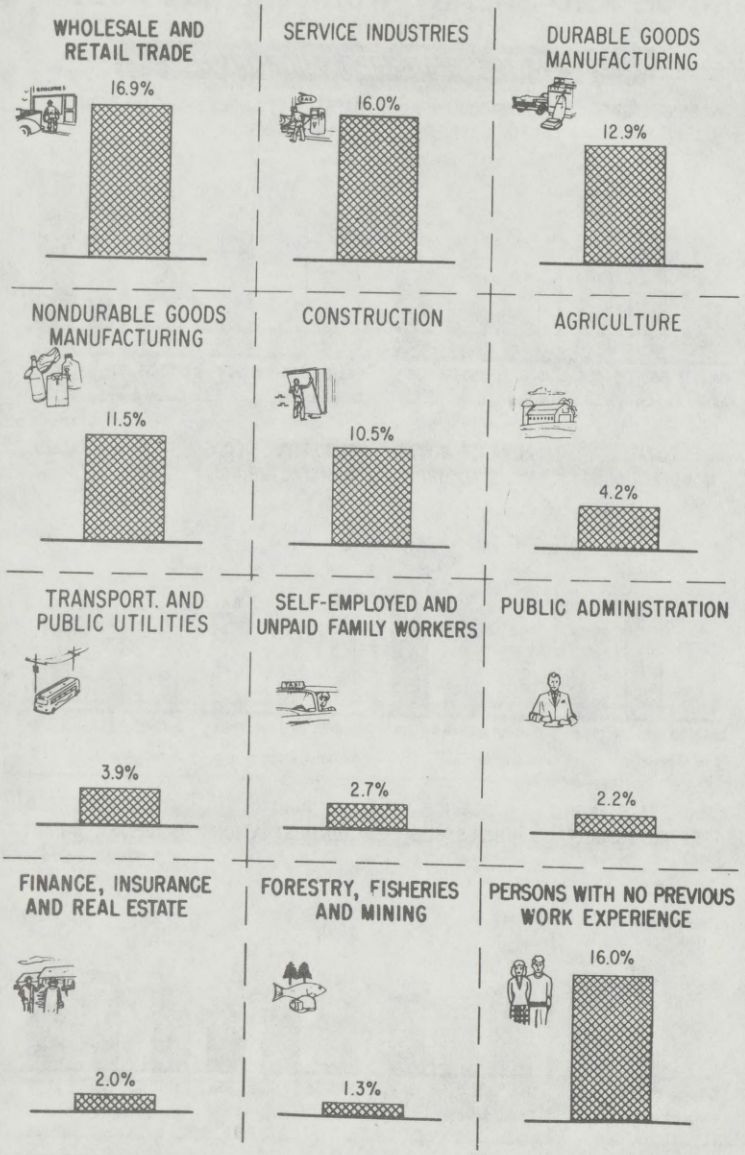
2/ Based on new definitions for entire period.

Data: Dept. of Labor (Household Basis)

CHART 7

TOTAL OF THOSE UNEMPLOYED SHOWN BY CATEGORY, 1964

(All Categories Add to 100 Percent)



Source: Dept. of Labor (Household Basis)

CHART 8

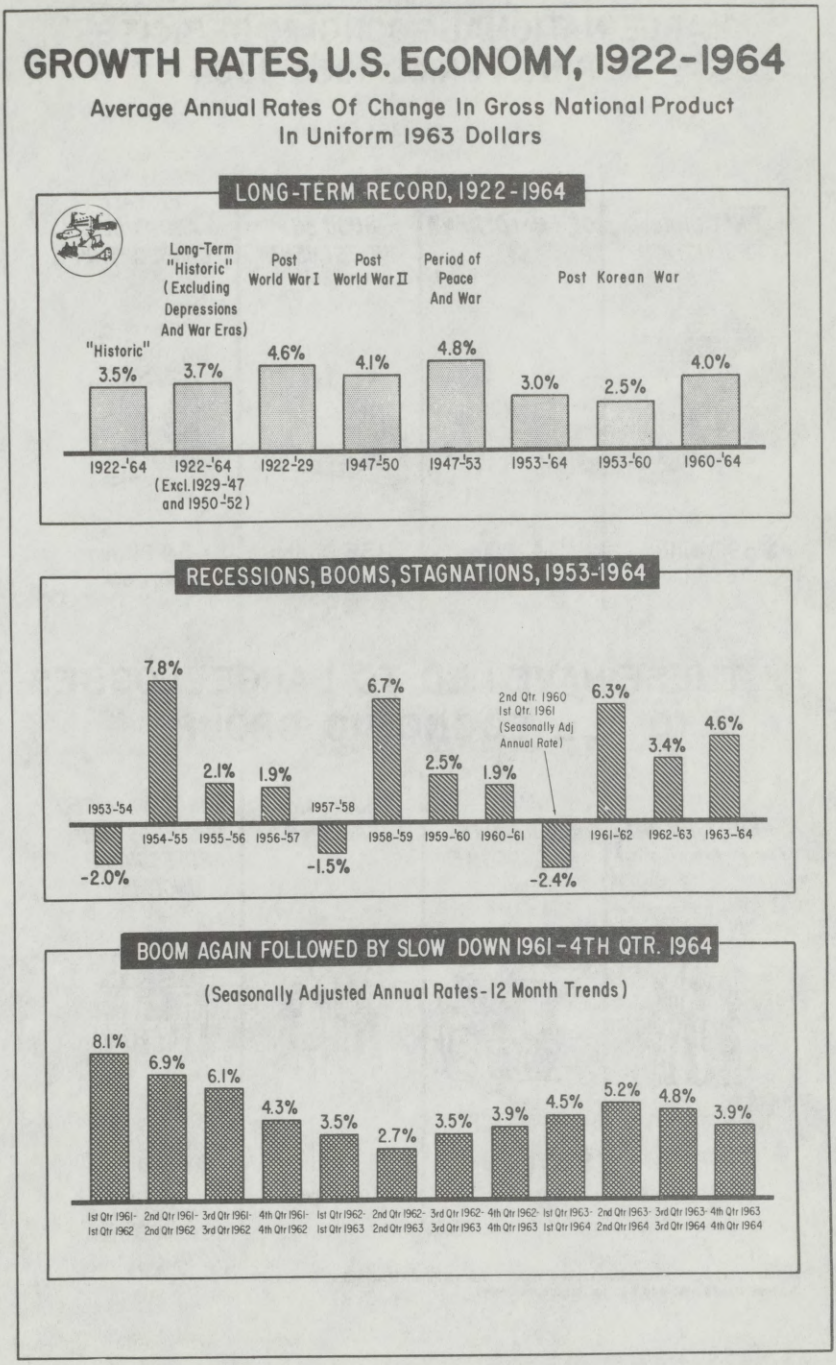

GROWTH RATES, U.S. ECONOMY, 1922-1964
Average Annual Rates Of Change In Gross National Product
In Uniform 1963 Dollars
LONG-TERM RECORD, 1922-1964
"Historic"
3.5%
1922-'64
Long-Term "Historic" (Excluding Depressions And War Eras)
3.7%
1922-'64 (Excl. 1929-'47 and 1950-'52)
Post World War I
4.6%
1922-'29
Post World War II
4.1%
1947-'50
Period of Peace And War
4.8%
1947-'53
Post Korean War
3.0%
1953-'64
2.5%
1953-'60
4.0%
1960-'64
RECESSIONS, BOOMS, STAGNATIONS, 1953-1964
1953-'54
-2.0%
7.8%
1954-'55
2.1%
1955-'56
1.9%
1956-'57
1957-'58
-1.5%
6.7%
1958-'59
2.5%
1959-'60
1.9%
1960-'61
2nd Qtr. 1960
1st Qtr. 1961
(Seasonally Adj Annual Rate)
-2.4%
6.3%
1961-'62
3.4%
1962-'63
4.6%
1963-'64
BOOM AGAIN FOLLOWED BY SLOW DOWN 1961-4TH QTR. 1964
(Seasonally Adjusted Annual Rates-12 Month Trends)
8.1%
1st Qtr 1961-1st Qtr 1962
6.9%
2nd Qtr 1961-2nd Qtr 1962
6.1%
3rd Qtr 1961-3rd Qtr 1962
4.3%
4th Qtr 1961-4th Qtr 1962
3.5%
1st Qtr 1962-1st Qtr 1963
2.7%
2nd Qtr 1962-2nd Qtr 1963
3.5%
3rd Qtr 1962-3rd Qtr 1963
3.9%
4th Qtr 1962-4th Qtr 1963
4.5%
1st Qtr 1963-1st Qtr 1964
5.2%
2nd Qtr 1963-2nd Qtr 1964
4.8%
3rd Qtr 1963-3rd Qtr 1964
3.9%
4th Qtr 1963-4th Qtr 1964

CHART 9

LARGE NATIONAL ECONOMIC DEFICITS DURING PERIOD 1953-1964

Dollar Items in 1963 Dollars

TOTAL NATIONAL PRODUCTION (GNP)	MAN YEARS OF EMPLOYMENT	PRIVATE BUSINESS INVESTMENT (Incl. Net Foreign)	PRIVATE AND PUBLIC CONSUMPTION [1]
			
$590 Billion Too Low	34 Million Too Low	$136 Billion Too Low	$454 Billion Too Low

. . . THESE HAVE LED TO LARGE LOSSES TO ALL ECONOMIC GROUPS

AVERAGE FAMILY INCOME (Multiple-Person Families)	FARM OPERATORS' NET INCOME	WAGES AND SALARIES	UNINCORPORATED BUSINESS AND PROFESSIONAL INCOME
			
$8,750 Too Low	$85 Billion Too Low	$389 Billion Too Low	$44 Billion Too Low

[1] Includes personal consumption expenditures plus government (Federal, state, and local) expenditures ($392 and $62 billion, respectively)

CHART 10

DIFFERENCES IN RESULTS OF HIGH AND LOW ECONOMIC GROWTH RATES, 1964 - 1970

Bold face - Difference in 1970; *Italics - Difference for seven year period as a whole*
(Dollar figures in 1963 dollars)

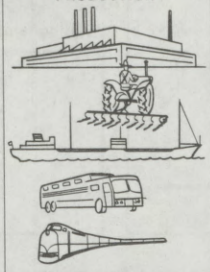
EMPLOYMENT [1]
(In millions of man-years)

8.2
40.1

UNEMPLOYMENT [1]
(In millions of man-years)

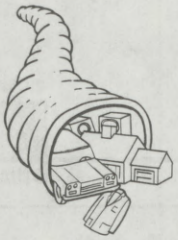
-4.5
-21.7

TOTAL PRODUCTION



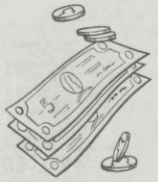
$163.3 Billion
$697.3 Billion

CONSUMER SPENDING



$99.3 Billion
$428.5 Billion

PERSONAL INCOME



$133.8 Billion
$574.2 Billion

FAMILY INCOME
(Average for Multiple Person Families)

$2,125
$9,000

WAGES and SALARIES

$82.5 Billion
$333.2 Billion

NET FARM INCOME

$19.5 Billion
$95.2 Billion

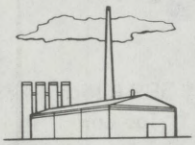
TRANSFER PAYMENTS

$16.3 Billion
$81.4 Billion

UNINCORPORATED BUSINESS and PROFESSIONAL INCOME

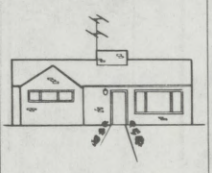
$10.0 Billion
$45.7 Billion

GROSS PRIVATE DOMESTIC INVESTMENT [2]



$47.5 Billion
$203.9 Billion

RESIDENTIAL NONFARM CONSTRUCTION



$16.5 Billion
$78.9 Billion

FEDERAL, STATE, AND LOCAL GOV'T OUTLAYS FOR GOODS AND SERVICES

$16.5 Billion
$64.9 Billion

[1] High growth rate would draw more persons into the labor market than low growth rate.
[2] Including net exports of goods and services.

54-995 O - 65 - 22

CHART 11

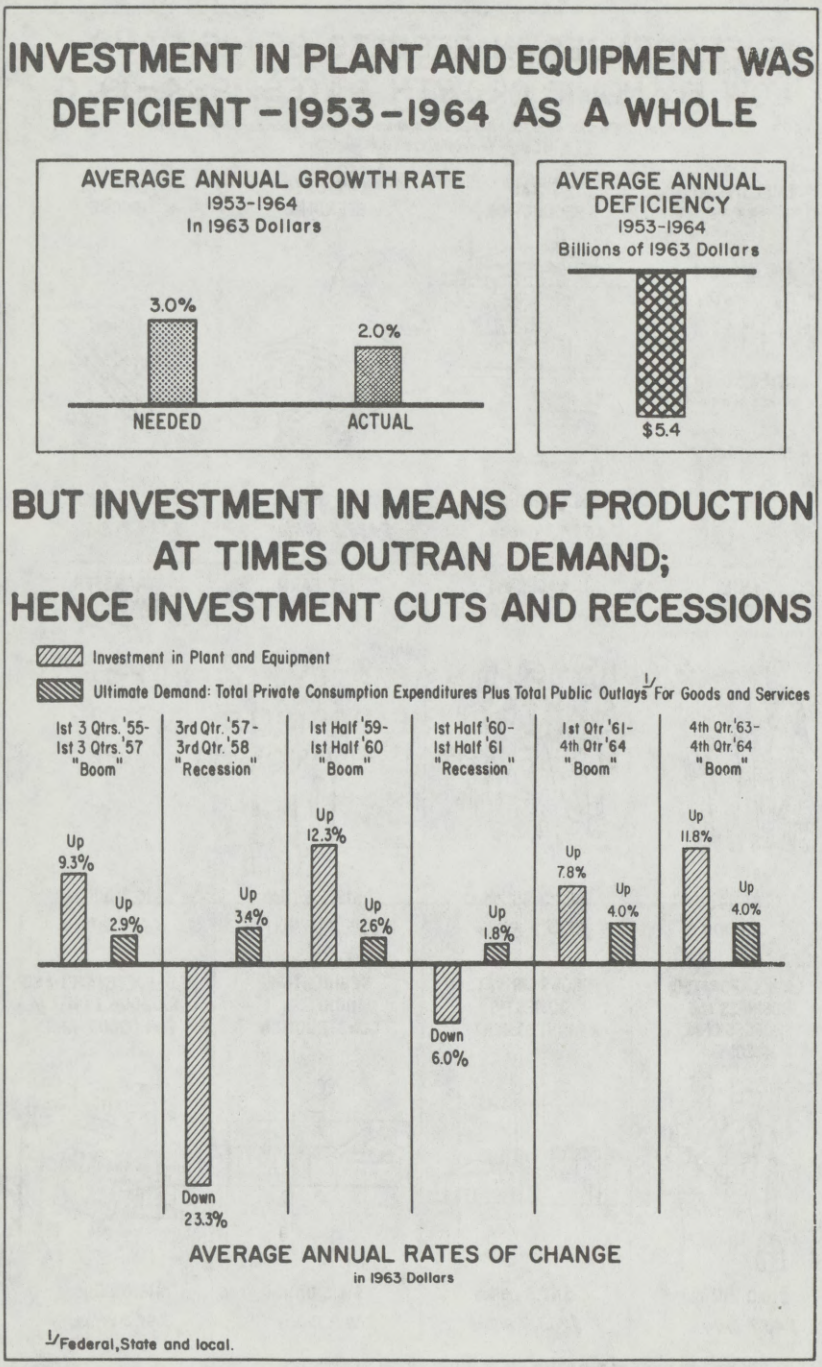

INVESTMENT IN PLANT AND EQUIPMENT WAS DEFICIENT – 1953–1964 AS A WHOLE
AVERAGE ANNUAL GROWTH RATE
1953–1964
In 1963 Dollars
3.0%
2.0%
NEEDED
ACTUAL
AVERAGE ANNUAL DEFICIENCY
1953–1964
Billions of 1963 Dollars
$5.4
BUT INVESTMENT IN MEANS OF PRODUCTION AT TIMES OUTRAN DEMAND; HENCE INVESTMENT CUTS AND RECESSIONS
Investment in Plant and Equipment
Ultimate Demand: Total Private Consumption Expenditures Plus Total Public Outlays 1/ For Goods and Services
1st 3 Qtrs.'55–1st 3 Qtrs.'57 "Boom"
Up 9.3%
Up 2.9%
3rd Qtr.'57–3rd Qtr.'58 "Recession"
Down 23.3%
Up 3.4%
1st Half '59–1st Half '60 "Boom"
Up 12.3%
Up 2.6%
1st Half '60–1st Half '61 "Recession"
Down 6.0%
Up 1.8%
1st Qtr '61–4th Qtr '64 "Boom"
Up 7.8%
Up 4.0%
4th Qtr.'63–4th Qtr.'64 "Boom"
Up 11.8%
Up 4.0%
AVERAGE ANNUAL RATES OF CHANGE
in 1963 Dollars
1/ Federal, State and local.

CHART 12

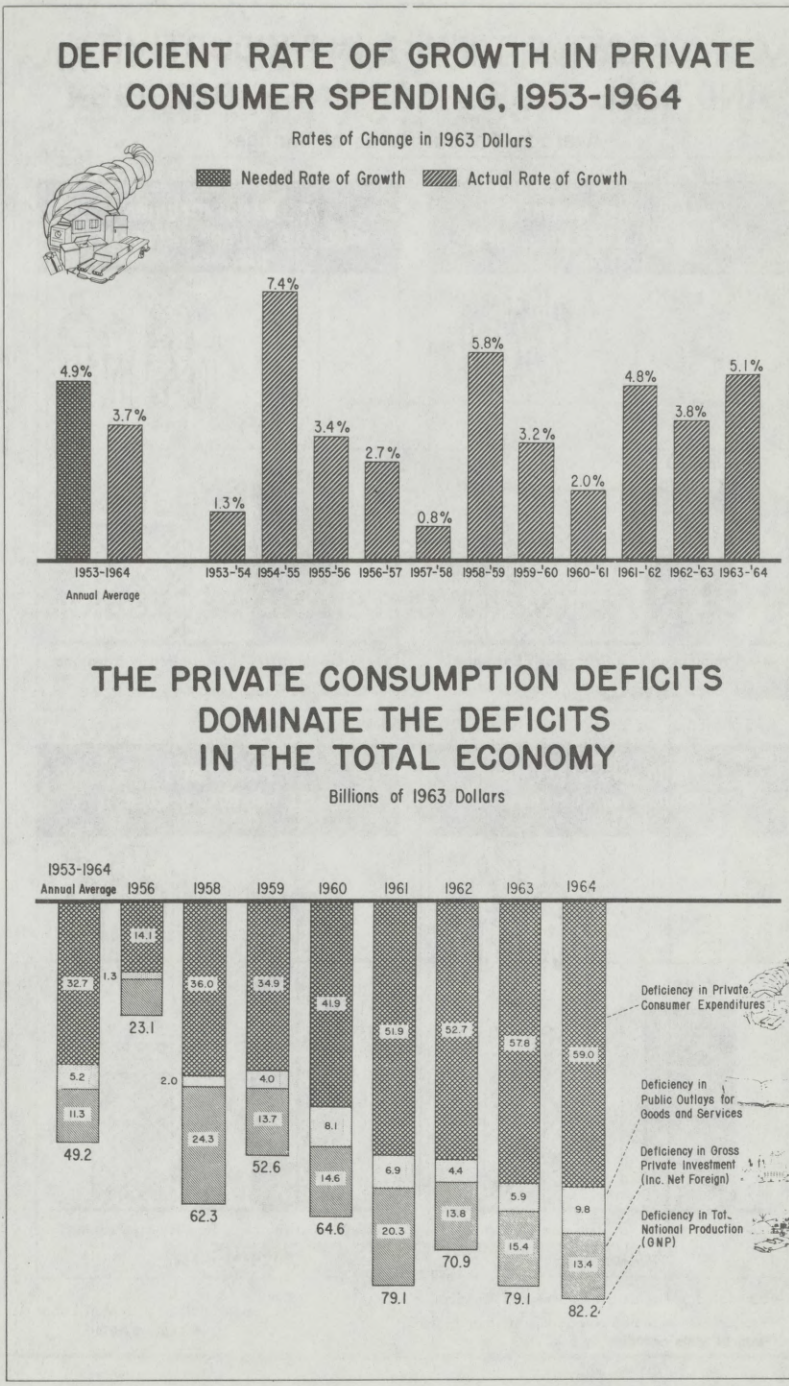

DEFICIENT RATE OF GROWTH IN PRIVATE CONSUMER SPENDING, 1953-1964
Rates of Change in 1963 Dollars
Needed Rate of Growth
Actual Rate of Growth
4.9%
3.7%
1.3%
7.4%
3.4%
2.7%
0.8%
5.8%
3.2%
2.0%
4.8%
3.8%
5.1%
1953-1964
Annual Average
1953-'54
1954-'55
1955-'56
1956-'57
1957-'58
1958-'59
1959-'60
1960-'61
1961-'62
1962-'63
1963-'64
THE PRIVATE CONSUMPTION DEFICITS DOMINATE THE DEFICITS IN THE TOTAL ECONOMY
Billions of 1963 Dollars
1953-1964
Annual Average
1956
1958
1959
1960
1961
1962
1963
1964
32.7
5.2
11.3
49.2
1.3
14.1
23.1
2.0
36.0
24.3
62.3
34.9
4.0
13.7
52.6
41.9
8.1
14.6
64.6
51.9
6.9
20.3
79.1
52.7
4.4
13.8
70.9
57.8
5.9
15.4
79.1
59.0
9.8
13.4
82.2
Deficiency in Private Consumer Expenditures
Deficiency in Public Outlays for Goods and Services
Deficiency in Gross Private Investment (Inc. Net Foreign)
Deficiency in Tot. National Production (GNP)

CHART 13

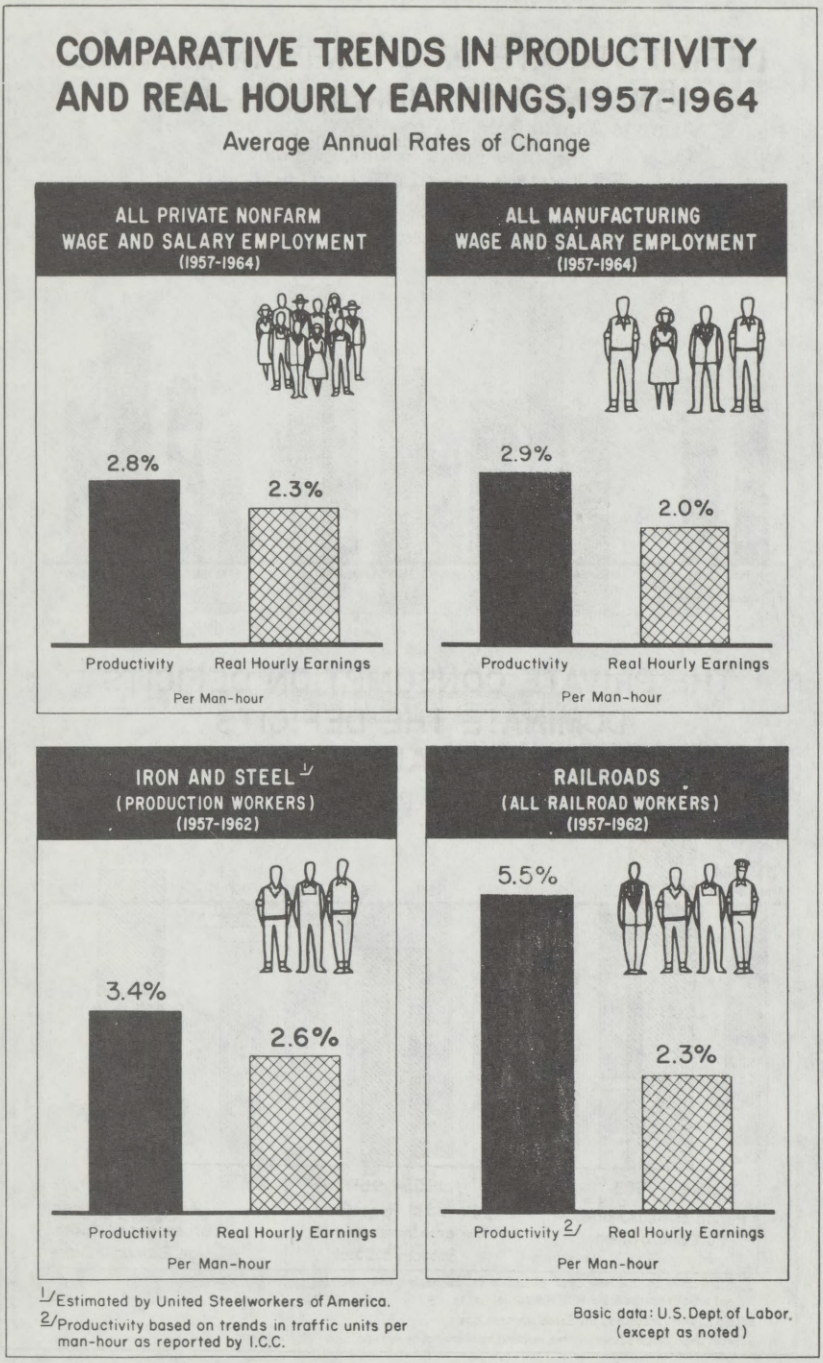

COMPARATIVE TRENDS IN PRODUCTIVITY AND REAL HOURLY EARNINGS, 1957-1964
Average Annual Rates of Change
ALL PRIVATE NONFARM WAGE AND SALARY EMPLOYMENT (1957-1964)
2.8%
2.3%
Productivity
Real Hourly Earnings
Per Man-hour
ALL MANUFACTURING WAGE AND SALARY EMPLOYMENT (1957-1964)
2.9%
2.0%
Productivity
Real Hourly Earnings
Per Man-hour
IRON AND STEEL 1/ (PRODUCTION WORKERS) (1957-1962)
3.4%
2.6%
Productivity
Real Hourly Earnings
Per Man-hour
RAILROADS (ALL RAILROAD WORKERS) (1957-1962)
5.5%
2.3%
Productivity 2/
Real Hourly Earnings
Per Man-hour
1/ Estimated by United Steelworkers of America.
2/ Productivity based on trends in traffic units per man-hour as reported by I.C.C.
Basic data: U.S. Dept. of Labor, (except as noted)

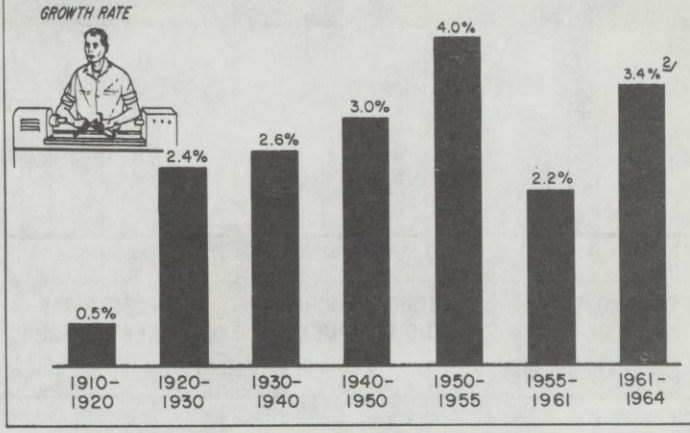
CHART 14

TRENDS IN PRODUCTIVITY FOR THE ENTIRE PRIVATE ECONOMY-1910-1964[1]

Average Annual Rate of Growth in Output per Man-hour for the Entire Private Economy

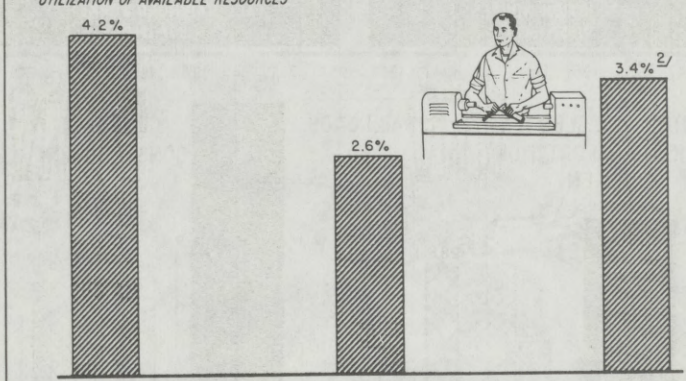
THE RECORD 1910-1964

INDICATING A GENERALLY ACCELERATING PRODUCTIVITY GROWTH RATE



THE POST-WORLD WAR II RECORD

INDICATING A CLOSE CO-RELATION BETWEEN PRODUCTIVITY GROWTH RATE AND EXTENT OF UTILIZATION OF AVAILABLE RESOURCES



[1] From 1947 on, the new Dept. of Labor series relating to output per man-hour was used, not strictly comparable with the earlier years.

[2] 3.5% when measured on Establishment basis.

Source: Dept. of Labor estimates relating to man-hours worked (Labor force basis).

CHART 15

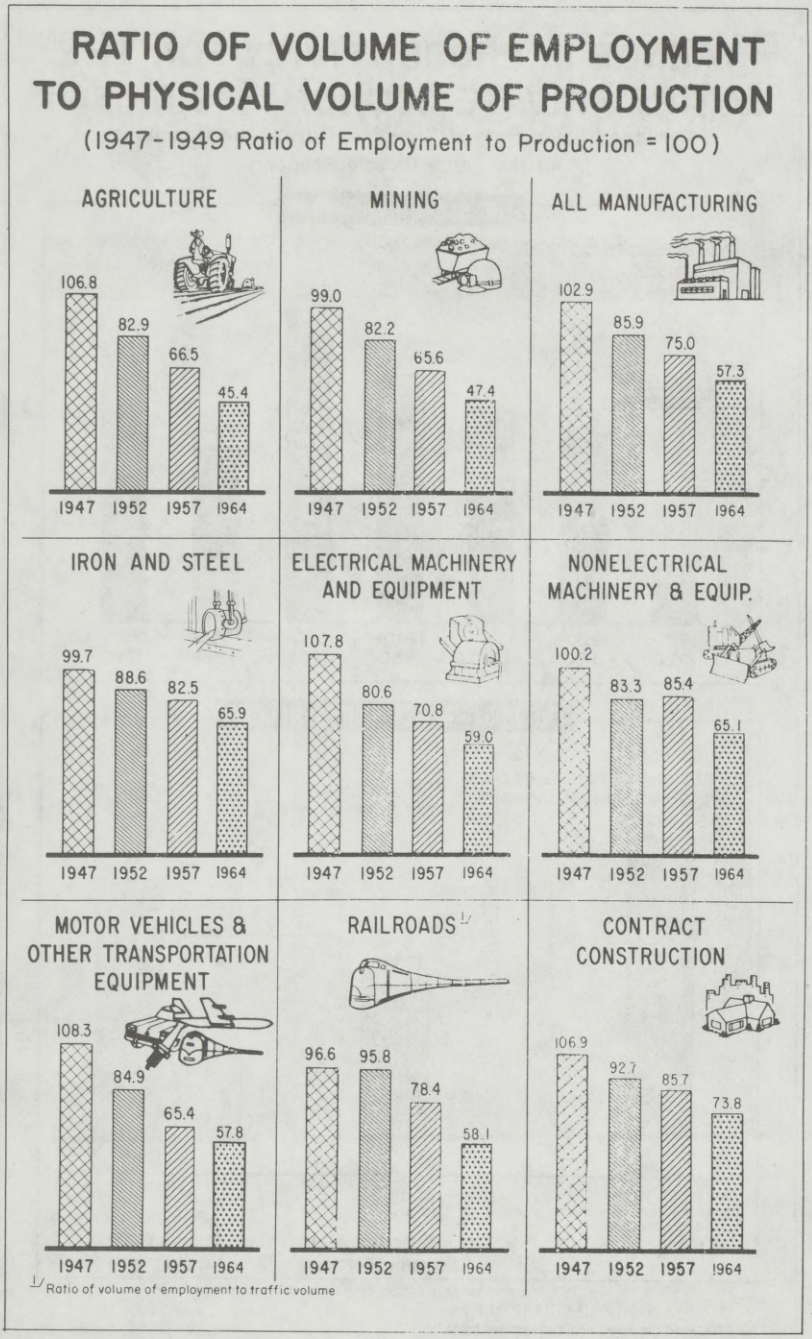
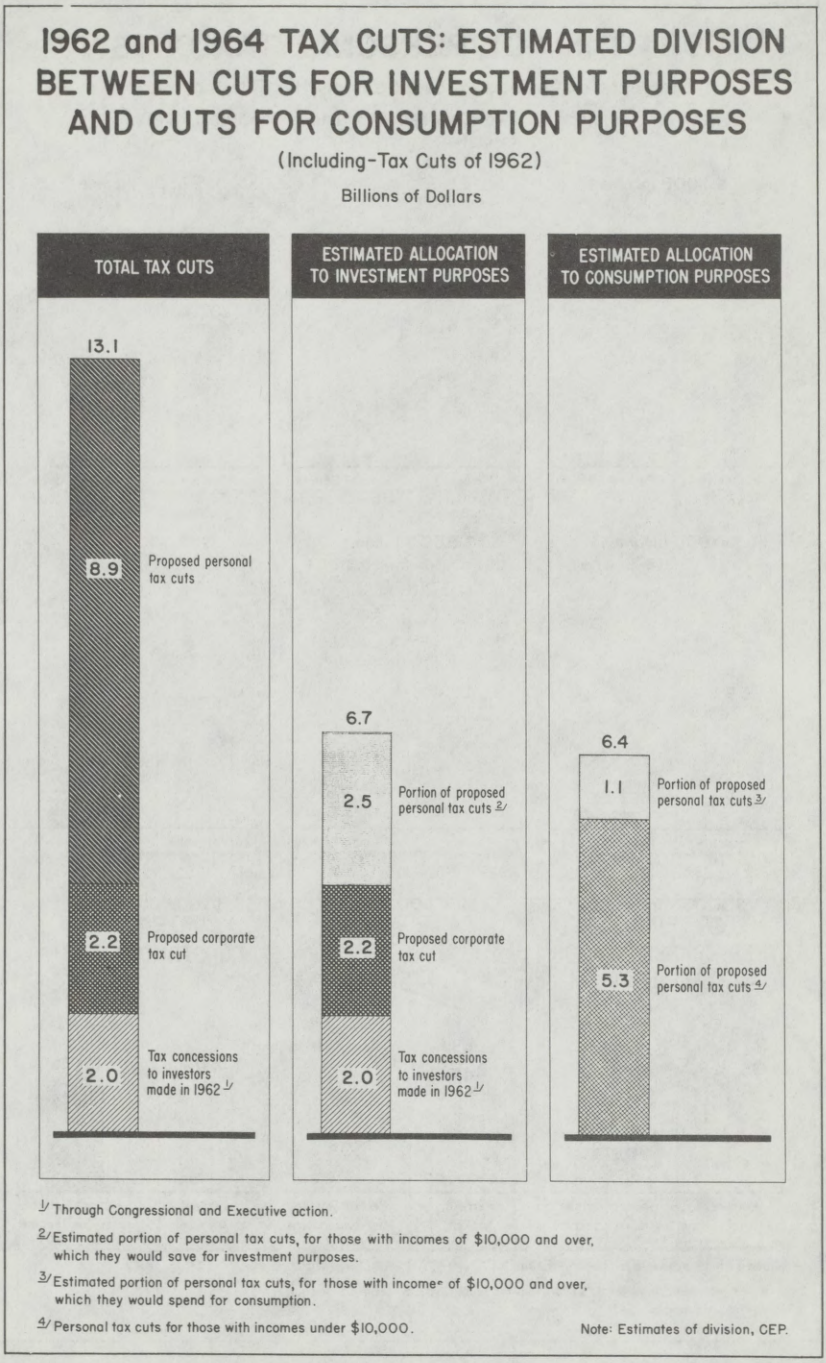

RATIO OF VOLUME OF EMPLOYMENT TO PHYSICAL VOLUME OF PRODUCTION
(1947-1949 Ratio of Employment to Production = 100)
AGRICULTURE
106.8
82.9
66.5
45.4
1947 1952 1957 1964
MINING
99.0
82.2
65.6
47.4
1947 1952 1957 1964
ALL MANUFACTURING
102.9
85.9
75.0
57.3
1947 1952 1957 1964
IRON AND STEEL
99.7
88.6
82.5
65.9
1947 1952 1957 1964
ELECTRICAL MACHINERY AND EQUIPMENT
107.8
80.6
70.8
59.0
1947 1952 1957 1964
NONELECTRICAL MACHINERY & EQUIP.
100.2
83.3
85.4
65.1
1947 1952 1957 1964
MOTOR VEHICLES & OTHER TRANSPORTATION EQUIPMENT
108.3
84.9
65.4
57.8
1947 1952 1957 1964
RAILROADS 1/
96.6
95.8
78.4
58.1
1947 1952 1957 1964
CONTRACT CONSTRUCTION
106.9
92.7
85.7
73.8
1947 1952 1957 1964
1/ Ratio of volume of employment to traffic volume

CHART 16



1/ Through Congressional and Executive action.

2/ Estimated portion of personal tax cuts, for those with incomes of $10,000 and over, which they would save for investment purposes.

3/ Estimated portion of personal tax cuts, for those with income of $10,000 and over, which they would spend for consumption.

4/ Personal tax cuts for those with incomes under $10,000.

Note: Estimates of division, CEP.

CHART 17

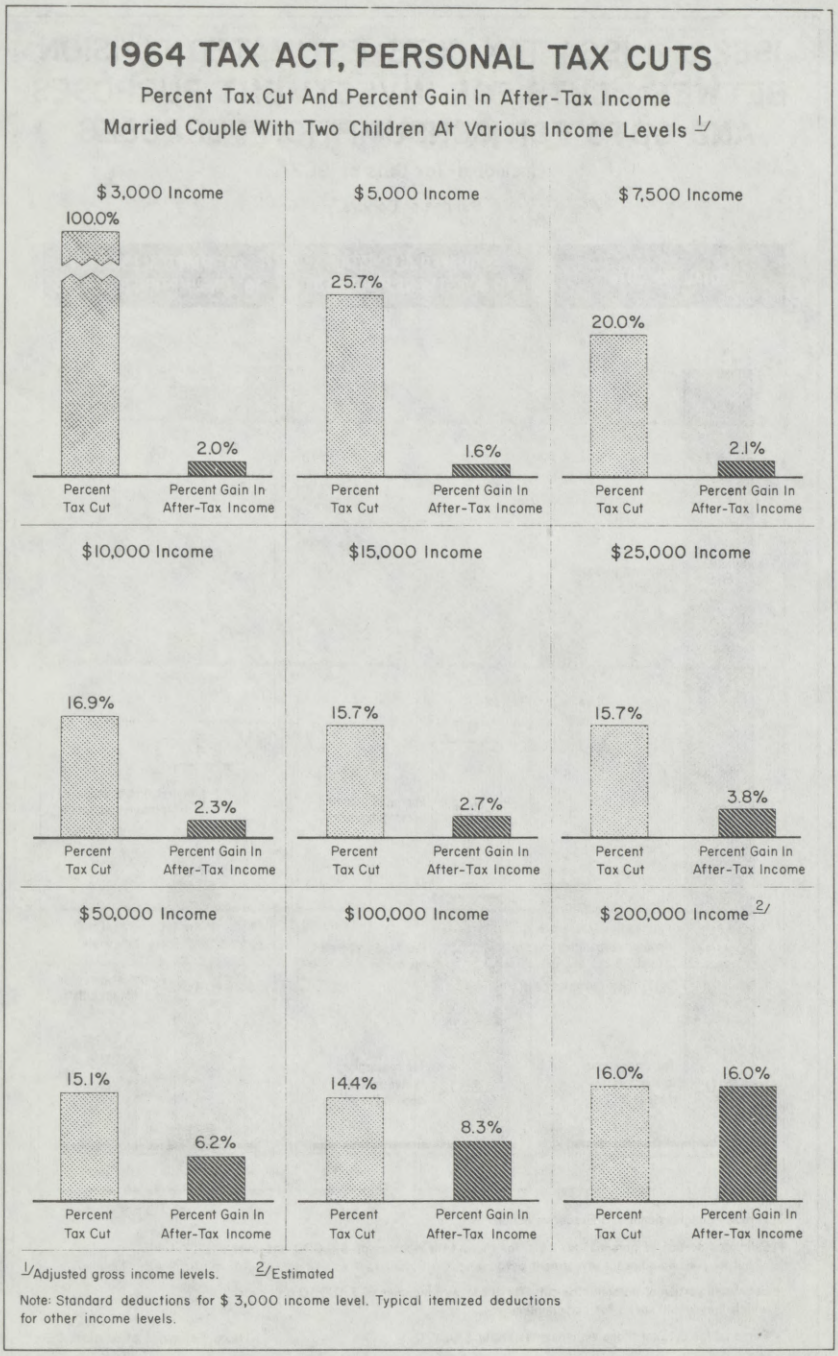
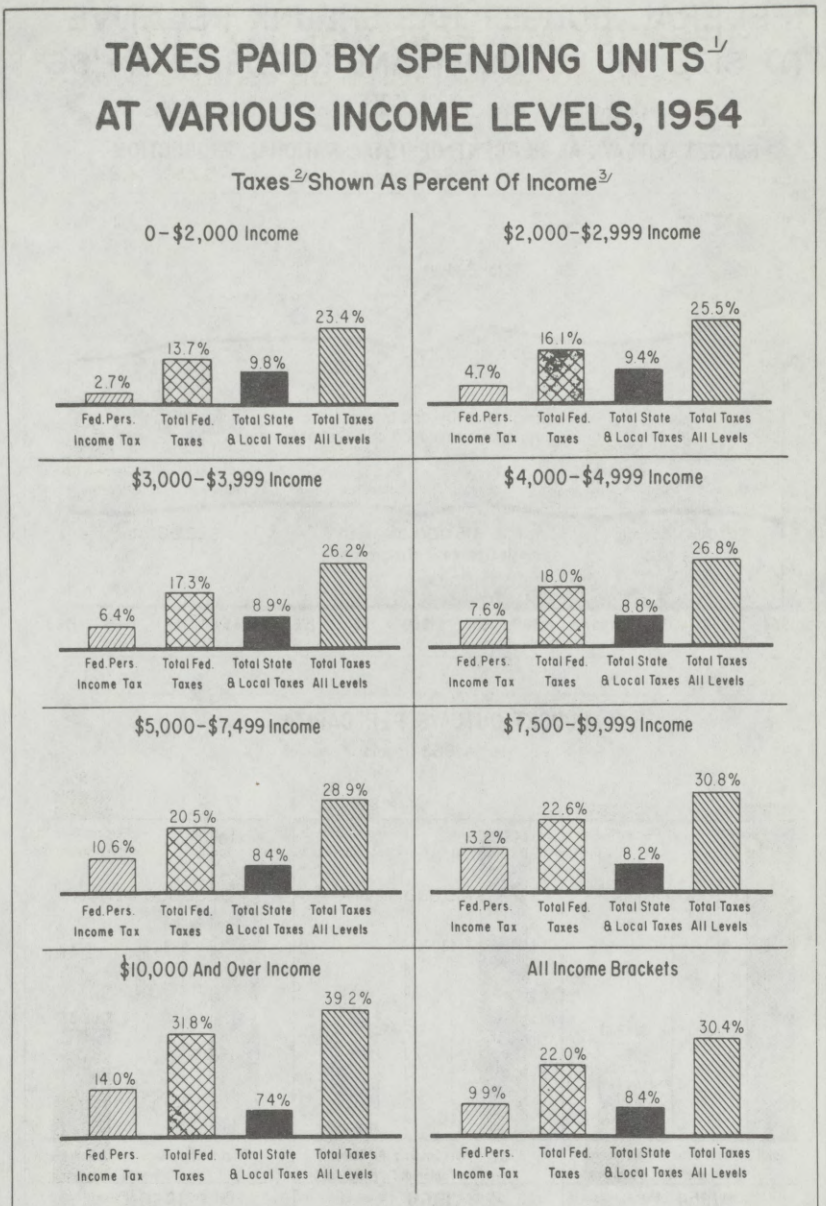

1964 TAX ACT, PERSONAL TAX CUTS
Percent Tax Cut And Percent Gain In After-Tax Income
Married Couple With Two Children At Various Income Levels 1/
$3,000 Income
100.0%
2.0%
$5,000 Income
25.7%
1.6%
$7,500 Income
20.0%
2.1%
$10,000 Income
16.9%
2.3%
$15,000 Income
15.7%
2.7%
$25,000 Income
15.7%
3.8%
$50,000 Income
15.1%
6.2%
$100,000 Income
14.4%
8.3%
$200,000 Income 2/
16.0%
16.0%
Percent Tax Cut
Percent Gain In After-Tax Income
1/ Adjusted gross income levels.
2/ Estimated
Note: Standard deductions for $ 3,000 income level. Typical itemized deductions for other income levels.

CHART 18



1/ Spending units include families plus unattached individuals.

2/ Federal taxes include personal income, corporate profits, excises and social insurance taxes. State and local taxes include personal income, excise, sales, and property taxes.

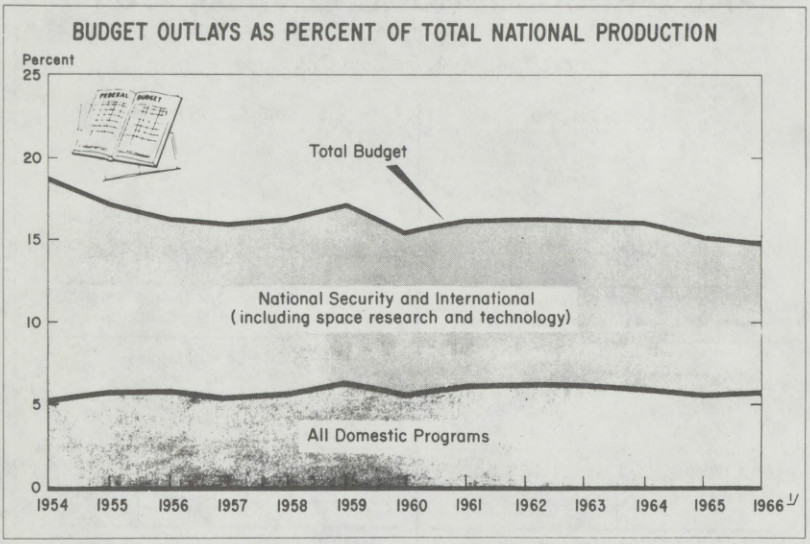
3/ Adjusted money income and non-money income.

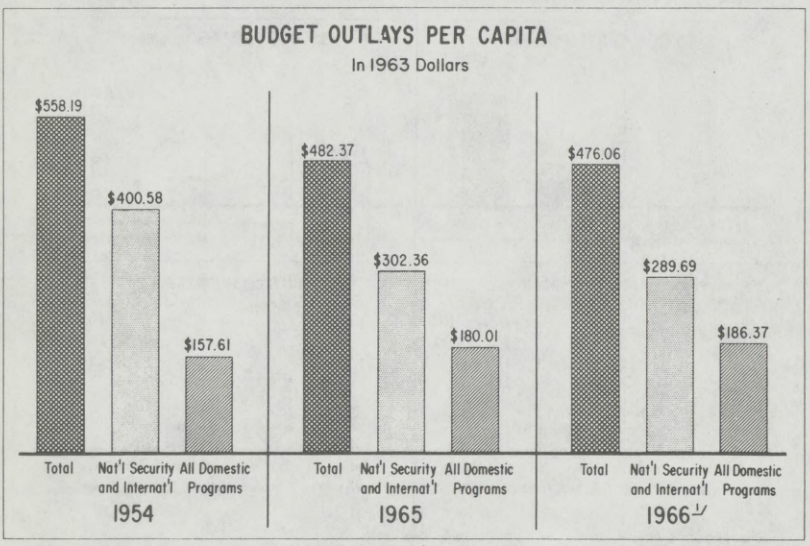
Data: Estimates by R. Musgrave, in Nov. 9, 1955 publication of Joint Economic Committee.

CHART 19

FEDERAL BUDGET HAS SHRUNK RELATIVE TO SIZE OF ECONOMY AND NEEDS, 1954-'66

Fiscal Years





1/ Administration's proposed Budget as of Jan. 25, 1965; G.N.P estimated at $675.0 billion, CEP.

CHART 20

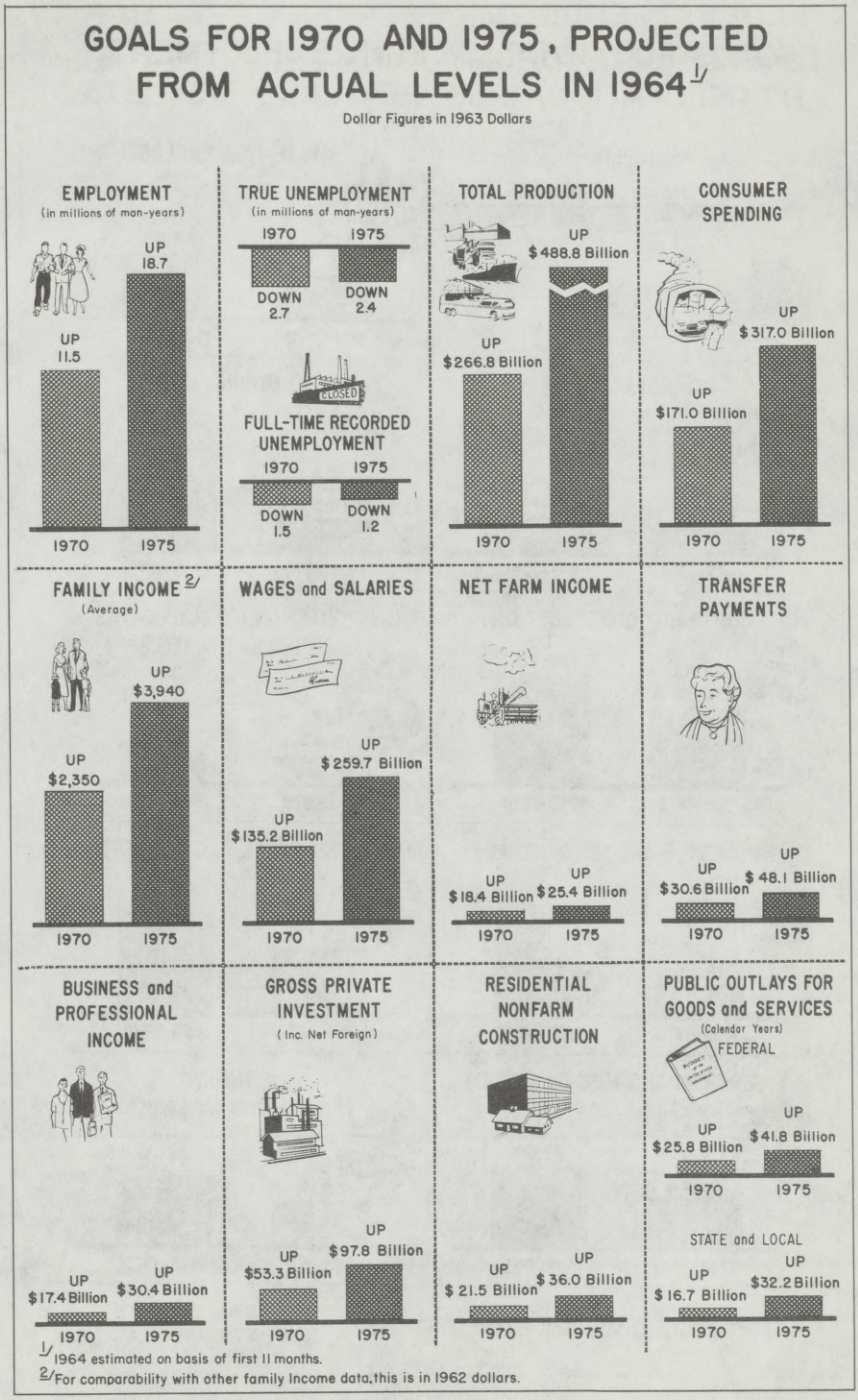

GOALS FOR 1970 AND 1975, PROJECTED FROM ACTUAL LEVELS IN 1964 1/
Dollar Figures in 1963 Dollars
EMPLOYMENT
(in millions of man-years)
UP 18.7
UP 11.5
1970
1975
TRUE UNEMPLOYMENT
(in millions of man-years)
1970
1975
DOWN 2.7
DOWN 2.4
CLOSED
FULL-TIME RECORDED UNEMPLOYMENT
1970
1975
DOWN 1.5
DOWN 1.2
TOTAL PRODUCTION
UP $488.8 Billion
UP $266.8 Billion
1970
1975
CONSUMER SPENDING
UP $317.0 Billion
UP $171.0 Billion
1970
1975
FAMILY INCOME 2/
(Average)
UP $3,940
UP $2,350
1970
1975
WAGES and SALARIES
UP $259.7 Billion
UP $135.2 Billion
1970
1975
NET FARM INCOME
UP $25.4 Billion
UP $18.4 Billion
1970
1975
TRANSFER PAYMENTS
UP $48.1 Billion
UP $30.6 Billion
1970
1975
BUSINESS and PROFESSIONAL INCOME
UP $30.4 Billion
UP $17.4 Billion
1970
1975
GROSS PRIVATE INVESTMENT
(Inc. Net Foreign)
UP $97.8 Billion
UP $53.3 Billion
1970
1975
RESIDENTIAL NONFARM CONSTRUCTION
UP $36.0 Billion
UP $21.5 Billion
1970
1975
PUBLIC OUTLAYS FOR GOODS and SERVICES
(Calendar Years)
FEDERAL
UP $41.8 Billion
UP $25.8 Billion
1970
1975
STATE and LOCAL
UP $32.2 Billion
UP $16.7 Billion
1970
1975
1/ 1964 estimated on basis of first 11 months.
2/ For comparability with other family income data, this is in 1962 dollars.

CHART 21

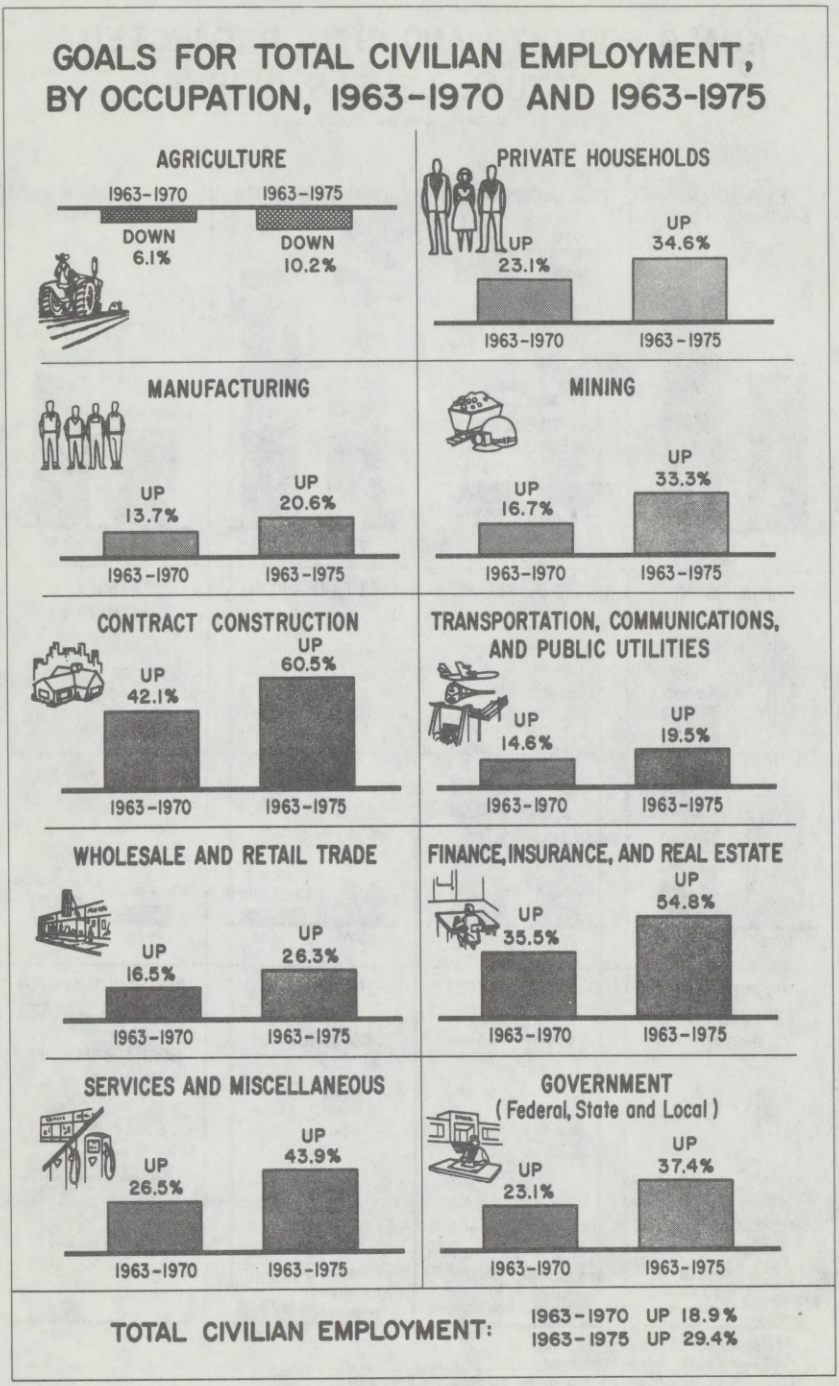
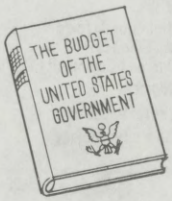

GOALS FOR TOTAL CIVILIAN EMPLOYMENT, BY OCCUPATION, 1963-1970 AND 1963-1975
AGRICULTURE
1963-1970
1963-1975
DOWN 6.1%
DOWN 10.2%
PRIVATE HOUSEHOLDS
UP 23.1%
UP 34.6%
1963-1970
1963-1975
MANUFACTURING
UP 13.7%
UP 20.6%
1963-1970
1963-1975
MINING
UP 16.7%
UP 33.3%
1963-1970
1963-1975
CONTRACT CONSTRUCTION
UP 42.1%
UP 60.5%
1963-1970
1963-1975
TRANSPORTATION, COMMUNICATIONS, AND PUBLIC UTILITIES
UP 14.6%
UP 19.5%
1963-1970
1963-1975
WHOLESALE AND RETAIL TRADE
UP 16.5%
UP 26.3%
1963-1970
1963-1975
FINANCE, INSURANCE, AND REAL ESTATE
UP 35.5%
UP 54.8%
1963-1970
1963-1975
SERVICES AND MISCELLANEOUS
UP 26.5%
UP 43.9%
1963-1970
1963-1975
GOVERNMENT (Federal, State and Local)
UP 23.1%
UP 37.4%
1963-1970
1963-1975
TOTAL CIVILIAN EMPLOYMENT:
1963-1970 UP 18.9%
1963-1975 UP 29.4%

CHART 22

GOALS FOR A FEDERAL BUDGET GEARED TO ECONOMIC GROWTH AND PUBLIC NEEDS

1966, Fiscal Year; 1970 and 1975, Calendar Years
Per Capita Outlay in 1963 Dollars

TOTAL FEDERAL OUTLAYS



Year		% of Total Output	$ Per Capita
1966	Adm.[1]	14.76	$476.06
1970	Goal	15.38	638.60
1975	Goal	14.18	677.08

NATIONAL DEFENSE, SPACE TECHNOLOGY, AND ALL INTERNATIONAL

Year		% of Total Output	$ Per Capita
1966	Adm.[1]	8.99	$289.69
1970	Goal	9.34	387.89
1975	Goal	8.82	421.00

EDUCATION

Year		% of Total Output	$ Per Capita
1966	Adm.[1]	.39	12.72
1970	Goal	.80	33.11
1975	Goal	.90	39.06

HEALTH SERVICES AND RESEARCH

Year		% of Total Output	$ Per Capita
1966	Adm.[1]	.32	10.46
1970	Goal	.55	22.71
1975	Goal	.64	30.38

PUBLIC ASSISTANCE

Year		% of Total Output	$ Per Capita
1966	Adm.[1]	.52	16.71
1970	Goal	.51	21.29
1975	Goal	.49	23.44

LABOR, MANPOWER, AND OTHER WELFARE SERVICES

Year		% of Total Output	$ Per Capita
1966[2]	Adm.[1]	.19	6.18
1970	Goal	.23	9.46
1975	Goal	.20	9.55

HOUSING AND COMMUNITY DEVELOPMENT

Year		% of Total Output	$ Per Capita
1966	Adm.[1]	.001	.05
1970	Goal	.38	15.61
1975	Goal	.35	16.49

ALL DOMESTIC PROGRAMS AND SERVICES

(Includes also Agriculture; Natural Resources; Veterans; Commerce; Interest; General Government, etc.)

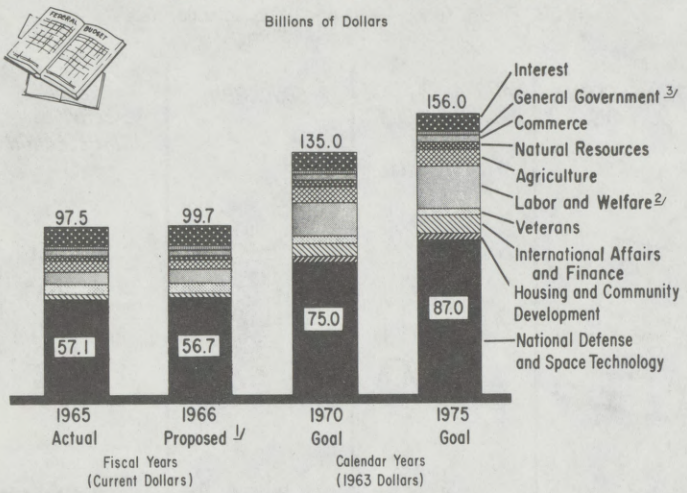
Year		% of Total Output	$ Per Capita
1966	Adm.[1]	5.78	186.37
1970	Goal	6.04	250.71
1975	Goal	5.36	256.08

[1] Administration's proposed Budget as of Jan. 25, 1965

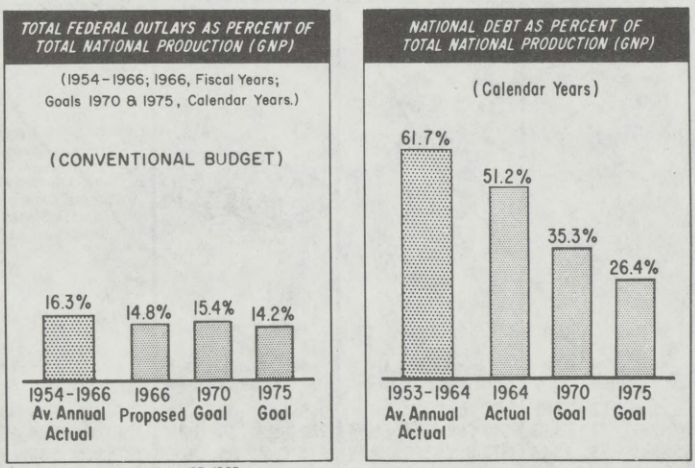
[2] This item does not include the outlays for the Economic Opportunity Act program, $1,346 million in the 1966 Budget.

CHART 23

TOWARD A FEDERAL BUDGET CONSISTENT WITH MAXIMUM EMPLOYMENT AND THE PRIORITIES OF NATIONAL PUBLIC NEEDS



BURDEN OF FEDERAL OUTLAYS IN A FULLY GROWING ECONOMY WOULD BE LOWER THAN IN RECENT YEARS

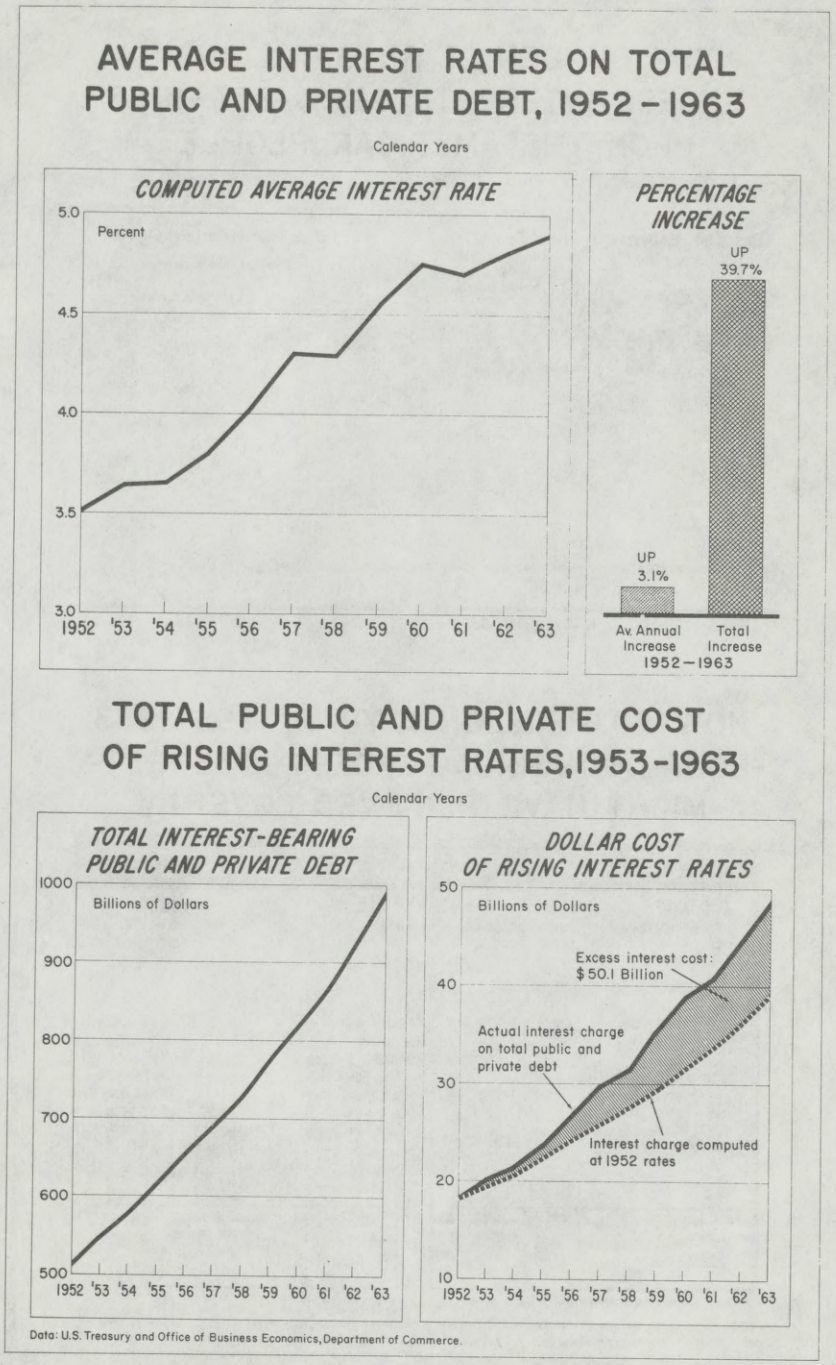


1/ As of Budget Message of Jan. 25, 1965.

2/ Including education and health services

3/ Including contingencies and less interfund transactions

CHART 24

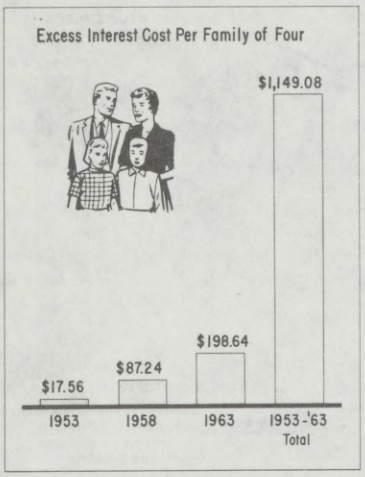


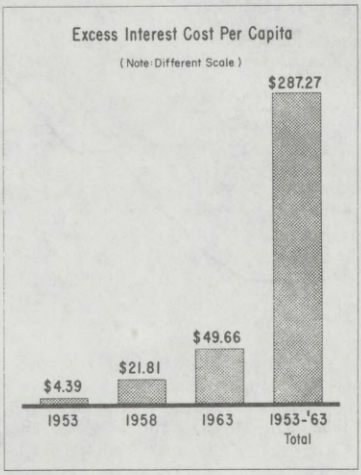
Data: U.S. Treasury and Office of Business Economics, Department of Commerce.

CHART 25

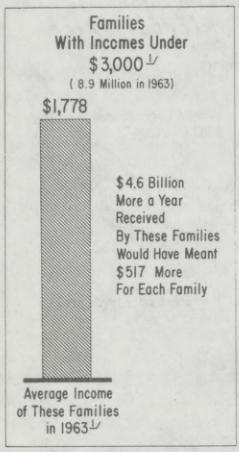
THE BURDEN OF $50.1 BILLION IN EXCESS INTEREST COSTS, 1953-1963 UPON THE AMERICAN PEOPLE

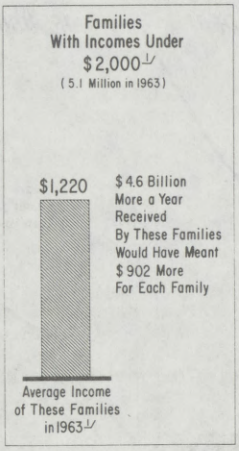
Calendar Years

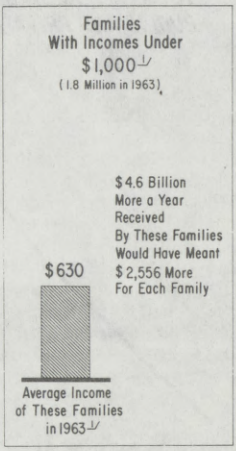




HOW $4.6 BILLION A YEAR, 1953-1963 -EQUAL TO ANNUAL EXCESS INTEREST- MIGHT HAVE RELIEVED POVERTY







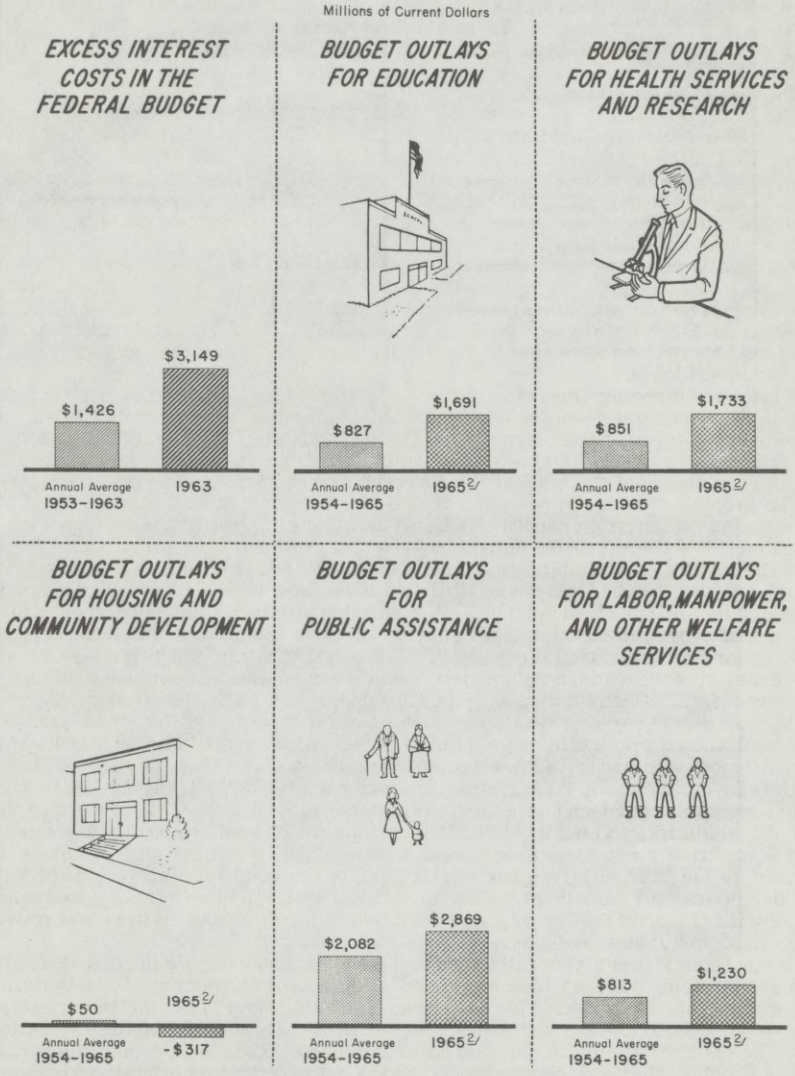
Note: Family and Income data from Bureau of the Census.

1/ Income distribution analysis is stated in 1962 dollars because the original determination of the income needed to lift families above the poverty level was made in terms of 1962 dollars.

CHART 26

EXCESS INTEREST COSTS IN THE FEDERAL BUDGET 1953-1963 CONTRASTED WITH OTHER COSTS RELEVANT TO THE WAR AGAINST POVERTY [1]

Millions of Current Dollars

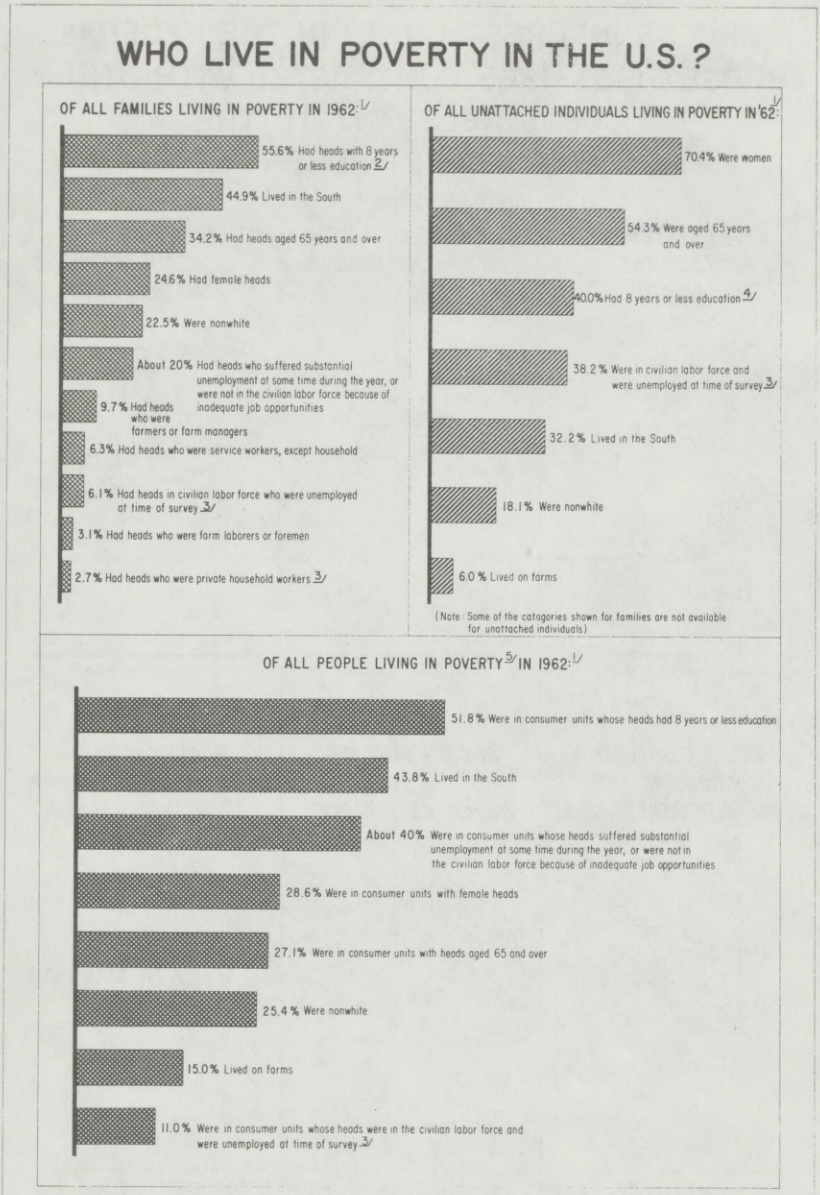


1/ Interest costs, calendar years; budget outlays, fiscal years.

2/ Proposed in fiscal 1965 Budget.

54-995 O - 65 - 23

CHART 27



1/ 1962 used because 1963 data too fragmentary for these comparisons.

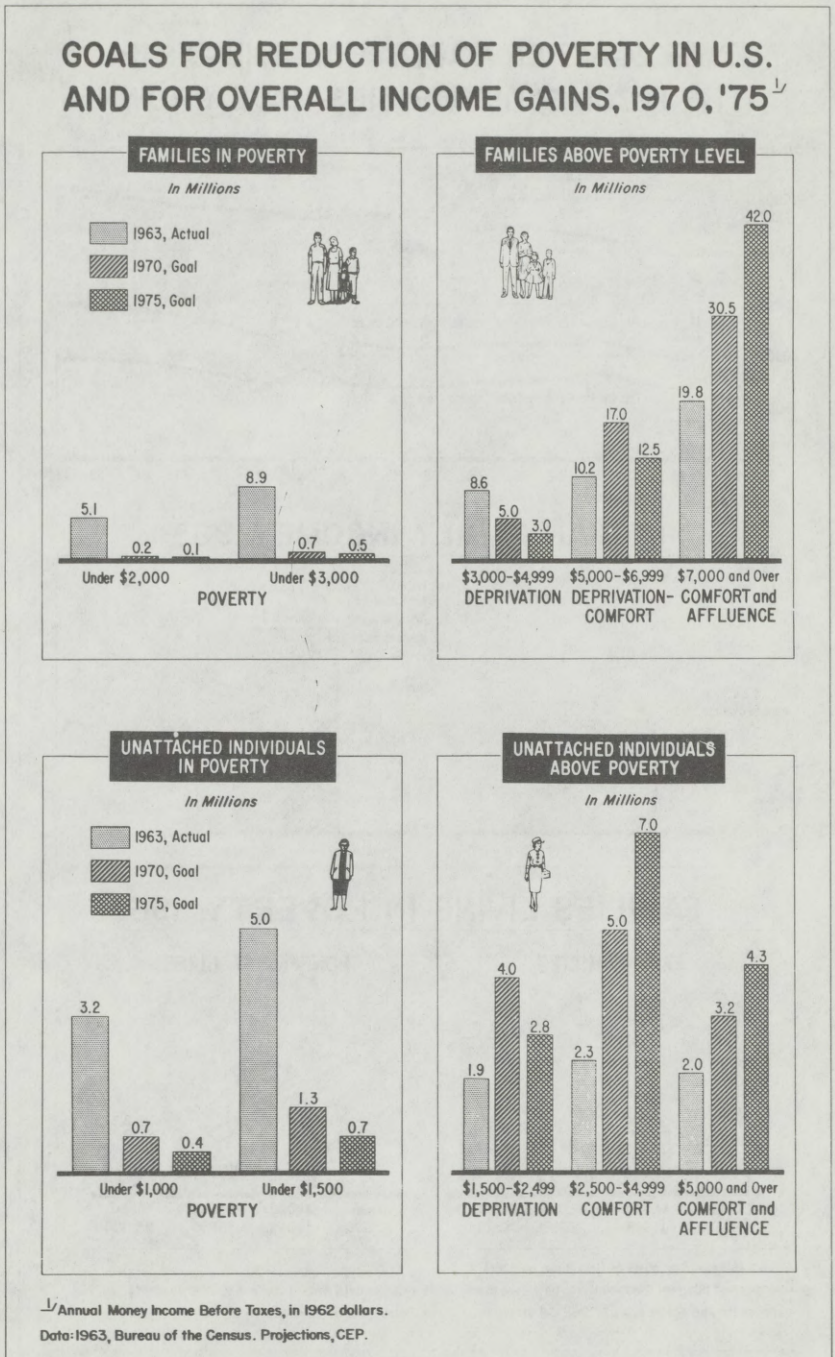
2/ Estimate based on 1963 data.

3/ This does not take account of those who suffered substantial unemployment at sometime during year, or were not in civilian labor force because of inadequate job opportunities, and therefore underestimates connection between unemployment and poverty.

4/ Estimate based on 1959 data.

5/ All people living in families with incomes under $3,000, plus all unattached individuals with incomes under $1,500.

CHART 28

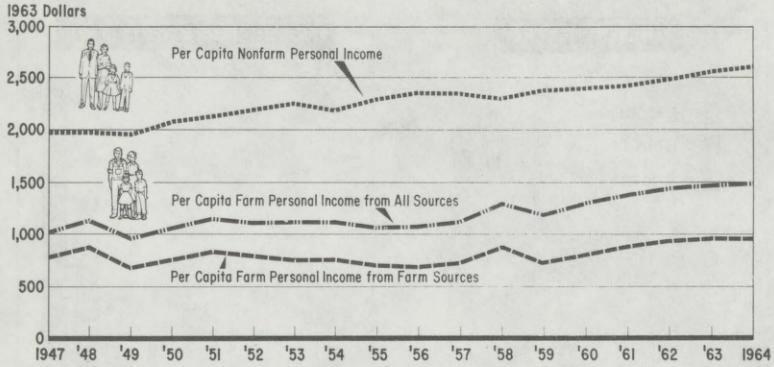


1/ Annual Money Income Before Taxes, in 1962 dollars.

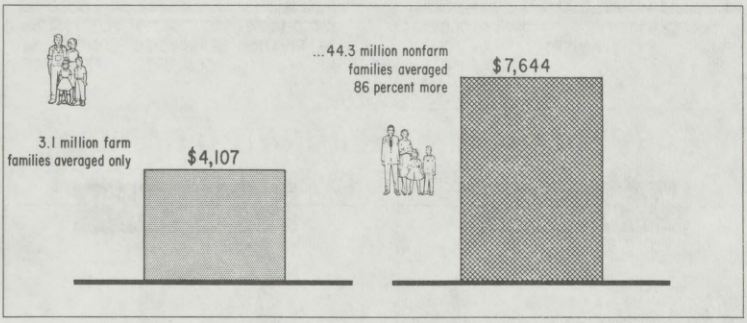
Data: 1963, Bureau of the Census. Projections, CEP.

CHART 29

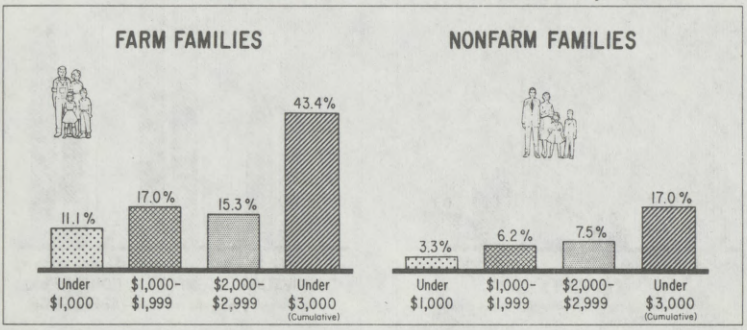
EVEN ON A PER CAPITA BASIS, 1947-'64[1] THE INCOME[2] DISPARITIES HAVE GROWN



MEDIAN FAMILY INCOME,[3] 1963



FAMILIES LIVING IN POVERTY, 1963[3]

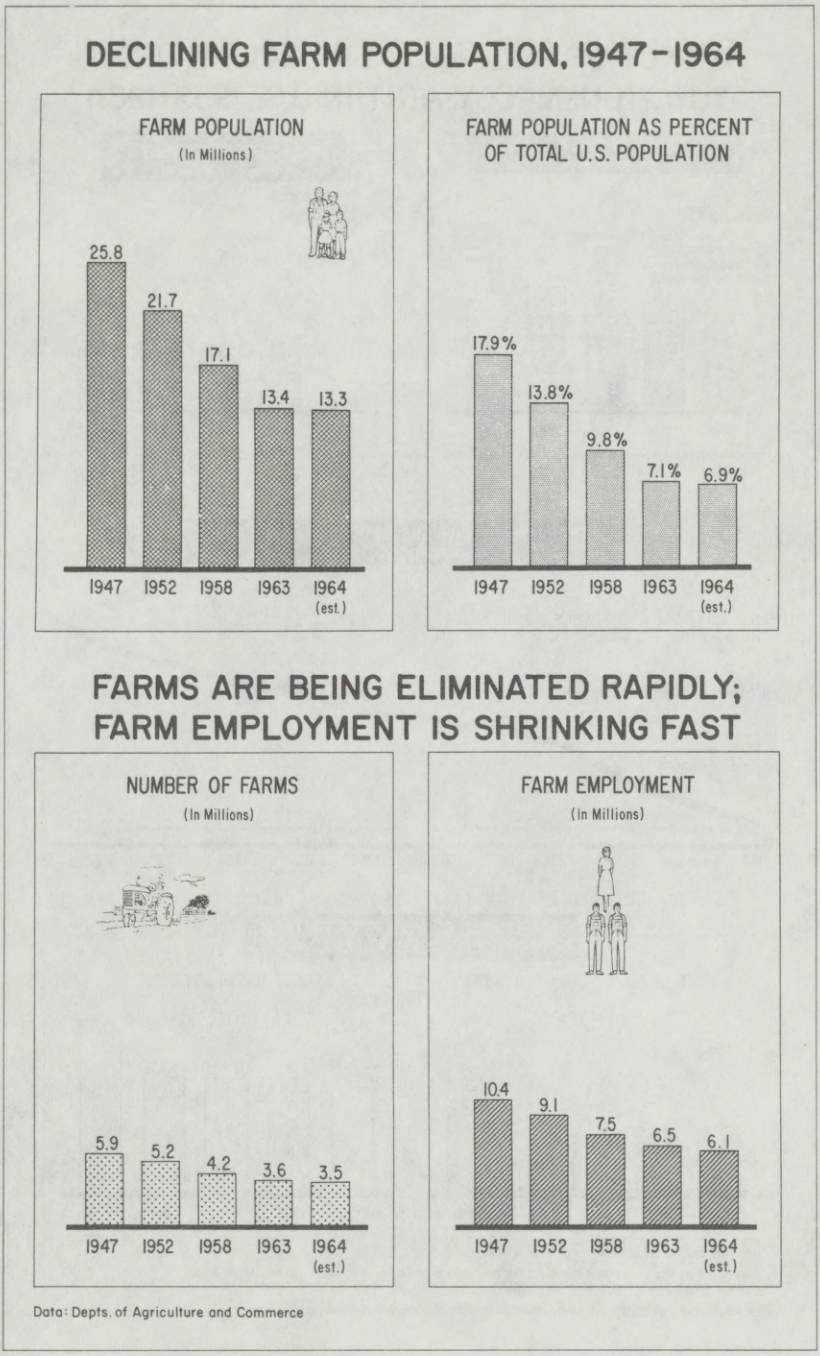


1/ 1964 estimated on basis of first three quarters.

2/ Money and nonmoney personal income before taxes; Depts. of Commerce and Agriculture income concepts.

3/ Money income before taxes, in 1962 dollars; Bureau of the Census income concept.

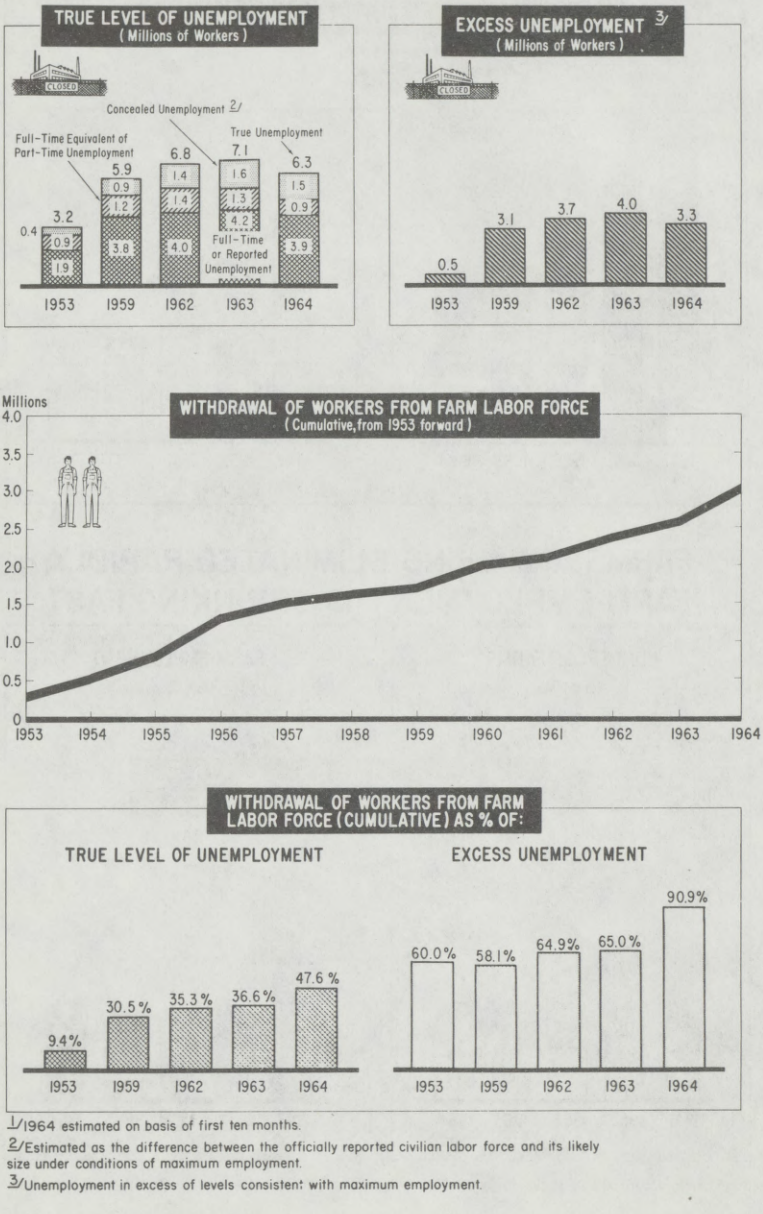
CHART 30



Data: Depts. of Agriculture and Commerce

CHART 31

IMPACT OF FARM WORKER DECLINE UPON TOTAL UNEMPLOYMENT IN U.S., 1953-1964 1/



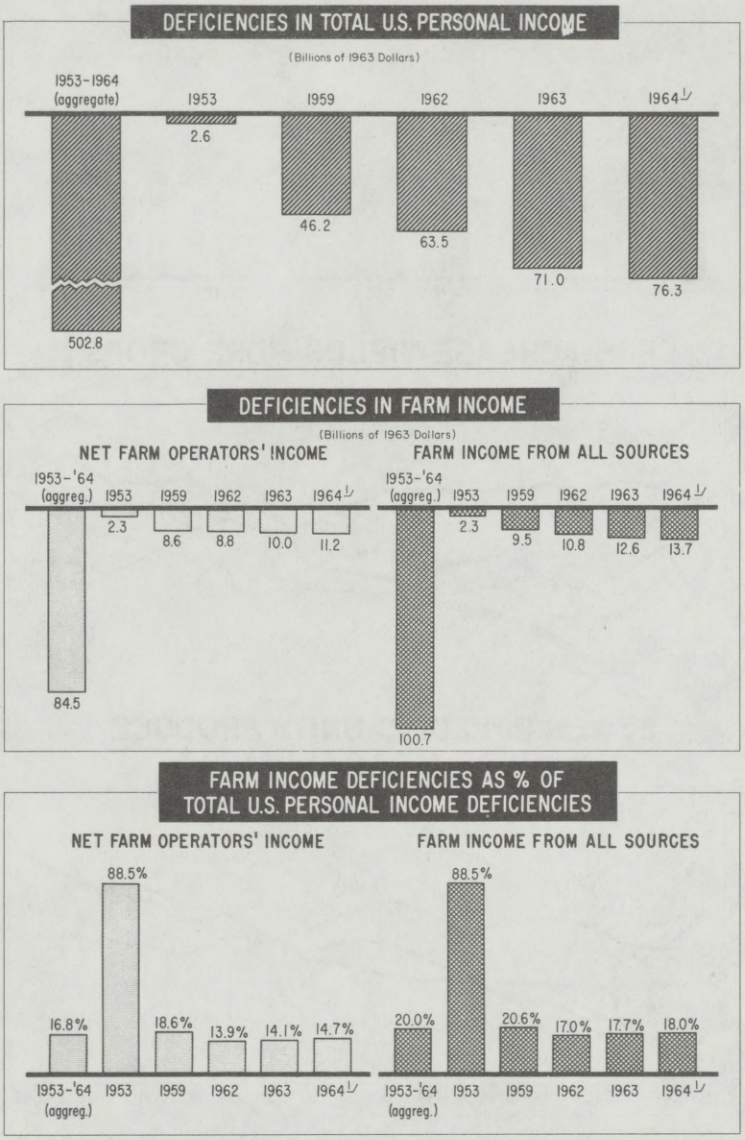
1/1964 estimated on basis of first ten months.

2/Estimated as the difference between the officially reported civilian labor force and its likely size under conditions of maximum employment.

3/Unemployment in excess of levels consistent with maximum employment.

CHART 32

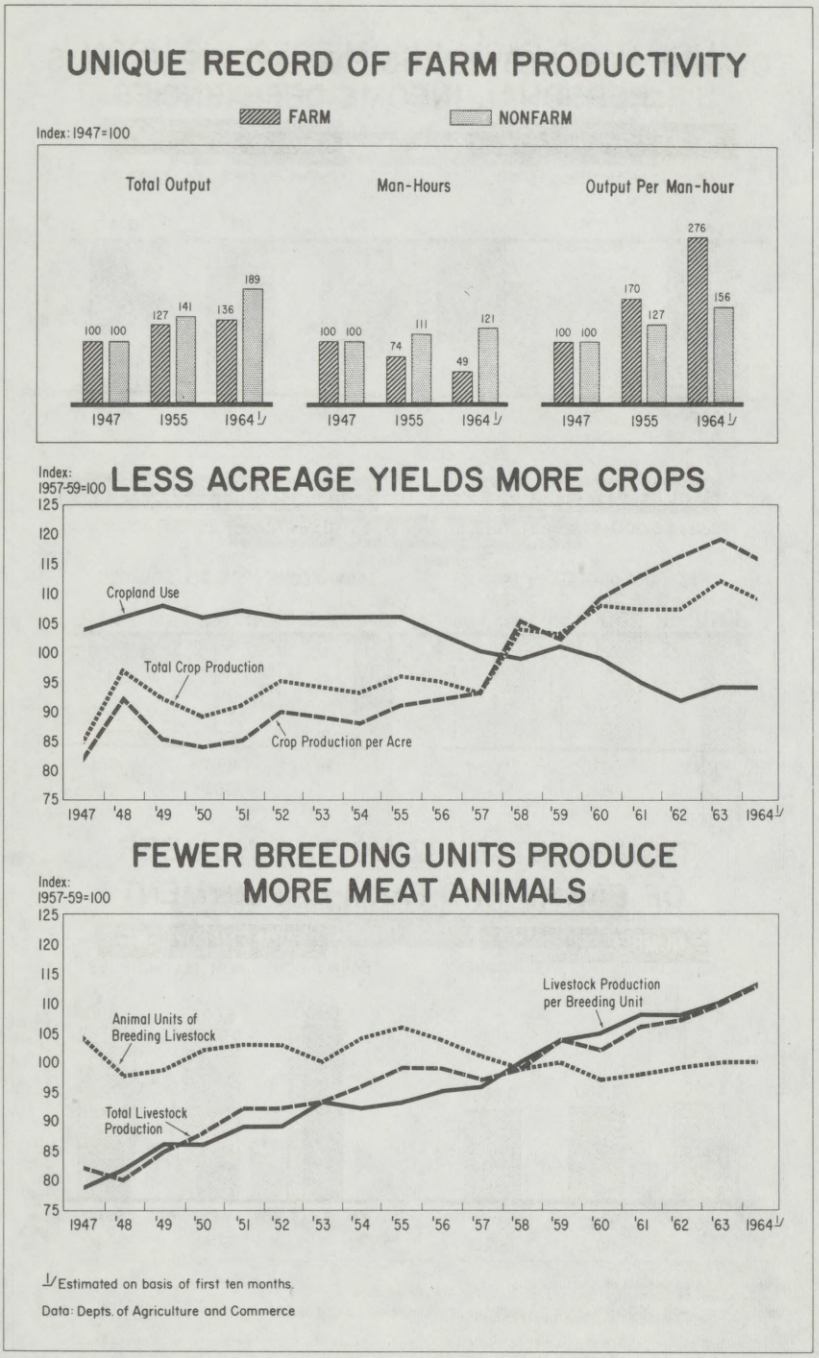
IMPACT OF FARM INCOME DECLINE UPON U.S. PERSONAL INCOME DEFICIENCIES



1/1964 estimated on basis of first three quarters.

Data: Actuals, Depts. of Commerce and Agriculture; deficencies, estimated by CEP

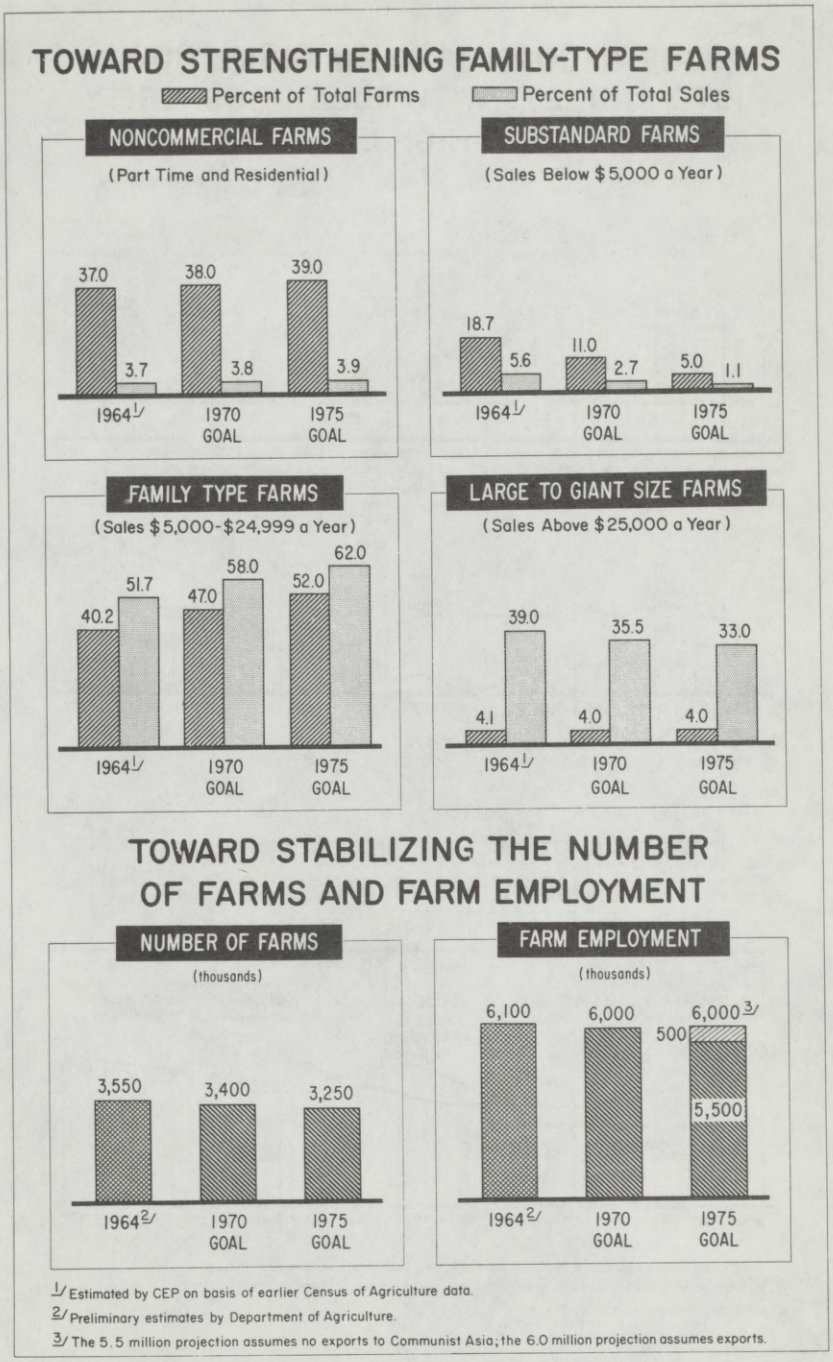
CHART 33



1/ Estimated on basis of first ten months.

Data: Depts. of Agriculture and Commerce

CHART 34



1/ Estimated by CEP on basis of earlier Census of Agriculture data.

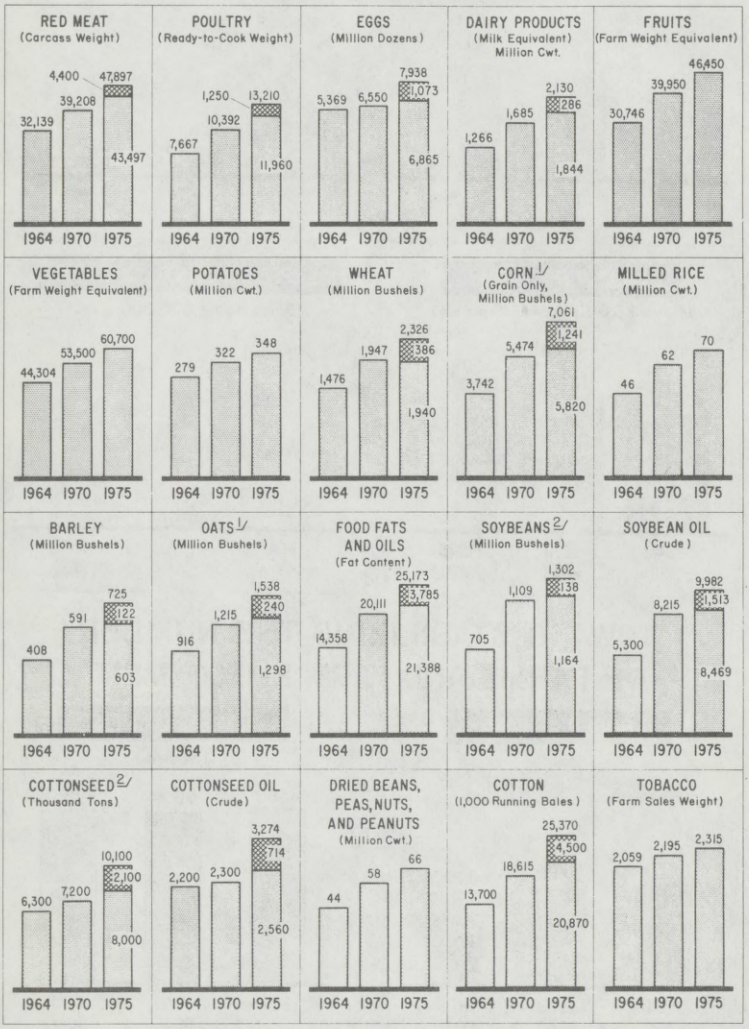
2/ Preliminary estimates by Department of Agriculture.

3/ The 5.5 million projection assumes no exports to Communist Asia; the 6.0 million projection assumes exports.

CHART 35

GOALS FOR TOTAL USE U.S. FARM PRODUCTS 1970 AND 1975, WITH FULL PROSPERITY AT HOME AND HIGH LEVEL EXPORTS

Millions of Pounds, Primary Distribution Weight, Except Where Noted
Excluding Communist Asia — Communist Asia
(Note Different Scales)



1/ Includes additional feed requirements to meet expanded exports of livestock products.
2/ Includes additional oilseeds to meet expanded exports of soybean oil and cottonseed oils.

CHART 36

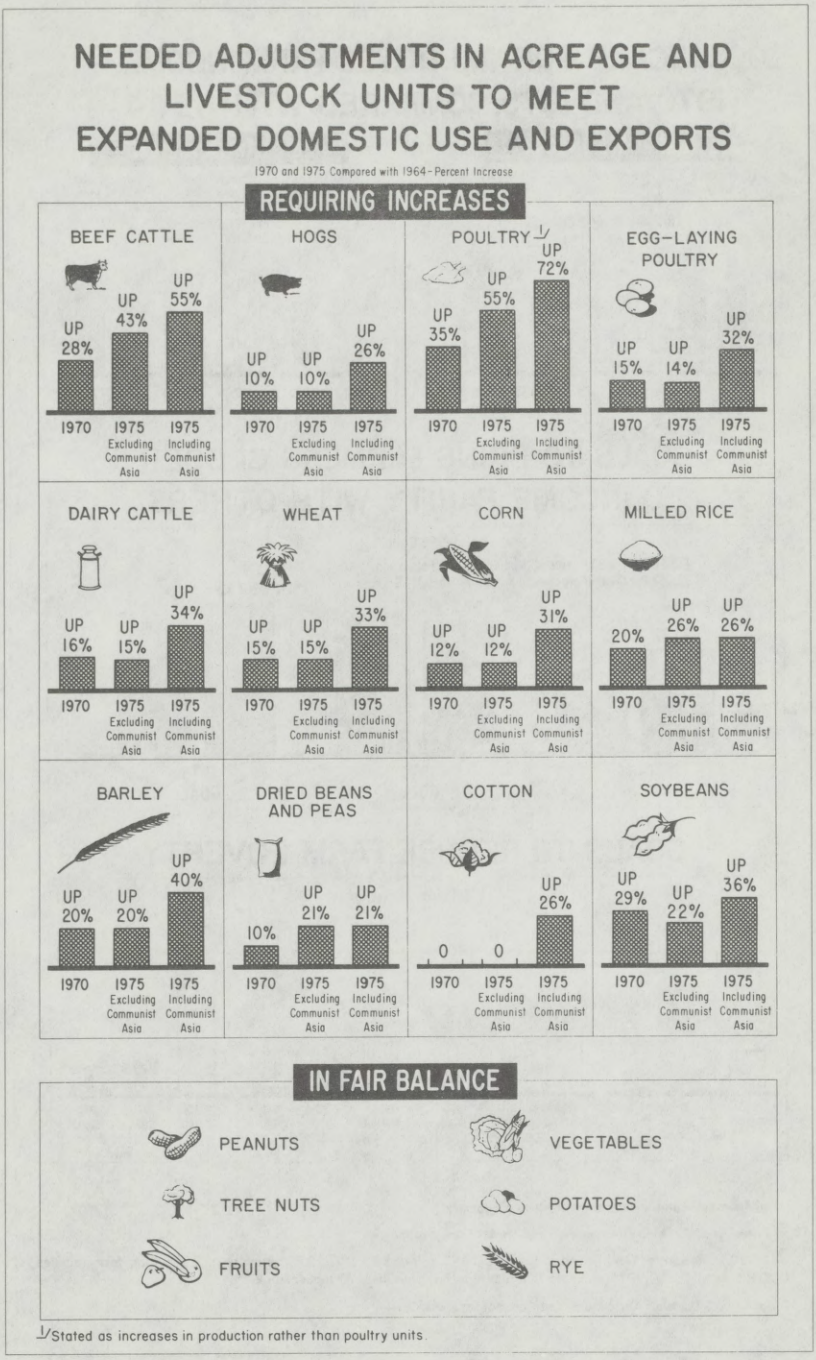
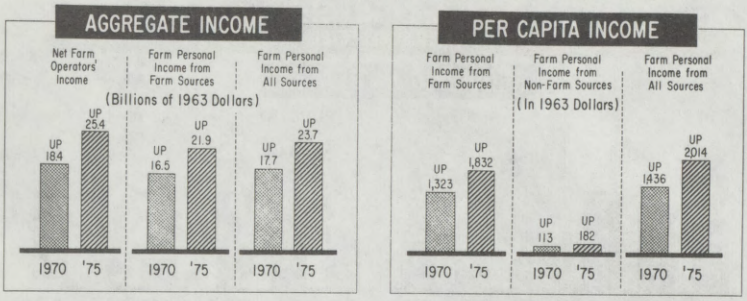
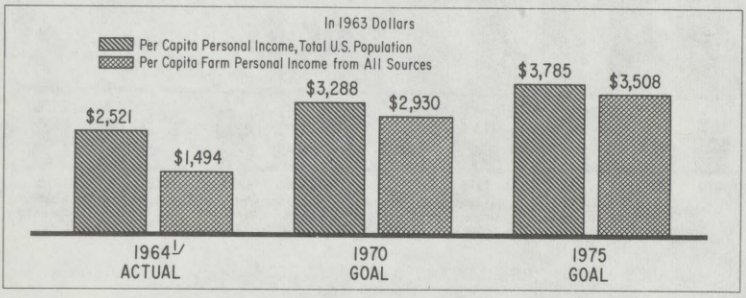

NEEDED ADJUSTMENTS IN ACREAGE AND LIVESTOCK UNITS TO MEET EXPANDED DOMESTIC USE AND EXPORTS
1970 and 1975 Compared with 1964 - Percent Increase
REQUIRING INCREASES
BEEF CATTLE
UP 28%
UP 43%
UP 55%
HOGS
UP 10%
UP 10%
UP 26%
POULTRY 1/
UP 35%
UP 55%
UP 72%
EGG-LAYING POULTRY
UP 15%
UP 14%
UP 32%
DAIRY CATTLE
UP 16%
UP 15%
UP 34%
WHEAT
UP 15%
UP 15%
UP 33%
CORN
UP 12%
UP 12%
UP 31%
MILLED RICE
20%
UP 26%
UP 26%
BARLEY
UP 20%
UP 20%
UP 40%
DRIED BEANS AND PEAS
10%
UP 21%
UP 21%
COTTON
0
0
UP 26%
SOYBEANS
UP 29%
UP 22%
UP 36%
1970
1975 Excluding Communist Asia
1975 Including Communist Asia
IN FAIR BALANCE
PEANUTS
TREE NUTS
FRUITS
VEGETABLES
POTATOES
RYE
1/ Stated as increases in production rather than poultry units.

CHART 37

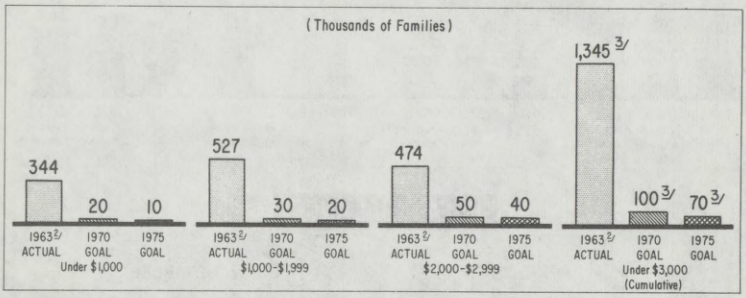
GOALS FOR IMPROVED FARM INCOME 1970 AND 1975, COMPARED WITH 1964 1/



GOALS TO BRING FARMERS CLOSER TO INCOME PARITY WITH OTHERS



GOALS TO REDUCE FARM POVERTY



1/ In 1964 estimated on basis of first three quarters.

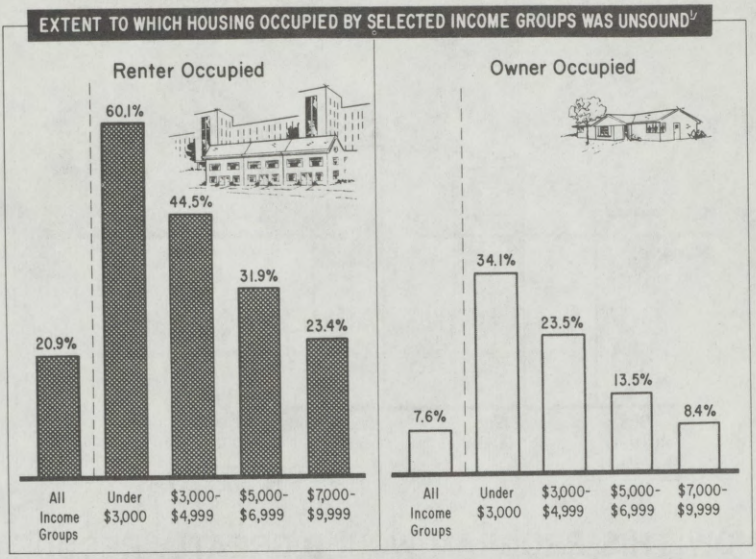
2/ Latest year for which income distribution data are available.

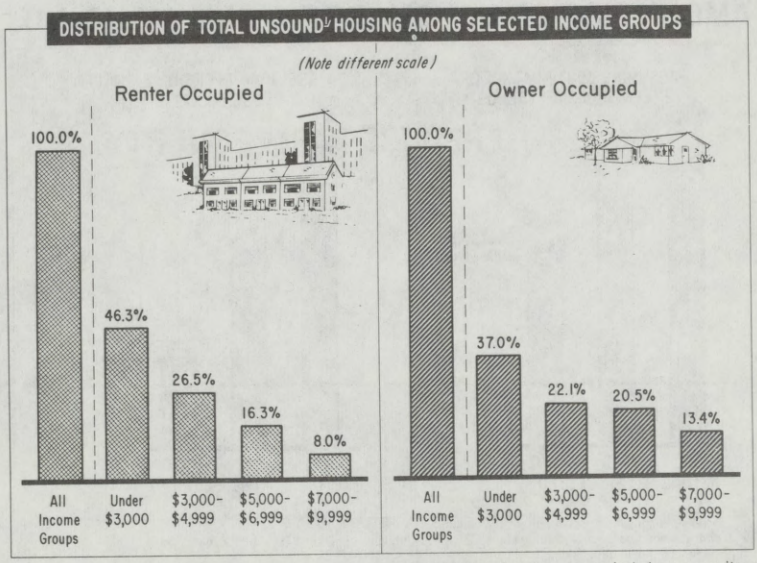
3/ In 1963, there were 3.1 million farm families (1.345 million = 43.4%); 1970 estimate is 2.9 million farm families (100 thousand = 3.5%); 1975 estimate is 2.8 million farm families (70 thousand = 2.5%).

Data: Actuals, Depts. of Agriculture and Commerce; goals, CEP.

CHART 38

HOUSING CONDITIONS RELATED TO INCOMES IN METROPOLITAN AREAS, 1960



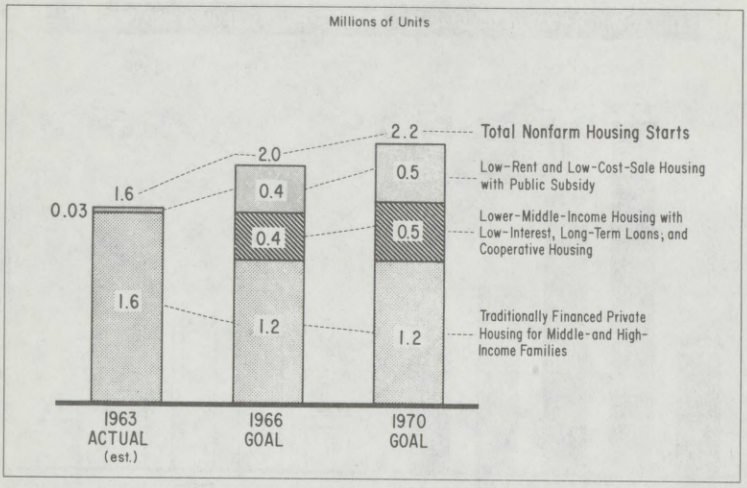


1/ Unsound housing is a Census classification based on substantial defects, but the category includes more units than the housing classified by the Census as seriously deficient.

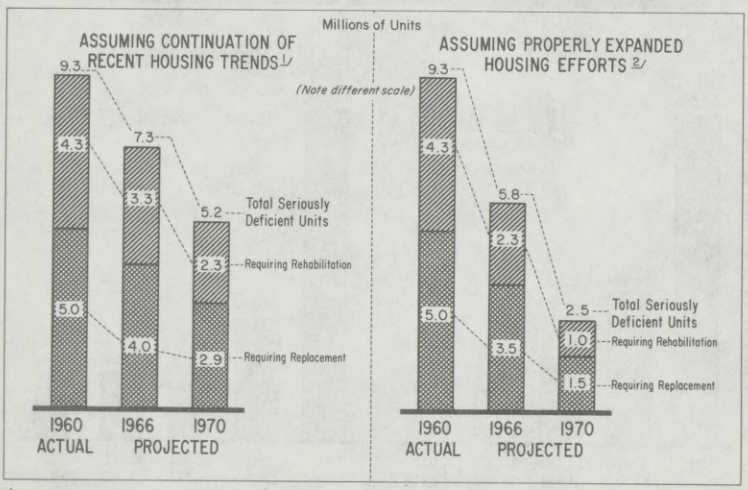
Data: U.S. Census of Housing, 1960

CHART 39

TOWARD DECENT HOUSING FOR ALL: GOALS FOR NEW NONFARM HOUSING



HOW THIS PROGRAM WOULD GREATLY REDUCE AMOUNT OF SERIOUSLY DEFICIENT HOUSING



1/ In addition, the quantitative shortage was 1.25 million units in 1960, and would be 2.3 million in 1966, and 2.1 million in 1970.

2/ The quantitative shortage would be 1.5 million units in 1966, and negligible in 1970.

Data: For top sector, 1963, Dept. of Commerce, F.H.A., and V.A.; for bottom sector, 1960, Bureau of the Census. All projections, CEP.

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE
& AGRICULTURAL IMPLEMENT WORKERS OF AMERICA-UAW,
Detroit, Mich., May 6, 1965.

Mr. WILLIAM SMITH,
Subcommittee on Employment and Manpower,
U.S. Senate,
Washington, D.C.

DEAR MR. SMITH: In the course of the joint hearings held on April 30, Congressman O'Hara made provision for data to be submitted for the record by Mr. Eckstein and myself.

I have brought up to date the figures I cited in my oral testimony and would like to submit the attached table for the record, which should carry some note indicating that the figures have been updated.

I thought the session was rather lively. I hope the two subcommittees think it was informative.

Sincerely,

NAT WEINBERG,
Director, Special Projects and Economic Analysis.

Relative increase in selected incomes from property and from employment, second quarter 1960–first quarter 1965

[Dollars in billions]

	Second quarter 1960	First quarter 1965	Percent increase
Income from employment:			
Total wages and salaries plus other labor income	$283.2	$361.9	27.8
Corporate employee compensation	184.4	230.8	25.2
Income from property:			
Personal interest income	25.5	37.6	47.5
Dividends	14.4	20.5	42.4
Corporate retained earnings plus capital consumption allowances	33.8	50.3	48.8

NOTE.—All data seasonally adjusted at annual rates.

Source: Survey of Current Business, Economic Indicators.

MACHINERY AND ALLIED PRODUCTS INSTITUTE,
Washington, D.C., May 18, 1965.

Hon. ELMER J. HOLLAND,
Chairman, House Select Subcommittee on Labor, Committee on Education and Labor, U.S. House of Representatives, Washington, D.C.

DEAR MR. HOLLAND: We are privileged to receive your letter of April 28 requesting comments on President Johnson's "1965 Manpower Report" in connection with the joint hearings by the House Select Subcommittee on Labor and the Senate Subcommittee on Employment and Manpower. I regret that we are not in a position to comment on the report in its entirety nor on all of the questions which are posed in the memorandum transmitted by your letter.

With reference to question No. 14, however, which inquires as to the extent to which it can be demonstrated that technological change creates more jobs than it destroys, we believe that a current MAPI research study sheds important new light on this subject. Entitled "The Automation Hysteria" and written by George Terborgh, MAPI research director, the book explores the broad problem of the employment effects of technological progress, and documents these conclusions:

(1) That the net or overall effect on employment is favorable; and

(2) That the gross effect (the number of workers disemployed by technology) is less than generally believed.

Since a copy of this book is attached to the statement I will not expand on these conclusions at length. However, I believe that the following quotations are especially pertinent to the question you raise:

"In the practical world, the employment effects of technological progress are so interwoven with those of nontechnological factors—with flux and change in

general—that they are not statistically separable. If we had to prove without the benefit of hindsight that they are on balance favorable to employment, we might be hard put to it. Fortunately, we do not have to rely on theorizing; the historical record is as conclusive as empirical evidence ever can be. Moreover, the case for a 'break with history' hereafter, whether from automation or from an acceleration of technological progress in general, is flimsy.

"While technological progress has two major forms or aspects, product innovation and process innovation, discussions of its employment effects have been focused largely on the latter—partly, no doubt, because there are some figures in that area. In the absence of figures for product innovation, there is obviously no way to measure its net, or overall, employment effect, but common observation strongly suggests that it is favorable. This type of progress usually creates more jobs than it destroys. As for process improvement, the fragmentary statistical evidence available indicates that the net effect is at least not unfavorable, and there is some to suggest that it is better than that.

"When we turn from the overall net effect on employment to gross job displacement, we find that so far as process improvement is concerned a reasonable estimate is less than one-quarter of the theoretical figure of 2.5 million jobs a year. When we further boil this down to the number of workers involuntarily severed from employment, we come up with less than 300,000 a year, this being in turn less than 10 percent of involuntary severances from all causes.

"In a word, technological progress is favorable to employment in the net, or overall, and at least so far as process improvement is concerned, it causes far less personal dislocation and hardship than the alarmists would have us believe."

We recognize of course that the full text of the book is much too lengthy to be included in the subcommittees' record of proceedings, but, in addition to this letter, you may wish to incorporate the foreword and chapter VI and make the full volume available for subcommittee reference and staff study. I should add that we would be pleased to make additional copies of the book available to the subcommittees.

In addition, may we make this observation with respect to the unemployment problem. A measure which has been proposed in the past to help meet the unemployment problem would involve an increase in the statutory minimum rate for overtime work. This suggestion is embodied in H.R. 6574 and S. 1741 in the current session and today has been recommended by President Johnson for active consideration by the Congress as a part of the program outlined in his special labor message.

As is pointed out in the enclosed statement of the Machinery & Allied Products Institute submitted on February 19, 1964, to the General and Select Subcommittees on Labor of the House Committee on Education and Labor during hearings on H.R. 9802 in the last Congress, we do not believe that increasing the statutory minimum rate for overtime work would significantly increase employment. It is our view that any approach—or variation of such an approach—which is and must in its very nature be negative in character will increase labor costs and therefore adversely affect our domestic economy and international competitive position. We submit also that this increase in costs cannot help but add to the mounting pressures toward inflation, that the proposed legislation would increase the casualization of the labor supply, and that it would lead to greater inflexibility of our economy at a time when there is an increased need for mobility of both labor and capital. Further, we feel that in the net the goal of increased overall economic activity—which is the basic answer to unemployment—may very well be impeded by this proposal. In fact, it may even lead to a result opposite from that intended—a net loss of employment hours or jobs. Thus, we respectfully disagree with the following statements contained in the President's message:

"It is also essential to amend the overtime provisions of the act to help achieve a fairer and more effective distribution of employment.

"A significant increase in employment can be obtained by distributing to new employees work which is presently performed through excessive overtime. This can be done without impairment of operating efficiency.

"The proposed bill will encourage hiring of additional workers by requiring double-time pay for certain overtime work."

We appreciate the opportunity afforded the institute to comment on the 1965 Manpower Report and we hope that these views will be helpful to the subcom-

mittees. Should public hearings be held on the overtime premium proposal, we will be prepared to document our views fully.

Respectfully,

/S/ CHARLES W. STEWART,
President.

NOTE.—The materials referred to in Mr. Stewart's letter are in the files of the House Select Committee on Labor.

PREPARED STATEMENT OF THE MACHINERY & ALLIED PRODUCTS INSTITUTE PRESENTED BY CHARLES W. STEWART, PRESIDENT

Messrs. Roosevelt and Holland, and members of the subcommittees, the Machinery & Allied Products Institute appreciates the opportunity to offer testimony on the proposed Overtime Penalty Pay Act of 1964. As a business and economic research organization and the spokesman for the capital goods industries,[1] we will concentrate our remarks on the industrial sector of the economy. In the course of our testimony we will of course comment in detail on the specific proposal of "a tripartite committee" whose recommendations as to increasing the statutory minimum rate for overtime work will be given to the Secretary of Labor to either carry out or decline. However, before proceeding to such comments it is necessary first to consider the principal question of whether or not such legislation should be enacted by the Congress.

In considering the present proposal to increase the rate of overtime pay, we might review briefly one or two facts which are particularly relevant to the present situation. First, it should be noted that in the manufacturing sector of the economy there has not been any major change in the length of the average workweek or in the use of overtime for the past several years—nor has the use of overtime been at unusually high levels. In addition to verification by general observation, these facts were documented in detail by the testimony of the representatives of the Department of Labor before the Holland Subcommittee hearings on hours of work. Why then the interest at this time in a shorter workweek and the overtime pay rate? Obviously, because of the relatively high level of unemployment that has persisted for a number of years. As is clearly indicated in the proposed legislation, the key to this bill and a central point in judging its merits, if any, is whether or not an increase in the statutory minimum pay rate for overtime will significantly increase employment. It is beyond argument that this action will increase labor costs and therefore adversely affect our domestic economy and international competitive position. We submit also that this increase in costs cannot help but add to the mounting pressures toward inflation, that the proposed legislation would increase the casualization of the labor supply, and that it would lead to greater inflexibility of our economy at a time when there is an increased need for mobility of both labor and capital. Further, we feel that in the net the goal of increased overall economic activity—which Secretary Wirtz at page 1 of his statement indicates is the basic answer to unemployment—may very well be impeded by this proposal.

In brief, the Secretary's statement does not make a persuasive case for approval of this bill. We oppose its enactment.

INSTITUTE POSITION

If we may state our conclusion at the outset, we simply do not believe that increasing the statutory minimum rate for overtime work would significantly increase employment. Any approach—or variation of such an approach—which is and must in its very nature be negative in character will increase costs, impose greater inflexibility on management, prove administratively complex and costly, and may even lead to a result opposite from that intended.

The reasons supporting this belief and our opposition to this bill follow.

Reasons for overtime work

Too little attention has been given to the nature of the overtime work that is performed. It would appear to be generally assumed that the primary reason for overtime is that the employers prefer to work their present employees longer

[1] Over the years the capital goods industries have displayed certain cyclical characteristics which, of course, influence management thinking on a range of industrial questions including size of the regular work force. See MAPI study Cyclical Timing of Capital Commitments, January 1964.

hours at the higher rates for overtime because the cost involved in hiring, training, and laying off employees is still greater. While this "economic cost accounting" is no doubt a factor, there are a number of other factors which force the employer to go the overtime route. In fact, most overtime—certainly in manufacturing—is attributable to the dictates of modern productive processes and therefore cannot—nor should it in many cases—be avoided.[2]

1. Shortages of qualified workers having the specific skills or experience required to perform the job. See, for example, the discussion of manpower supply shortages and the detailed list of occupations labeled as critical by the Department of Labor for purposes of draft deferment. These include, among others, the following occupations: die setter, electronics mechanic, instrument repairman, jig and template maker, machinist, patternmaker, tool and die designer, and toolmaker and diemaker.[3]

In addition the "skill" that comes from years of experience on the job is a key factor above and beyond the skill related to a particular occupation. This "on-the-job skill" is particularly relevant in the decisionmaking process as to whether overtime should be employed or the regular work force expanded.

2. Fluctuations in demand for the company's product that cannot be forecast. These fluctuations are at times sporadic, cyclical, and seasonal. In this connection it should be remembered that in competitive and customer-oriented industries it is the customer who sets the delivery date.

3. Maintenance and repair work of the type (furnaces and steel mills, for example) which must be undertaken when the shop is not in operation and ordinarily requires a high level of skill and shop experience.

4. Imbalances in capacity leading to bottlenecks and the use of overtime in order to provide continuous operations and thus continuous employment for the labor force on a normal work schedule.

5. In certain industries—for example, construction machinery—orders for spare parts and repairs cannot be scheduled and the equipment is of such a nature that it is infeasible to maintain inventories. As a result, rush orders lead to overtime. Such rush orders are characteristically received by most capital goods manufacturers.

6. Emergency breakdowns due to a failure along the production line when there is a delivery schedule to meet also result in the use of overtime. Particularly during a period when dynamic new technologies such as numerical control are being introduced there will be some down time which must be dealt with on an emergency basis.

7. Provisions in labor contracts which call for premium pay under "normal" operating conditions which in the absence of the collective bargaining agreement might be scheduled without premium pay for overtime. For example, overtime pay for Saturday, Sunday, and holiday work frequently is required in labor contracts even when the workers concerned will have worked less than a 40-hour week.

8. The nature of the work force when it is composed of large numbers of women may make infeasible the use of swing shifts or a second shift because of their need for both consistency in the hours they work and day, as contrasted with night, work.

Obviously, this discussion of the nature of overtime work and its relationship to the dictates of the modern productive processes is far from comprehensive. This listing does, however, point up a basic question which must be raised in determining the advisability of increasing the premium rate for overtime; namely, what are the casual factors in overtime? We submit that where the cause is built into the system of doing business as in the cases cited above, an increase in the overtime premium will serve only to increase costs; it will fail to significantly increase employment. At the minimum, the question raised calls for a thorough study of the nature of overtime work prior to—rather than

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[2] While to the best of our knowledge adequate statistics in this area do not exist, our observations of the capital goods industries would lead us to believe that these factors account for more than 50 percent of the overtime worked in manufacturing. The AFL–CIO has estimated this figure at 20 percent in hearings before the Holland subcommittee on hours of work (in press), but we submit that the general data offered at the present hearings by Secretary of Labor Wirtz tend to support our position since they show (p. 2) that only 25 to 30 percent of the production workers in manufacturing industries work any overtime.

[3] Mobility and Workers Adaptation to Economic Change in the United States, Manpower Research, Bulletin No. 1, July 1963, U.S. Department of Labor.

after—consideration of this bill.[4] At this point we feel obliged to suggest that Secretary Wirtz' discussion of this aspect of the problem is wholly inadequate, in all fairness probably because his Department does not have the facts.

Characteristics of overtime hours

While we are, of course, in no position to undertake a comprehensive analysis of the characteristics of overtime hours such as that of the Bureau of Labor Statistics of the Department of Labor, our contacts with industry lead us to support the findings of the BLS study; namely:

There is great variation in the patterns of working hours currently prevailing in the American economy. The preferences of individuals, the economic requirements of a firm or industry, the contractual labor-management arrangements, and many other factors serve to affect the working hours of any one individual or firm * * *.

Since 1948 there has been a slow but persistent increase in the proportion of nonfarm wage and salary employees working more than 48 hours. Available information does not fully explain this increase but many of those working these long hours appear to be either those who by necessity or choice value income over leisure or those who, like many professional and technical workers, enjoy their job assignments.

Overtime work continues to be widespread throughout the economy and decisions by employers to schedule overtime are affected by a wide variety of factors, including economic conditions, alternative costs, requirements of manufacturing processes, and union-management relations.

[And with respect to hours worked in manufacturing] it does not appear that any major change in the length of the average workweek or in the use of overtime has taken place during this period (1956–62).[5]

From the evidence presented by Commissioner Clague it is quite clear that even if—and, as you will note from the section of this statement that follows, we are stressing the "if"—the proposed legislation would have the effect of forcing industry into hiring new workers at the expense of overtime work, in order for the demand and supply of labor to achieve that nice balance which would be required to substantially reduce unemployment, one would have to assume a degree of occupational and geographical labor mobility that, in fact, does not exist. Here, too, we feel that as background for further consideration of the proposed bill that current BLS data should be more thoroughly analyzed and additional studies made to determine the characteristics of overtime hours. For example, the current data include an increasing proportion of nonproduction workers, such as clerical, technical, professional, etc., who in many instances cannot be effectively replaced since persons with very long hours appear to be concentrated in the more highly skilled occupations where relative shortages exist. The extent of such factors should be further documented.[6]

Industry reaction to an increase in the overtime rate of pay to not less than two times instead of one and one-half times

Based on the reasoning set forth above—namely, that a substantial amount of overtime must be continued by industry because of certain requirements of the manufacturing processes, economic conditions, and other factors peculiar to industry—it seems quite logical that the reaction of industry to an increase in the overtime rate will, and in some cases must, be as follows:

1. To continue to work that proportion of overtime that is dictated by conditions beyond the company's control;
2. To eliminate or cut back severely "controllable" overtime;
3. To utilize more effectively, through tighter work scheduling, stricter enforcement of work standards, and the more rapid introduction of labor-saving methods, techniques, and equipment, the reduced number of man-hours available to it with its present work force;
4. Only then to hire additional workers.

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[4] In this connection it is worth noting that the AFL–CIO testified in hearings before the Holland subcommittee that reasonable estimates cannot be made of the number of workers that would be hired as a result of the passage of H.R. 9802 since (1) there are not adequate data available on overtime; and (2) a certain amount of overtime is necessary. (In press.)

[5] Hours of Work. Hearings before the Select Subcommittee on Labor of the Committee on Education and Labor, House of Representatives, 88th Cong., pt. 1, pp. 69, 73–74.

[6] It should also be noted that a substantial number of these workers are "exempt" under the coverage of the Fair Labor Standards Act and, therefore, their inclusion in the data is misleading with respect to the amount of overtime performed as pertinent to H.R. 9802. (See Hours of Work, op. cit., p. 54.)

In other words, in our opinion, providing a higher premium rate for overtime work would not be an effective means of achieving a significant increase in employment and it may conceivably cause a net decrease. At best it is an "indirect" means of achieving the goal of increased employment for it is the least likely result of higher minimum rates for overtime.

Economic consequences of a higher penalty rate for overtime work

Higher labor costs.—It is clear beyond doubt that where a higher penalty rate is paid for overtime work labor costs would increase, since there is no reason to believe that productivity would increase because of this change. With respect to such costs there are only two alternatives open to industry:

1. Industry can absorb the cost. In this case there would be a rise in the marginal cost of production generated at a time when economic conditions are such that industry is better able to pass along these increased costs in higher prices to the consumer. The result, of course, would be a strong push in the direction of inflation.

2. The alternative is that industry would not absorb the cost and instead would, in effect, scalp the top off its operating rate, stretch out deliveries, etc. This would mean piling up industry's backlog (reducing its supply of goods) which is also inflationary in the present situation. In addition it may otherwise affect the tempo of the economy as for example, by slower delivery of new productive equipment.

Thus inflationary pressures would be the end result of increasing the statutory minimum rates for overtime in either case, and these pressures would occur at the very time that other inflationary pressures will be greatest in the economy and, ironically, when the administration and the Congress are reemphasizing the need for wage and price guidelines.

In an overall sense the adverse effects of inflation obviously have important implications both for the domestic market, the foreign market, and our balance-of-payments situation stemming from their relationship. Addressing individual company situations, a company which because of increased costs slips in international or domestic competition suffers reduced job-creating ability.

Inflexibility.—The present proposal, which would determine certain maximum hours and corresponding rates of overtime pay by an administrative process, adds further inflexibility to our economy at a time when the need is for increased mobility of labor and capital.

Casualization of the labor supply.—A higher penalty rate for overtime would increase the casualization of the labor supply. It has long been a social goal of this Nation to maximize continuity of employment. The welfare legislation of the last 30 years consistently has promoted this goal, and, in fact, has even provided incentives for employers to maintain a stable labor force and in a sense to perform the very overtime which this bill seeks to eliminate. In marked contrast, the effect of the proposed legislation would lead industry to hire people at high levels of operations and let them go when the operations turn down. Stated differently, industry would achieve the flexibility of the labor force that it needs through fringe employment as contrasted with fluctuations in the number of hours.

A shorter workweek.—Both Presidents Kennedy and Johnson expressly and repeatedly repudiated a 35-hour week at this time. Yet what the proposed legislation would do is to effectively cut the workweek to below 40 hours for those thousands of people who compensate through overtime for the periods of short time (less than 40 hours per week) that they are forced to work during some part of the year for various economic reasons. In brief, the proposal at hand is simply a backstairs way to cut the workweek. In this connection, Secretary Wirtz in his statement to this committee seems to avoid annualizing his data on the workweek. We find in this respect that in 1963 in manufacturing industries the average workweek of production works was only 40.4 hours.

The tripartite committee, industry-by-industry approach

As indicated above, we find no merit in juggling the minimum pay rate for overtime as a means of increasing employment. Given this finding, there can be no useful purpose served by convening tripartite panels to discuss the almost infinite number of variables present in attempting to determine whether or not there should be an increase from time and one-half to double time or a higher rate for hours worked over 40 hours a week. Further, even if such committees were convened and an industry-by-industry approach taken we can foresee only an endless round of problems. We will identify a number of these problems in turning to the specific proposals in the bill on this point:

How will the industries to be studied be selected?

1. First it should be noted that the term "industry" is neither defined nor explained in the proposed bill. Anyone familiar with the difficulties a similar situation has brought about under the Walsh-Healey minimum-wage determinations[7] cannot help but be sensitive to this omission. In fact, we know of no definition of industries which would suit the purposes of this bill, including the oft-misused standard industrial classification.

2. The bill provides that the Secretary "may appoint and convene a tripartite industry committee for any industry *in which it is alleged or he believes that substantial and persistent* overtime employment exists and that the payment of overtime compensation * * * would increase employment opportunities in the industry without *excessive* costs." (Emphasis supplied.) We submit that the terms "in which it is alleged or he believes," "substantial and persistent," and "excessive" are so vague and meaningless—from the point of view of administration of this bill—that the Secretary is granted an unrestricted "hunting license" to poach where he pleases.

3. Without adequate guides in the selection of industries, firms will be subject to endless harassment and needless burdens in terms of both time and money. This is particularly true today since firms now typically operate in a number of industries and interindustry competition is becoming quite common.

Will the Secretary of Labor's "preliminary surveys" be meaningful?

1. The bill would require the Secretary of Labor to conduct "a preliminary survey" to provide basic information on pertinent conditions in the "various industries." The implication is clear that the data revealed by the Secretary's study will serve as the foundation or starting point for a given industry committee. If this "preliminary survey" is to serve a useful purpose it must study in depth the reasons for overtime as contrasted with simply compiling aggregative statistics on a spot-check basis for overtime hours. (We have previously suggested that such study work really should be conducted before the legislation now pending is even considered.)

2. Because of the importance of this preliminary survey to the final outcome of the determination, Congress should provide guidelines to the conduct of the study.

What criteria will the tripartite committee use in determining the maximum hours standard to be established for an industry?

1. After having determined the "industry," the tripartite committee is to give due consideration to "economic and competitive factors, including whether such recommendation minimizes changes in costs and prices and minimizes dislocations in the industry." It hardly needs to be pointed out that such instructions not only fail to provide workable standards, but offer little or no guidance.

2. We foresee a number of important problems arising from any attempt to determine the maximum hours standard. For example, what conclusion can be drawn with respect to the industry when there are extreme variations in the overtime performed by individual firms? How will individual firms be weighted in the aggregate data? If regional variations are present, should this be taken into consideration? What study period will be used since overtime is sporadic, cyclical, and seasonal in nature? Etc.

3. One further point should be noted in this connection. The type of information and data necessary to the determination of the maximum hours standard frequently is proprietary in nature to the individual firm and would not be voluntarily revealed.

What standards will the Secretary of Labor use in approving and putting into effect the recommendations of the tripartite committee?

1. It is provided in the bill that where the tripartite committee does not agree on a recommendation or if the Secretary does not approve such recommendations, he may refer the matter back to the committee or to another industry committee for further consideration and recommendations. In addition, the Secretary may on his own motion appoint and convene tripartite industry committees to reconsider and review such orders as have been issued. It is clear that in effect the Secretary of Labor is not held to any standards at all. In short, the proposed bill gives him virtually unlimited discretion to eventually arrive at his

[7] See MAPI study, A Businessman's Guide to Walsh-Healey Minimum-Wage Determinations, February 1963.

own decision. He may simply refer the industry determinations to tripartite committees until the desired findings are forthcoming. Further, the Secretary can make these arbitrary decisions without making known his reasons.

What technical and legal considerations have been overlooked?

1. In addition to the lack of definitive language noted above for key concepts in the bill, it is remiss in a number of other respects. Although providing for due notice and a hearing based upon the record as a whole, it is not stipulated that the hearing is to conform to the Administrative Procedure Act,[8] those who may participate in the hearing are not identified and, as noted, the Secretary is not required to make known the reasons for his findings when the committee's recommendations are disapproved.

2. Of equal importance is the fact that company records can be subpenaed by the committee. Since this tripartite committee is composed of representatives of industry, labor, and the public, it is clear that confidential company documents will be made available to at least one of the firm's competitors and to a representative of labor who presumably could be party to the firm's collective-bargaining negotiations.

(3) Perhaps the most glaring of the technical defects in this bill is that there is no specific provision for prompt and adequate court review of a final determination. Surely, with (1) a procedure as administratively complex and (2) a problem as substantively difficult as are treated in this bill the minimum standards of due process would require Congress to provide an avenue for ultimate disposition of these issues in the courts.

To some extent these are details—important details on which these hearings requested specific comments—but still details. Overriding in importance is the fact that an industry-by-industry approach is not only impractical but could well do more harm than good. It should be clear by now that our economic system is far too complicated and tremendous in its variations for such an administrative device as this. Further, the system is specially sensitive and reacts adversely to such an element of uncertainty as is inherent in this technique. In fact, this approach will succeed only in introducing new inflexibilities into the economic system, fostering a new and contrived set of competitive relationships, and imposing a new layer of Government bureaucracy on the free enterprise system. The tripartite committee device—which has a most unimpressive record whenever there is not a common goal among the participants—only compounds these difficulties.

CONCLUSION

In sum, we believe that the announced goal of the bill cannot be achieved; namely, a significant increase in employment by providing a higher minimum rate for overtime work. Further, any possible increase in employment would be, in our opinion, offset by the disadvantages stemming from the certainty of increased costs in a period when there is already present a threat of inflation. In fact, we might well have a situation where we would only harvest the worst of both possible worlds—inflation and a decrease in employment attributable to the higher labor costs and their adverse effect on the competitive position of marginal firms in both domestic and foreign markets. Certainly the burden of proof of increased employment rests with the proponents of this bill. Finally, while this is not the subject of these hearings, it would appear, in our opinion, there are more affirmative and constructive approaches to increasing employment. These include, for example, the reduction of tax rates provided for in the Revenue Act of 1964, and training programs which industry should be encouraged to expand.[9] The real key to the growth in jobs needed for an expanding labor force is a greater rate of growth in our overall economic activity, as Secretary of Labor Wirtz himself acknowledges in the first part of his statement.

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[8] In this connection, we would like to point out the Secretary of Labor's comment at p. 4 of this statement before this committee that "Any order issued by the Secretary would be subject to judicial review under sec. 10 of the Administrative Procedure Act." We suggest that if it is intended that this be the case, it is not at all apparent in terms of what the bill states and, therefore, this should be made clear.

[9] A comprehensive discussion of various approaches to reduction in unemployment is contained in the statement by the Chairman, Council of Economic Advisers, Walter W. Heller, Oct. 28, 1963, before the Subcommittee on Employment and Manpower of the Senate Committee on Labor and Public Welfare. In connection with Mr. Heller's statement it is interesting to note that he recognized that "unhappily we have no comprehensive and adequate series designed to measure job vacancies in the United States."

SUPPLEMENT TO PRINCIPAL MAPI STATEMENT

NOTES USED AS BASIS FOR ORAL COMMENTS AFTER SUMMARY OF OFFICIAL STATEMENT AND ITS ACCEPTANCE FOR THE RECORD

To supplement and underline the principal MAPI statement, and before questions by the committee, I should like to call attention to three broad conclusions:

1. It is the policy of the Johnson administration, following the view of the Kennedy administration, to oppose the 35-hour week. I think, in a sense, the practical result of this bill may be to back into the shorter workweek. This would undoubtedly result, for while in 1963, on an annual basis, the average workweek for production workers in manufacturing industries was 40.4 hours, this average was due to the fact that many individuals—as for example in seasonal industries—worked some overtime on a sporadic basis, which had the effect of offsetting slack employment periods. We think the Congress should be very careful to recognize this indirect effect of the proposal.

There is another practical result. The administration starts with the proposition that it will not advocate an across-the-board legislative mandate for double time for overtime. Alternatively, it proposes an industry-by-industry approach. For reasons that we have cited in our principal statement, the industry-by-industry approach not only won't work but will culminate in an across-the-board, meat-ax increase. Companies can't split overtime policies between product lines; companies cannot insulate themselves from overtime policies of their neighbor companies; interindustry competition will breed an across-the-board result; and the unions will insure it.

2. It is clear from the study of the presentation of the Secretary of Labor, indeed his exact words almost admit it, that there is insufficient data to draw clear conclusions as to this question of overtime. Government doesn't know enough about why overtime is worked, what skills are primarily affected, and the probable or actual reactions of industry to increasing the penalty for overtime—and Government certainly hasn't examined how such a program as increasing the overtime payment would compare with other alternatives addressed to solution of the problem of unemployment. Lacking sufficient information to make an intelligent decision—or, as the Secretary points out, because the trends revealed by data are mixed—the Department of Labor comes before this Congress and asks for a bill which would be operated on an industry-by-industry basis. In effect, the Secretary is asking the Congress to pass a bill setting up a committee structure in order to obtain facts and views which he should have before he recommends enactment of the legislation in the first place.

Having urged a more intensive study of the facts and a more careful interpretation of economic and commercial considerations, let me illustrate the urgent need for further study by citing an actual case study on overtime practices and the possible impact of an increase in the penalty rate as proposed by H.R. 9802. This case study is attached. Only the company name, specific industry, and individual location are omitted.

3. The proposal before this committee at the present time involves only one policy judgment on the part of the administration, subject to congressional action. It seems to me that to the extent that it touches upon issues involved in other policies or programs of the Government, there should be a careful effort made to determine whether it is inconsistent with these other policies, so that Government is not speaking out of both sides of its mouth and is not wiping out by the one hand action which it triggers with the other. Let me illustrate. We have the following policies presently in effect which are given high priority by top-level Government departments and officials:

A. There is a very great priority on the export program of the United States, on keeping competitive internationally, and on correcting the balance-of-payments difficulty. We cannot see how the proposal being made here can have any favorable effect on costs of producers. A cost increase which may be determined under the bill to be less than excessive might have an important bearing on the ability of a manufacturer to compete in international business, even domestic business.

B. The President and the Council of Economic Advisers have recently restated guidelines for prices and wages. We cannot help but believe that there will be an inflationary effect from a higher level premium for overtime which will be translated into wage increases and then into price increases. The escalator effect of increasing the overtime rate on already existing double time premiums for Sunday and special work is a perfect example. The probability that prices will

be affected, at least to some extent, at a time when business is operating at relatively high levels, is also present. We wonder if Government shouldn't design a set of guidelines to govern its own policy formulation as such policies affect prices and wages.

C. I think it is fair to say that in the domestic field there is no program that is being given more priority attention currently than the effort on the part of the President and Secretary of Defense McNamara to control and reduce Government contractor costs. If passed, H.R. 9802 is bound to increase Government contractor costs and/or remove the flexibility of the Government contractor to meet his mission in the procurement process.

D. It is our judgment that at best the number of jobs created for the unemployed will be minor under this proposal. We feel that it is more likely that there may be a net reduction in total hours worked on an annual basis because of the pressure that this program will place on cost reduction efforts on the part of industry, including the various alternatives available to industry which we have ticked off in our statement. For employees who are presently working overtime and whose overtime may be cut back by employers confronted with escalating costs, their take-home pay will be reduced, and the net dollar take-home pay of the working force of the United States may be reduced. Further, industry, for example, may choose to stretch out its deliveries rather than absorb increased overtime costs, thereby slowing down the tempo of industrial activity. In other words, the economic stimulation of the economy through the tax bill may in part be negated by various effects which may flow from this legislation.

E. As the Secretary of Labor pointed out in his statement, Government is engaged in a number of efforts to help solve the problem of unemployment. A good deal of attention for example is being given to education and to training. I don't know the extent to which the committee is fully aware of this, but American industry is bearing a very substantial share of this responsibility in their educational and training programs. These programs exist both within the company and through support of outside education for regular employees and apprentices. This is an expensive activity. In my judgment its continuation and expansion are crucial to the solution of both the short-run and long-run unemployment problem. For example, a hard core of unemployment consists of the youth of this country, and in many instances they need this additional education and training.

Business only has within its resources a certain number of dollars to expend for various programs. When new costs are imposed upon it, it does the orderly businesslike thing; it looks for opportunities to compensate for increased costs over which it has no control. If this overtime penalty is enforced upon industry it will be forced to take an even harder look at cost reduction action. Such action may possibly affect the area of training which will be more harm in an individual company or an individual community to the long-run and perhaps even the short-run objective of unemployment correction than could possibly be offset by the doubtful and negligible benefits that would flow from this proposal.

Beyond this words, it is fair to say in connection with the matter of the attack on unemployment, that Government must be careful to choose meticulously between various alternative approaches or combinations of approaches to solve the unemployment problem. If it takes several approaches it should make certain that they will mesh and not conflict, as I have just suggested might well be the case with the proposal to increase overtime pay.

Government must also bear in mind that employment is not created in the air. It is created by productive units in the business world as well as in Government activity. It is dependent, as the Secretary himself admits, on the level and tone of economic activity and, we may add, on a real cooperative effort between Government, industry, and labor to solve what we all believe to be a problem that calls for, first, careful definition; and second, selective and intelligent solution. This proposal has all of the characteristics of an additional harassment of private management. When this is coupled with the inconclusive case—based on inadequate and badly interpreted data—presented by the Department of Labor, one feels compelled not solely in the interest of business but in the public interest to urge that the bill be rejected and first things be dealt with first. What we need to do is to find out what the facts are and then to get some thoughtful and penetrating interpretation of those facts regarding overtime. Only then should Congress consider this bill at which time it must consider and weigh carefully the risks involved in such a program.

A CASE STUDY ON OVERTIME PRACTICES AND POSSIBLE IMPACT OF INCREASE IN THE PENALTY

1. Small business company: amount of sales $2.5 million.
2. Number of employees: less than 200.
3. Breakdown of hours worked by production workers:

Type of employees	Number of employees	Average number of hours worked [1]
Indirect labor	20	40
Machinists	60	42
Assembly	50	50

[1] Overall shop average, 43 hours.

4. Reason for overtime: Backlog is three times over last year and this is typical of the entire industry (one of the metalworking industries), which is cyclical in nature. (In other words, the large backlog is not attributable to the fact that this company is in a rapidly growing industry.)

5. Characteristics of the type people needed: It is the normal practice of the company not to schedule any overtime whatsoever. However, the company cannot get the skilled people—machinists and assembly workers—in the community in which it operates.

6. What the company would do: It would continue to work the same amount of overtime since it has no alternative in the way of hiring new people, and the employment is only of a temporary nature.

7. What the company cannot do:

A. To the extent that the company can, it might work with lower overtime if it had the alternative of subcontracting in peak periods. Currently, it finds this difficult to do because unions and rulings of the National Labor Relations Board make such practices subject to collective bargaining.

B. The company does not have an apprenticeship program, although it would like to have one. The reason for not having the apprenticeship program is that the unions demands a seniority system; thus layoffs are made on the basis of "LIFO." Accordingly, any new men that the company would train would be the first to go with a downturn in business.

8. Effect on costs: Currently the company's wage bill (hourly and salaried workers) is some 55 percent of sales. This is mentioned to show that this company has a relatively heavy labor content in its product. The company figures that its direct labor will under the proposed legislation would increase by some 4½ percent. It is estimated that this would be translated into a 2-percent increase in selling price This increase in price is important. For example, this company just lost a $128,000 order to a West European country on a purely price differential.

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., May 24, 1965

Hon. ELMER J. HOLLAND,
Chairman, Select Subcommittee on Labor, Committee on Education and Labor, U.S. House of Representatives, Washington, D.C.

DEAR MR. HOLLAND: In accordance with your request of April 28, you will find attached the statement by the national chamber's manager of economic research, Dr. Carl Madden, on the President's 1065 Manpower Report.

We appreciate this opportunity to express our views and respectfully request that our statement be made a part of your official record on this subject.

Sincerely,

THERON J. RICE.

PREPARED STATEMENT OF THE CHAMBER OF COMMERCE OF THE UNITED STATES BY CARL H. MADDEN, DIRECTOR OF ECONOMIC RESEARCH

I want to thank Chairman Holland, the House Select Subcommittee on Labor, and the Senate Subcommittee on Employment and Manpower for the opportunity of submitting this 1965 Manpower Report statement. I hope it will prove helpful.

As we have come to expect, this year's manpower report is a highly useful and informative document. Although this is only the third manpower report, it is as eagerly awaited every year by the professional economic community as is the Annual Report of the Council of Economic Advisers.

The year 1964, of course, was one of the best ever for the economy. Thanks to continued expansionary monetary policy and to a reduction in Federal personal and corporate income taxes, the momentum gained in 1963 was extended and increased. Employment and output advanced substantially while prices rose only slightly. Unemployment receded, even touching recently a 7½-year low.

The response to Federal monetary and fiscal policy has important implications for our manpower policy. The excellent performance of the economy in 1964 provided conclusive proof that the stagnationists were wrong. The American economy has not reached old age. Given even the slightest encouragement and freedom from repressive economic policies, our economy will provide rapid growth in output and jobs Full employment has not yet been achieved, but the goal is in sight and the path to follow is well marked.

The manpower report recognizes the importance of fiscal policy for increasing employment and reducing unemployment. But there is no discussion of this policy in the report. And there is little if any mention of monetary policy. Even though the Council of Economic Advisers has explored monetary and fiscal policy in its annual report, it still is puzzling that there is no discussion of such Federal financial policy in a report devoted to manpower utilization.

The omission is particularly disturbing because I see signs that already we may be forgetting the lesson of 1964. Next year and throughout the rest of the 1960's the labor force will grow substantially: the average annual increase in the labor force will be about 1.3 million workers, much larger than in the 1950's. In 1964, thanks largely to recent monetary and fiscal policy, we had no difficulty in absorbing this large an increase, and reducing unemployment in addition. But the current big surge in the labor force provides slight margin for error in monetary and fiscal policy. Even a small mistake can mean a big jump in unemployment. Unless we keep the economy expanding rapidly, I fear that the unemployment rate could soar to the 6-percent level of just a few years ago, and perhaps even higher.

In this light, it is disturbing to see indications that the Government's tax bite will go up in January 1966 because of a scheduled increase in social security taxes, possible introduction of the medicare tax and the faster rise in income tax receipts accompanying prosperity. The administration appears to be relying on cuts in Federal excise taxes to provide the needed additional boost to the economy; recently President Johnson requested a $1.75 billion reduction effective in July, with another $1.75 billion reduction effective in January 1966, and $474 million in later years.

Personally, I am concerned that this cut in excise taxes will not do all that the administration expects. In the first place, compared to the proposed increase of about $2.2 billion in medicare and social security taxes, the proposed excise tax cut looks small; it looks especially small when compared to the $14 billion 1964 tax reduction, and to a projected GNP of nearly $680 billion. Secondly, the effect of excise tax cuts on total spending is quite uncertain. We have no firm knowledge of how consumers will react to the cuts. While income tax reductions have a direct and predictable impact on confidence and spending, with excise taxes the situation is not nearly so clear cut.

For these reasons, I think thaat Congress should also begin now to think about further reductions in income taxes. Even if the excise tax cut is larger than that requested by the administration, it may not be long before further economic stimulus is needed to offset the effects of fiscal drag. Since excise taxes account for rather a small portion of the total Federal tax burden, the income tax is the logical place to focus. It is important to realize in this context that the Federal income tax by historical standards is very high, and that the tax cut of 1964, notwithstanding its appreciable impact on the economy, was still only a small reduction in percentage terms.

In the years ahead, appropriate fiscal policy will be the sine qua non for absorbing the larger additions to the labor force and reducing unemployment to the desirable level. But appropriate fiscal policy is not enough. It is not enough to achieve full employment in the sense that jobs are available for those who want them; in addition, it is also necessary that people utilize their productive capacities to the fullest. This implies that unemployment rates among the high unemployment groups must be reduced and that the least skilled and educated members of the labor force must be upgraded. As the manpower report states:

"* * * it is clear that while reduction of the overall rate of unemployment is an important objective, it is only one part of the job. Our objective is also to provide the basis for workers to compete more equally for jobs—and to reduce differentials in joblessness among the various sectors of the population, especially those which reflect serious disadvantages of inadequate or poor schooling, or lack of training and skills, of poor health, or of discrimination on the basis of age, color, or sex."

The manpower report does an excellent job of discussing the problems of the high unemployment groups. Much statistical material is presented indicating the wide differentials between the total unemployment rate and the high-unemployment groups such as teenagers, Negroes and other minority groups, unskilled workers, etc. The discussion of unemployment among these groups indicates the strong concern of the Department of Labor for easing their problems.

Nonetheless, I would like to suggest that some basic and fundamental thinking has not yet been done. This thinking relates to unemployment targets or goals. As the manpower report indicates, the unemployment differentials for high-unemployment groups have remained fairly constant for a long time. This has been documented by R. A. Gordon, of the University of California, Chairman of the 1962 Presidential Commisson To Appraise Employment and Unemployment Statistics, in his article, "Has Structural Unemployment Worsened?" in the May 1964 Industrial Relations Journal, from which the following table has been taken.

TABLE I.—*Ratio of unemployment rate in each group to national unemployment rate*

	1948	1950	1953	1956	1957	1959	1962	1963
Age 14 to 19:								
Male	2.44	----	2.72	2.53	----	2.51	2.38	2.72
Female	2.15	----	2.40	2.59	----	2.24	2.35	2.75
Blue collar	1.26	----	1.38	1.33	----	1.37	1.32	----
Nonwhite	1.52	----	1.68	1.98	----	1.95	1.97	1.91
Over 7 years of school completed [1]	----	1.35	----	----	1.68	1.56	1.53	----

[1] Males 18 years and over.

Gordon has concluded that structural unemployment, characterized by wide unemployment differentials among different groups, is not a new problem, and is not a worsening problem. The persistence and stability of the structural unemployment problem indicate that long-term fundamental forces are at work. These forces include inadequate education and training, discrimination, poor health, poverty, etc. But there are other reasons for the differentials, also, which stem from the very nature of the groups concerned. Teenagers provide a good example. As the Manpower Report points out, the teenage unemployed include a large number of students, many of whom are seeking only part-time work. And teenage unemployment is typically short term and transitional, reflecting a search for the right occupation and job. Furthermore, most teenagers live at home and have few family responsibilities. On a priori grounds, one would expect the teenage unemployment rate to be higher than the overall average rate. It would be a mistake to assume that the teenage rate can or should be reduced to the overall rate.

Similarly, there are a priori reasons for expecting unemployment rates for other high unemployment groups—women, blue-collar workers, minorities, less-educated workers, etc.—to exceed the total unemployment rate. Different subgroup unemployment rates is not the problem. The problem is the size of the differentials compared to the norms, if any, that society has established. The

national "interim" unemployment target, established by the Council of Economic Advisers, is 4 percent. The Council hopes that eventually the rate can be brought even lower, perhaps to 3 percent. The Manpower Report recognizes that the total unemployment rate reflects only part of our unemployment problem. But nowhere in the report, or elsewhere, are subgroup target levels set or even mentioned. The differentials may be excessive, but no analysis is provided or method suggested for setting norms.

National attention should be directed to the issue of unemployment goals. We should fully explore the reasons for unemployment differentials and the levels to which they should be reduced. Until we have done this, our programs are likely to be misguided; without appropriate targets, how can we determine what needs to be done and how much progress is being made?

I would like to suggest, therefore, that Congress take steps to formulate national unemployment targets and objectives. Congressional hearings could be held on the subject, or the feasibility of other appropriate mechanisms could be explored. In addition to the resources of the Government and the academic community, I would hope that the resources of business and labor would also be employed.

I do not mean to imply, of course, that we should postpone our efforts to improve the structure and functioning of the labor market and to upgrade people until we have determined our precise unemployment targets. It is clear, for example, that many people in the labor force need further and better education, training, and retraining. Certainly, efforts to counteract these problems should continue, even while we try to define precise objectives. However, well-defined unemployment targets will help in structuring future programs, in assigning priorities, and evaluating results.

Judging from the Manpower Report, it is in these latter respects—assigning priorities and judging results—that our public policies to combat unemployment have been weakest. Consider the large number of current Federal programs for combating unemployment and relieving the accompanying economic distress. These programs include, but are not limited to, social security and workman's compensation; area redevelopment; urban renewal; unemployment compensation; programs under the National Defense Education Act, the Economic Opportunity Act, the Federal-State Employment Service, the Manpower Development and Training Act, and the Vocational Education Act. Not all of these activities, of course, are aimed solely at unemployment problems, but combating unemployment or relieving the resulting economic distress is in all cases an important goal.

There is no detailed examination of the impact and contributions of some of these programs in the report. Furthermore, certain programs are not even mentioned. Most of the report is devoted to the Economic Opportunity Act, the Manpower Development and Training Act, and the Vocational Education Act. Even in these three areas, the report limits itself largely to general description.

This narrative is useful so far as it goes, but it does not go nearly far enough. The most glaring shortcoming is the lack of cost information on the various programs. I found only one piece of cost information in 184 full pages of text. The Defense Department has carried the technique of cost-effectiveness calculations to a high degree of sophistication. Certainly the Labor Department can provide at least a limited amount of this information.

The need for valid cost-effectiveness calculations is made even more acute by the programs aimed at combating unemployment and easing the Nation's manpower problems. Current and proposed Federal programs no doubt have much potential for doing good, but there is also a potential for misdirection and working at cross-purposes, as in agricultural, urban renewal, area redevelopment, public works, and other programs. This latter alternative can be avoided, but only if we carefully define goals and subject each manpower activity to continuing scrutiny, retaining those programs which have been proven effective and discarding those which have not.

PREPARED STATEMENT OF W. A. BOYLE, PRESIDENT, UNITED MINE WORKERS OF AMERICA

My name is W. A. Boyle. I am the president of the United Mine Workers of America. I appreciate this opportunity to present the views of America's coal miners on the Manpower Report of the President for 1965.

Initially, we wish to underscore the urgency with which we view the objectives of the manpower program. It is our belief that no national undertaking is more

necessary than the present programs designed to eliminate poverty and provide jobs for all Americans. We view the existence in the United States of poverty, unemployment, and depressed areas as intolerable in this 20th century. It must be evident that our Nation with its vast resources, productive capacity, and human wealth should not—indeed, cannot—allow the existence of poverty for a prolonged period of time.

Yet, it is a fact that poverty does exist. It is true that 5 percent of our work force tries, without success, to find jobs. Additional millions of our people must content themselves with part-time jobs. These wage earners must endure sporadic employment, low wages, and the insecurity that comes from the absence of a steady paycheck.

Finally, there are other millions who have withdrawn completely from the labor force. These men and women are the real outcasts of our society, driven from its pale merely to exist, in virtual isolation, from the rest of the Nation. Their plight is the result of a long series of rebuffs by an economy which no longer needs their services, but which will not take the necessary steps to train them for performing a useful function in our society.

The threat of people out of work does not end with this generation. All too often the poverty of the parents will be passed on to their children. The poverty which plagues us today will be magnified and become even more intolerable tomorrow. We see developing in America a permanent class of underprivileged who, for one reason or another, are unable to break the cruel bonds of poverty and despair which engulf them and who for their lifetime and for succeeding generations will live apart from the rest of their more fortunate countrymen. It should not be necessary to point out the danger of this situation. Any student of history, sociology or economics can amply document the sad results of poverty and destitution upon social, political, and economic institutions.

Therefore, we share with the President and with the Congress the firm belief that action must be taken to eliminate, once and for all, the stain of poverty and want in this land of plenty. The President rightly points to unemployment as the paramount domestic problem of our time. The fact that 5 percent of our work force is currently unemployed should be cause for action on the part of every responsible citizen in a position to help. This unemployment rate indicates a failure on the part of our economy to utilize all of the tremendous resources that are available to it, and represents a challenge which we dare not ignore.

There are, as pointed out in the Manpower Report, many facets to unemployment. These problems must be viewed within the context of the overall manpower situation and the developments which will take place in manpower requirements over the next several years.

Every society undergoes change. Every society must cope with such change and insure that the full benefits of the new system are realized, while the harmful byproducts are minimized. In the United States we have been successful in the past in coping with change and in growing because of it. Today we face the inevitability of further change and more significantly such drastic transformation of traditional methods of operation that they represent a virtual revolution.

This is especially true in the manpower area. We have with us the burgeoning impact of automation, the change from a production economy to a service economy, the increasing demands of employers for education and skills, the drop in the demand for unskilled labor and tremendous numbers of young people entering the work force.

We must utilize our resources and our talents to provide our citizens with the opportunities to grow and prosper with an ever expanding America. Further, we must insure that participation in our economic and industrial rewards is not restricted by the color of a man's skin, his nationality, nor his religious beliefs.

Basically, we believe that the ultimate utilization of our manpower resources can be realized only within the context of a growing economy. It must be self-evident that only an economy which is strong and which is increasing in size can provide ample job opportunities for the millions of men and women now in it and for the additional millions which will enter it in the future.

Therefore, our Nation must take steps to enhance its economic growth. Our national policies must be directed toward the expansion of industry, but we must not allow our American industries to become the victims of unfair foreign competition or be submerged in a flood of cheap foreign goods which undermine the basic wage scale and living conditions of our own workers.

The United Mine Workers of America can attest to the destructive impact which this type of competition has upon the job opportunities of coal miners and the economic health of depressed areas. On numerous occasions our union has called attention to this problem and has supported action to relieve the unfair competitive pressure of imported energy. We have stated, with ample evidence, that it is absurd for the Government to advocate a policy for the full utilization of human resources and yet allow the existence of policies which destroy the job base upon which our people depend.

We applaud action taken by the administration which will increase the industrial activity of this Nation and provide our workers a larger income and more of the material rewards of progress. Such action will provide the essential framework within which poverty and unemployment will eventually be driven from our land. The simple growth of the economy is not enough to insure the maximum utilization of our human resources for the experience of recent years is adequate proof that there can be poverty in the midst of plenty and unemployment in a land that is characterized by high employment. Therefore, our objective must be to provide every American the opportunity to progress with the Nation and to enjoy the fullest advantages of our increasing economic activity.

Within this broad context there are many problems. A high level of unemployment persists among the youth. This is especially true of the young in the minority groups and in the slums of our cities and in our depressed areas. Equally distressing is the fact that many of these youths do not finish high school but enter the labor market unprepared to compete. We have supported programs to enable the youth of this Nation to live productive and useful lives. We have encouraged enactment of legislation to increase educational opportunities for our young and to train those who have dropped out of school to enable them to meet the increasing demands of our economy.

The impact of automation has seriously affected our economy. New technology has made tremendous inroads on the working force and experts predict further job losses with the application of additional automated techniques. We do not oppose programs which materially benefit society but recognition must be given to the adverse impact which automation has upon certain segments of our work force. The harsh effect of automation upon workers and their families must be alleviated as we prepare future generations of citizens to cope with the increasing complexities of new technology.

In the final analysis, the principal goal of our Nation should continue to be the advancement of human welfare and the full resources of all of our people should be directed to that end.

It is essential that we insure the human cost of this new technology will not be borne only by those who are unable to cope with its intricacies. In simple justice, it is our responsibility to lessen the burden of the change upon those directly affected by it. Where automation renders a worker completely obsolete, where his skill and strength is no longer required and training is not feasible, a way must be found to allow him to continue to contribute to the welfare of society and to earn a living as befits his human dignity.

There are many studies being conducted on the question of automation. A major effort was made by the President's Advisory Committee on Labor-Management Policy. This study has been turned over to the recently established National Commission on Technology, Automation, and Economic Progress. We are hopeful that these studies will help our Nation gain insight into the problem and the action which must be taken to cope with the forces being unleashed so they will serve the welfare of man.

Depressed areas are still blots upon the Nation's progress. Although preliminary steps have been taken to help relieve the human misery in our depressed areas and return these regions to a measure of prosperity, no real progress has been made and millions and millions of Americans still live in poverty.

It has always been the position of the United Mine Workers of America that resource development is the key to the alleviation of depressed areas. In coal mining sections of the United States a strong and healthy coal industry would be a great impetus for area development. Conversely, the steady decline of coal mining, often aided and abetted by governmental actions, renders the task of area development impossible, no matter how much money is expended for that purpose.

The revitalization of the Appalachian region, as well as other coal mining sections, must begin with coal. Upon the huge reserves of coal available to the Nation can be built industrial complexes which will provide thousands and

thousands of jobs and add billions of dollars to the economy. The effective utilization of resources has been the normal means of economic growth in the United States. We think this type of development can be advantageously pursued in area redevelopment. We urge the Government to implement the growth of the coal industry in order to secure its reasonable share of the increasing energy demands of the American Nation.

To date, governmental action has blocked this normal growth. Residual oil has been allowed to flow into our eastern seaboard, displacing thousands of miners and driving the coal industry of the Appalachian region to the brink of bankruptcy. The use of natural gas on an interruptible basis continues, even though the U.S. Supreme Court has declared such uses to be wasteful. More significantly in the long range, subsidization of the civilian nuclear program continues at the rate of $200 million per year. Subsidies such as this can drive coal from the marketplace and destroy for all time the jobs of coal miners and the economic viability of coal mining areas.

It is inconceivable that Government can adopt two conflicting courses of action. On the one hand it is advocating programs to bring prosperity to depressed areas. Yet at the same time it is spending millions of dollars and engaging in activities which serve only to destroy the job base of coal mining areas forcing additional thousands of miners out of work.

The task of full manpower utilization requires the full support of Government and all of its agencies. The various programs undertaken by the Government should be coordinated to advance the poverty program in all of its various aspects. There should be an overall policy which directs each and every Government official to weigh the effects of his actions upon the manpower requirements of this Nation and upon the programs designed to lift the stigma of poverty from this land, once and for all.

If this is done, if the full force of the Federal Government is employed in the campaign, we are certain that depressed areas will become a thing of the past and that prosperity will once again come to our entire Nation.

Any program undertaken to develop our human resources is not a cost. Rather, it is an investment, an investment in the continued progress of America. It would be a tragedy of the first order if we were to permit the skills and energies of our people to be dissipated under the stress of changing times. Despite the technical advances which may be made, despite the automation forthcoming, despite the wonders of the scientific world, the American worker must remain the bedrock upon which our free republic will stand.

PREPARED STATEMENT OF CHARLES E. STENICKA, VICE PRESIDENT, NATIONAL ASSOCIATION OF MANUFACTURERS

Human beings are both the essence and purpose of industry. No business operates without productive men nor is there any reason for industry to exist except to meet the needs of men.

This is often forgotten when we speak of companies, businesses, or other institutions and organizations. But this very simple and fundamental concept is the basis for industry's profound interest in the development of the human resource, in productive men and women and in the acts of any institutions which have an effect on the manpower of America.

As the representative of industrial organizations which produce approximately 75 percent of manufactured products in our Nation, we welcome the invitation of Congressman Elmer J. Holland, chairman, House Select Subcommittee on Labor, to comment on the President's manpower report.

Manpower problems are not a new phenomena. They have always existed and perhaps always will. The rapid progress which has been made in developing and coordinating men in the productive process is astounding.

One cannot long be associated with American industry without observing the steady and rapid development of the employment process. Ideas, capital, and men are brought together to create jobs. This dynamic living process continues to expand the opportunity for development and reward for those who participate. The full nature and intricacies of this process are still not fully understood. As understanding enlarges, the whole Nation benefits—both as consumers of better products and services, and as participants in their production.

This is the perspective from which those who have positions of responsibility in industry view the development of manpower, both within and beyond the lim-

its of industry in our society. It is a picture of growth and development and not a statistical, static, and rigid numbers game.

THE STATISTICAL FOUNDATION

In America today ideals and capital are available to create more jobs. Only the individual with the necessary skills—or the motivation to acquire skills—is missing from the equation which could make jobs a reality. In the common terms of the day, there is a labor shortage which has clearly emerged and is becoming acute.

As we travel the Nation we receive an almost uniform response from business leaders. They tell us:

"We do not have an unemployment problem in our community."

"We are recruiting outside our normal labor market."

"We cannot find people to fill skilled jobs. In fact we are having a hard time finding people who will train for skilled jobs."

These are the typical comments.

The Bureau of Labor Statistics reports that 1,639,000 new jobs came into existence in the fiscal year ending March 31, 1965. Even with an expanding labor force this high rate of job development is having its effect. Manpower shortages in many places are becoming acute. In fact, articles are now beginning to appear in popular publications confirming the response we have received from the managers of American enterprises. These facts cannot be reconciled with Federal unemployment statistics.

If almost 5 percent of our work force is unemployed where are they? Why are they not responding to the increasing demand for their services? If our statistics were based on an actual nose count of people lined up looking for jobs, the answers to these questions would be quite simple. Unfortunately most Americans believe that such a count is actually made and that the unemployed are readily identifiable.

Without belaboring the point our primary statistical source is a survey comprised of direct questions asked in a sample number of households about the employment status of the occupants. The methods used in developing data from the surveys are generally accepted as sound statistical practices and the professional competence of the staff of the Bureau of Labor Statistics is not in question.

The problem lies in the sampling techniques themselves, and the nature of the questioning which often conceals information more important than that which is revealed. We therefore recommend to the Congress that we probe more deeply into the nature of unemployment and secure statistical data now missing. We would suggest further research, utilizing a method which has been used most successfully in American business to determine product lines, customer preferences, and other information. We suggest that the Congress acquire the services of a private organization to perform pilot studies, using the principles of motivational research and nondirective questioning in the accumulation of unemployment data. Competent people in this profession have clearly demonstrated that what people say and what they mean can often be two different things.

A well-known application of this method is the story behind the "hardtop" in the automotive industry. When people were asked directly if they would like to buy a convertible, a very substantial majority said "No." Applying the motivational research approach it was discovered that what many of them were saying was, "I would like to own a convertible, but maybe it would appear to my friends that I was really not the stable person I want them to think I am, and more important to me than enjoying the convertible, is the good reputation I want with my neighbors and associates." To meet this requirement of stable appearance, along with the open feeling of a convertible, the hardtop was created and proved to be an almost instant success.

In our society it is a generally accepted concept that working is good, desirable and respectable, whereas idleness shows a defect in character. It is therefore understandable that some, perhaps many, would say, "Yes" to the question, "Have you been looking for work?" when this was not the actual situation. Nonetheless they would be counted as unemployed. This is just one illustration of the problem that confronts anyone who is attempting numerically to measure a state of mind or a value judgment. When a person is gainfully employed we are dealing with an objective reality that can be numbered and counted. When a person is not gainfully employed we may find ourselves dealing with a subjective value judgment, not necessarily a factual condition.

We, therefore, urge the Congress to consider utilizing tools designed for the task. Direct questioning is the proper approach for measuring the objective; the nondirect approach is the best method yet devised for measuring the subjective.

If the Congress is determined to have an impact on manpower development, then it becomes crucially important to make sure that the judgment it makes is soundly based. There is considerable evidence to indicate that the basic assumptions underlying the current methods of accumulating information on unemployment are unsound.

The information developed by the motivational approach would have many uses. It would be extremely valuable to all those in our society who are interested in helping people who need help, to achieve a better life. For example, the insight of such an activity could lead to rapid progress in developing the lower skilled people in our society.

THE WHOLE PICTURE

The manpower reports under consideration offer a statistical total view of the problem, while only giving a partial view of a small part of the solution. With a few minor exceptions, the report is limited to Federal programs. MDTA, ARA, and EOA are of recent origin. How were the problems which they attempt to solve dealt with before the creation of these programs? Even more important, what activities by individuals and organizations other than the Federal Government, are meeting and solving the same and other dimensions of the manpower development challenge?

We would strongly encourage the Congress to seek broad studies of all of the factors contributing to the development of manpower in our society. Without this information and understanding, Federal programs could undermine hundreds of existing activities now successfully under way and prove to be only a Federal substitute for other action already being taken. Without the total picture in view, there is a serious possibility that our net improvement will be negligible.

The actual amount of time and energy expended as a result of Federal programs in the development of human resources is a very small portion of the total. Equated in dollars, rather than in time and energy, it increases substantially but remains a small percentage of the whole, even on a dollar scale. There is no accurate measure of noncompensated efforts to develop the human resource. Voluntary, private, religious, charitable, and civic organizations make tremendous contributions of time and energy in this area. American industry conservatively estimates that it will spend $4,500 million on corporate educational efforts this year—half of what it costs to run the Nation's colleges and universities. Private and public schools are spending further billions. Friends and acquaintances invest countless hours and energy helping the unemployed find work. In fact, the substantial majority of job placements is believed to occur without a special institution, either governmental or private, involved in the activity.

It would indeed be regrettable if expanded Government programs undermined these activities and costly beyond imagination if we should come to depend on the Federal agencies exclusively.

Mistakes at the national governmental level are much more serious in their consequence than similar mistakes by a private individual or organization. This is a natural result of the uniformity required by applications of the law. Nor does it follow that Federal programs when properly conceived make a larger contribution than others.

For these, and many similar reasons, we strongly urge the Congress to expand its inquiry and data accumulation to look at the whole, rather than just a part of the efforts in the field, so as to—

Guard against weakening or destroying successful activities now making progress; and

Minimize the serious consequences which can result from inadequate knowledge.

There are not just one but many ways to improve our national performance in manpower development. Our progress is the greatest ever accomplished by man in his entire history. Today is better than yesterday and we are building a better tomorrow. The totality of the effort that has brought us this far is difficult if not impossible for one man or group of men to comprehend.

Only if we place numbers on people and gather the numbers can we consider the solution to these problems at the national level. The problems are individual and local. They exist with a particular person at some specific place and point

in time. The voluntary sector—made up of over millions of people living in every State, county, city, town, village, and block in America—has the strength and motivation to deal with manpower problems as they appear one by one. No one could hire such talent, measured either by quantity or quality. No one has yet been able to measure the hearts of the helpers or the bonds that are forged in this ongoing process of one helping another to a more meaningful and productive life.

The National Association of Manufacturers is committed to assisting and aiding this voluntary process of developing the human resource. Men in industry are learning more each day about the true dimensions of what is happening at the grassroots level of America. From this perspective we urge the Congress to broaden its knowledge base on manpower to include information about the impressive array of voluntary and private activities which represent perhaps 95 percent of the effort being made in the field.

CONCLUSION

We have not commented on the 18 questions contained in the memorandum from the Subcommittee on Employment and Manpower. The foregoing indicates that we view manpower from a substantially different or enlarged information base. Thus, any comments we might make on the specific questions would lead to misunderstanding rather than aiding enlightened action.

Federal manpower policy and action have far-reaching effects. A man's decisions can be no better than his information. The same is true of Congress. All men of good will recognize that the future depends on the individual growth of each American in body, mind, and spirit. These are also the essential factors in manpower. Old methods and old institutional forms may not provide the answer to our future problems. Doing more of what we have been doing may hurt more than help.

This is a time for creativity and innovation across the entire fabric of our society, so that our pioneering effort in developing, producing, and living life more abundantly will continue and achieve new dimensions.

PREPARED STATEMENT BY HOWARD COUGHLIN, OFFICE EMPLOYEES INTERNATIONAL UNION, AFL–CIO

Mr. Chairman and members of the committee, the Office Empoyees International Union has long been concerned with the overall scope of unemployment and its related causes. It is our opinion that the Manpower Report of the President has stated clearly and factually the problem areas current and future and the necessary remedial action which must be taken to preserve and expand the economy and work force of this great Nation.

The white-collar work force currently numbering over 31 million will continue to grow substantially according to all reliable forecasts. Professional, technical, and clerical occupations by these same forecasts will experience the most accelerated rate of growth. Technological developments, as our studies have demonstrated, are making substantial inroads into lower skilled clerical classifications.

By 1964 there were close to 25,000 computers installed with projections of 100,000 of these installations by the year 1970. In conjunction with electronic data processing installations, a number of new classifications, hitherto unknow a scant few years ago, were produced. Programers, systems analysts, console operators, and peripheral equipment operators are becoming commonplace in offices where a large amount of clerical work is recorded.

By 1975 the civilian labor force will be increased by 17 million more workers than in 1964. The clerical and kindred work force will expand by approximately one-third the current 10,900,000.

The President's report also bears out the fact that there will be some 22½ million young workers under 25 who will be in the labor force by 1975. In addition, approximately 4¾ million women workers will be added to the labor force by the same year. (The majority in all probability will seek white-collar employment.)

From the above statistics it appears most imperative that completely new clerical training programs be designed and existing programs revamped.

In our estimation, by 1975 there will continue to be a need for clerical positions requiring lower degrees of skill; however, we anticipate the percentage of these occupations will diminish significantly.

Currently, clerical training programs established under the Manpower Development and Retraining Act have been largely confined to instruction in clerical classifications requiring little skill. Some upgrading programs, notably for stenographers, are currently in session; however, they are relatively few in number. The Office Employees International Union advocates the continuation of these programs and most certainly their expansion. In addition, we strongly advocate that in light of technological advancement and the increase of newly created electronic data processing positions, programs under MDTA be devised to meet the increasing current and future demand for workers possessing these new skills.

Another feasible approach that the OEIU endorses would be the development of a clerical apprentice program. This apprentice program would allow—

1. Time for actual supervised classroom instruction;
2. On-the-job retraining, and the opportunity for such.

The clerical apprentice program would be jointly sponsored by management and the union and would be subsidized by Federal and/or State funds. The advantages for a program of this nature are several. Employees whose skills are obsolete would not be dropped into the already swollen ranks of the unemployed. For many, this would be total financial disaster as they are past the rehiring age. Their continued employment would relieve the various levels of government of the tremendous cost of unemployment compensation and welfare.

In addition, the total amount of subsidization for on-the-job retraining would be considerably less than the amount of funds necessary to teach new skills to the unemployed.

We are cognizant of the fact that the programs we advocate are far from providing a total solution for full employment in the white-collar field, but, we believe, their undertaking will be an immeasurable step forward in present manpower conservation and provision for the years to come.

Syracuse Faces Its Youth Unemployment Problems

(By Sar A. Levitan, the W. E. Upjohn Institute for Employment Research)

PREFACE

This report is the story of one community's mobilization to aid its poor youth. The Syracuse youth employment program is of too recent origin to evaluate its achievements and the report focuses on administrative problems in organizing a community program to aid unemployed youth.

This report is one of a series of studies sponsored by the Office of Economic Opportunity to alert participants in community action programs regarding some problems that may arise in connection with mobilizing community resources in the war on poverty. The summary of the Syracuse program might also be of interest to designers of similar programs in other communities.

While the Office of Economic Opportunity sponsored this report, the findings and conclusions represent the views of the author, Dr. Sar A. Levitan of the W. E. Upjohn Institute for Employment Research. Dr. Levitan is a recognized authority on manpower problems. He is the author of "Federal Aid to Depressed Areas," "Federal Manpower Policies To Combat Unemployment," and many other publications. He is currently engaged in a study of the Economic Opportunity Act and its implementation.

Even by American standards, Syracuse may be considered an affluent metropolitan area. Median family income in the city is higher than the average for other central cities and the proportion of Syracuse's families with an annual income of $10,000 or higher is about 20 percent greater than in all other large cities.

But, as in other cities, Syracuse also has its pockets of poverty. In 1959 1 of every 7 families in Syracuse had an annual median income of less than $3,000. For all central cities the comparable ratio was 1 in 6. The incidence of poverty was much more widespread among Negroes than white families. Thirteen percent of the white families and 30 per cent of the Negro families in Syracuse had an annual income of less than $3,000. The proportion of Negro families is smaller than in many other large cities. However, Syracuse has

experienced a rapid growth in Negro population since the end of World War II. Between 1950 and 1960, the city's Negro population increased by 144 percent. Only 11 central cities with 10,000 or more Negroes experienced a higher rate of growth of Negro population during the decade of the fifties. It is estimated that about 6 percent of its total population is Negro. In 1960, Syracuse, with a population of 216,000, ranked as the 53d largest city in the country.

The level of unemployment in Syracuse has tended to be below the national level during recent years. In 1963, unemployment in the Syracuse labor market averaged 4.7 percent, compared with a national average of 5.7 percent. Negro unemployment in Syracuse is about double that for the white labor force, a ratio comparable to the national experience.

PLANNING PROGRAMS FOR DISADVANTAGED YOUTH

Syracuse was an early entry into the war on poverty. The initial programs focused on problems of youth unemployment. In 1958, the Ford Foundation made a $740,000 grant to the Syracuse University to develop a center devoted to the study of youth problems and to designing programs for their alleviation. The result was the establishment of the Youth Development Center. An additional Ford Foundation grant in 1962 of almost equal magnitude and grants from other sources, mostly Federal agencies. made it possible for the institute to expand during its first 6 years of activities and to gather a multidiscipline staff of experts concerned with youth problems. The center now employs nearly 100 persons.

A byproduct of the Youth Development Center was the Madison area project. The Madison Junior High School, located within walking distance of the Youth Development Center and in the midst of Syracuse's slum area with an 85 percent Negro population, was a natural laboratory for the center. The goals of the Madison area project included improvement of school facilities and instruction, the development of vocational aptitudes and skills, and community services for the school population. Planning for the project started in 1959 and a 3-year program was initiated in 1962. The total cost of the project over the 3-year period amounted to $600,000, of which the Syracuse school system contributed two-thirds. The State contributed $36,000 and the balance came from the original grant for the establishment of the Youth Development Center.

In connection with the Madison area project, the Syracuse school system also initiated a world of work program. This program identifies potential dropouts and places youths in jobs available under the school system.

New York State has financed the Onondaga County youth and work project in Syracuse. This modest program provides for a maximum of 20 participants, aged 16 and 17, male school dropouts, who are referred to the project by the New York State Employment Service. Youths so referred to the project are considered by the employment service as "presently unemployable" because of lack of skills, work habits, work attitudes, or appearance. The youths are provided counseling and assigned to simple work tasks for a maximum of 20 hours per week in Syracuse public agencies. They receive $1 an hour compensation while they are assigned to the project, a period which may not exceed 4 months. This project is due to be terminated by New York State at the end of February 1965.

The most important and significant youth program developed recently in Syracuse is the crusade for opportunity. Established in 1962 as the mayor's commission for youth, the organization assumed the more imposing title late in 1964. (In this report references to the crusade and commission are used interchangeably.) The original impetus for the establishment of this agency came from Washington. In the spring of 1962, the President's Committee on Juvenile Delinquency and Youth Crime was casting about for potential participants in the then newly established program. Representatives of the Committee approached the mayor of Syracuse to inquire whether he would be interested in having the city participate in the federally financed program whose purpose was to organize community action programs to reduce juvenile delinquency and to develop employment capacities of disadvantaged youths. The mayor reacted positively to the proposal and appointed a citizens' committee, representing private and public institutional groups involved in various aspects of youth activites. In addition, a number of individuals, who had displayed interest in youth activities, and representatives of major Syracuse employers, union spokesmen and representatives from Negro organizations, were also invited to consider the

advisability of the city's participation in the Federal antijuvenile delinquency program. This broadly representative committee recommended affirmative action to the Federal proposal and Syracuse received a grant of $141,000 to plan an antijuvenile delinquency program. This amount was later supplemented by another $55,000 grant.

Opinions differ as to the factors that have contributed to the selection of Syracuse as a recipient of the President's Committee on Juvenile Delinquency and Youth Crime grant. Some have suggested that the availability of the Youth Development Center was an overriding factor in favor of Syracuse. Others base the selection upon the fact that the selection of Syracuse gave the program a bipartisan image. Since the administration of most metropolitan areas is a Democratic, the President's Committee had difficulty in finding large urban areas under Republican control. There is a widespread belief that Syracuse qualified on this basis. However, according to a member of the President's Committee review board, which recommended acceptance of the Syracuse proposal, the question of politics never entered into the review board deliberations and the proposal was accepted purely on its merits. An analysis of applications submitted to the Juvenile Delinquency Committee clearly indicates that the Syracuse program was carefully conceived, and provided for a well-designed action plan to combat juvenile delinquency.

The task of developing a program was delegated to a citizens' committee which was incorporated as a nonprofit organization early in 1963 under the name Mayor's Commission for Youth, with a membership of some 50 community representatives. The commission decided not to employ its own staff and contracted with the Youth Development Center and the community chest to provide the needed staff assistance to develop an action program to combat juvenile delinquency. The research functions were assigned to the center and the community chest staff assumed the task of preparing the commission plan. This divided responsibility impeded the work of the commission. While the Community Chest assigned staff members to work directly with the commission's executive director, the Youth Development Center insisted upon guarding the autonomy of its staff. The commission members worked on several task forces with the staff in preparing the design for the action program. This task was completed in April 1964 when the Syracuse action for youth program was submitted to the President's Committee on Juvenile Delinquency and Youth Crime.

The report relied heavily on the findings of a detailed survey conducted by the Youth Development Center based on interviews with 1,850 Syracuse junior high school students and 540 mothers. Not surprisingly, it was found that the highest rates of delinquency were concentrated in the slum or low-income sections of the city and were accompanied by a high proportion of youths with low academic achievement, school dropouts, and unemployment.

The 1960 Decennial Census disclosed that there were nearly 6,000 male youths between the ages of 16 and 21 in the Syracuse labor market who were out of school. About one in every six of these youths was unemployed. An almost equal number were out of school but were not counted as unemployed since they were not actively seeking employment, having apparently given up hope of finding jobs. These disturbingly high levels of unemployment were not evenly distributed among all of the areas of the city. The commission study found that in a middle-class area practically all the boys who were not attending school were employed, but in the low-income area more than a third of the out-of-school boys were not working. Nearly half of school dropouts in the low-income area were unemployed, compared with 10 percent unemployment among high school graduates in the same area.

Proposed action programs

Based on the Youth Development Center research and program development by the community chest planning staff, the commission proposed three related but distinct action programs:

1. *Improvement in the quality of education in the low-income areas.*—The educational program was to be achieved by the development of techniques and materials meaningful to the children living in slum neighborhoods. Emphasis was to be placed on effective reading and speaking. The commission observed:

"Most first readers, for example, show happy, prosperous white children frolicking about suburban lawns and gardens, visiting airports, going to the country to see grandma. Such illustrations are little help to teaching a child from a

low-income family to read. * * * He may even resent them. His flowers come in window boxes; his transportation is his own two feet; his grandma lives right in the same room at home with him. The commission will prepare teaching materials that will help disadvantaged children to learn because they build on settings and activities he knows and understands."

The commission also planned an extensive guidance program to help schoolchildren meet immediate problems and recreational programs which would keep school facilities open after school hours and during weekends. The plan also called for the establishment of study centers where specialists and volunteers would be available to help children with their schoolwork. The commission apparently determined that the use of neighborhood centers would be more effective in attracting disadvantaged youth than the available school facilities.

2. *Community services.*—The plan called for the establishment of neighborhood help centers in the slum areas to assist residents to resolve day-to-day problems. These centers were also to provide recreational facilities for children. At the time this report was prepared, one such center had already been opened and another one was scheduled to start within a few weeks.

3. *Youth employment.*—The program called for the establishment of youth job centers where unemployed youngsters would be screened, tested, and counseled. It was anticipated that the youths who were found ready for the world of work would be referred to on-the-job training. Others would be trained within the centers where they would get, in addition to individual training for specific job opportunities, educational instruction which might possibly lead to the completion of high school equivalency diplomas. Out-of-school youth who were found not ready for steady jobs would be provided with exploratory work programs which would hopefully develop the youth's potential and prepare him for regular training. In addition, the plan also called for development of entrepreneurial talent among the youth job center clients to be financed from private sources. But the commission apparently did not assign high priority to this project, since it requested only $10,000 for the program.

In brief, the Syracuse Mayor's Commission on Youth concentrated on the development of diverse employment opportunities for youth, and decided not to make any specific provisions for preschool children. The President's Committee on Juvenile Delinquency and Youth Crime found the plan acceptable and voted a grant of $639,000 to implement the program. The President's Committee review board, consisting of experts in the field of social welfare, education, and employment, singled out the Syracuse plan as outstanding among the programs presented by 16 large cities throughout the United States.

Research

In its initial stages the commission relied heavily upon the youth development center to develop the background data needed for preparing the comprehensive Syracuse program to fight juvenile delinquency. This was in line with the original idea underlying the establishment of the center which envisioned that its staff would supply academic and technical support for community programs related to youth problems. The work of the youth development center with the commission was a manifestation of town and gown partnership. However, the honeymoon did not last long. Even during the planning stage, some members of the commission felt that the center researchers were more interested in designing ideal models lacking vital organs than in preparing realistic programs.

City school officials indicated that they shared similar experience in connection with designing the Madison area project, which focused upon the improvement of school curriculums and services to school youths in the city's low-income areas. While the center's participation was crucial to the development of the program, and the center actually provided some cold cash for the implementation of the program, school officials complained that the center researchers placed heavy burdens upon teachers' time, demanding diverse detailed reports about the students and their community. The school officials insisted that a great deal of this information was not needed for the effective development of the Madison area project, but was desired by the center academicians for research purposes that might have little relation to the Madison area project.

As the commission work progressed, its relations with the center became more and more detached. By the end of 1964, the commission employed its own research director and the separation between the two was almost complete.

YOUTH TRAINING

While the commission was planning its program to combat juvenile delinquency, it contracted an agreement under the Federal Manpower Development and Training Act which provided for the selecting, testing, training, and placement of 200 unemployed youths. This contract set the mayor's youth commission in business, but not without some delays and frustrations. MDTA is administered jointly by the U.S. Department of Labor and the Department of Health, Education, and Welfare. The Office of Manpower, Automation, and Training in the Department of Labor approved its part of the contract in September 1963. However, the funds needed for training the youths required the approval of the Department of Health, Education, and Welfare which works through different channels than the Department of Labor. The training part of the program, which was handled separately, had to pass muster through the New York State Department of Education, and it took an additional 6 months until the commission's application to train 200 youths received the approval of the State educational authorities and the final approval of the Federal Health, Education, and Welfare Department. Meanwhile, the Syracuse Youth Commission rented a building, hired staff, and was ready to receive applications from interested youths. It could test and counsel the applicants, but had no funds to train them. The commission staff determined to delay operations until the whole program was approved. Even after HEW approved the training part of the project, another 2 months elapsed before the funds actually became available. The State education department was not satisfied with the formal approval of the project and instructed the school authorities not to commit any funds until the check was deposited with the New York State educational authorities.

On March 17, 1964, the Department of Labor executed a supplementary contract with the mayor's commission providing for subsidizing the on-the-job training of 50 youths for a period not exceeding 20 weeks. The employers were to receive a maximum of $25 per week for providing training to youths referred to them by the commission. On-the-job training offered an effective carrot to motivate trainees. Wages on the on-the-job program were $50 a week, while MDTA allowances could not exceed $20 per week.

Channeling the funds also caused complications. Part of the project money came directly to the mayor's commission under its contract with OMAT; the training funds were paid, however, to the State division of vocational education which in turn contracted with the local school district where the funds were administered by the coordinator of the MDTA program.

The training center was opened officially on June 2, 1964. But administrative irritations and complications continued. The Syracuse office of the New York State Employment Service had first insisted that the weekly allowances to trainees be paid in its own office rather than at the commission's job center. This involved marching the trainees to the State employment service and considerable waste of time. A problem of administration was also involved. The training project director thought that sound administration required that the trainees be paid at their own center. This problem was resolved when the New York State Employment Service changed its practice and made arrangements to pay enrollees at the commission center. The project training director also wanted to dock trainees for absenteeism, as is practiced in industry. He thought that this was essential to maintain morale and good attendance on the part of the trainees. The New York State Employment Service ruled that this would be contrary to regulations and would have to be settled in Washington. Months passed before this issue was settled in favor of the commission's position.

Obtaining training equipment also caused delays. Though the representatives of the mayor's commission located suitable training equipment in Federal Government surplus warehouses in the area, it took months to cut through the redtape to get authorization to release the equipment.

The commission staff interviewed and counseled nearly 500 youths, including 133 females, by the end of 1964. The meager resources of the commission were utterly inadequate to provide any extended assistance to most of its clients. About three of every five were referred to the employment service or advised that they should await openings for on-the-job or other training. However, 65 youths were placed in jobs with the assistance of the commission staff. The commission had facilities to provide to every third applicant, about equally divided between institutional or on-site training. Latest data about the disposi-

tion of these cases are for November 30, 1964, barely 6 months after the commission started its youth training activities. About half of the youths were still in training and it is premature at this time to evaluate the limited training experience conducted by the commission.

The employment problems faced by the youths who applied for commission assistance can be gleaned from their educational attainment. Four of every five youths did not complete a high school education and half of these had only 8 years of schooling or less. It might be of interest to compare the educational attainment of the commission clients with that of the 353 trainees, including 130 youths aged 16 to 21, selected by the Syracuse Employment Service for regular MDTA courses. Only 7 percent of the latter group had completed 8 years or less of formal education, while nearly two of every three were at least high school graduates. It would appear that the employment service set high standards for selecting applicants for the training courses which included machine pressers, nurse's aids, and bakers. Obviously, most of the commission youths could not qualify for the regular MDTA courses. The Syracuse employment office claimed that it initiated an auto mechanic course for youths registered with the commission and charged that the latter failed to refer sufficient candidates for the course. Whether these youths would have qualified for training under the stringent employment service standards is another question and, in fact, the commission asserts that the employment service rejected most of its referrals because many were not bondable, could not qualify for a driver's license, and could not generally meet the high qualifying standards.

A few months' experience convinced the commission officials that the originally approved MDTA training program was inadequate to meet the needs of the area's unemployed youth. In July 1964, the commission applied for an expanded program to train 700 Onondaga County disadvantaged youths, aged 17 to 22.

Under the first project, the only institutional training offered by the commission was for electric appliance repairmen. The commission estimated that it could have trained 50 auto mechanics if facilities were available. The number of subsidized on-the-job training slots was also inadequate. The commission, therefore, applied for a much more ambitious grant to provide the training of 700 youths, emphasizing the need for diverse programs to meet youth needs. It's experience has indicated that many of the unemployed out-of-school youths, particularly in the 17- and 18-year-old age group, required prevocational or exploratory programs to determine aptitudes and potential capabilities. Other youths usually required training in skills before they could be placed in jobs and some were ready for on-the-job training.

More specifically, the prevocational program was designed to "season" the young unemployed school dropouts. Under the proposed program, these youths would be provided supervised simple work tasks in public and nonprofit agencies. Examples included work as recreation aids in parks and simple maintenance tasks in public facilities. The institutional training, according to the commission, would provide training for youths to fill job needs in the Syracuse labor market, particularly in service industries. Skill centers, based on the commission experience in training electric appliance repairmen, would be established in the handling, processing, and preparation of food, furniture repair, refinishing, upholstery and related skills, and auto servicing, including auto mechanics and body work.

The U.S. Department of Labor authorities were apparently persuaded by the soundness of the proposal, and issued, on November 30, 1964, a letter of intent approving the commission projects, committing $50,000 out of a total of $629,000 to fund the Syracuse youth employment program. However, the New York State Employment Service did not agree with the Federal authorities that the Syracuse mayor's commission was the appropriate agency to implement the training program. Officials of the State agency asserted that the training proposed by the Syracuse commission is of the ordinary garden variety, lacking innovation or experimentation, and the proposal should, therefore, be carried out by the State employment service. In support of its position, the New York State Employment Service filed an official application for training 500 youths in substantially the same occupations as was proposed by the commission. Since official requests for training have to be certified by the State agency before the U.S. Department of Labor officially approves a project, the Federal authorities were powerless to act until they received the certification from the New York State Employment Service. Under the MDTA, the U.S. Secretary of Labor could,

of course, execute a separate agreement directly with the mayor's commission and bypass the New York State Employment Service. However, this would involve an open break between the Federal and State authorities. The disposition of this conflict between the Syracuse crusaders—as noted earlier, after the enactment of the Economic Opportunity Act the mayor's commission was named Crusade for Opportunity—and the New York State Employment Service was not settled when this report was prepared, thus delaying for months the pressing training needs of unemployed youth.

Altogether, MDTA funds committed to the mayor's commission by the end of 1964 to aid unemployed youths amounted to $211,000, including $25,000 for on-the-job training. Only part of these funds were actually expended. An additional $68,000 was authorized for institutional training.

OBSERVATIONS ON THE PROGRAM

The role of the Federal Government

The difficulties experienced by the commission in obtaining Federal aid and the friction it generated among Federal, State, and local agencies raises the question whether Syracuse could not have obtained the necessary funds from State and local sources, rather than to rely upon Federal grants, to care for its unemployed youth. Traditionally, New York has been among the richest of the States and has ranked among the top three or four in terms of per capita personal income. Syracuse income level has also been appreciably higher than the average for the United States. This holds true when income is measured by median family income, average wage rates, or other indexes of relative affluence. Moreover, unemployment in Syracuse during recent years has been below the national level. It would therefore appear on the surface that Syracuse is well equipped economically to take care of its own youth unemployment problems. No doubt if the State of New York and Syracuse would mobilize their resources, they would make adequate provision for Syracuse's youth.

A closer examination of Syracuse's situation discloses impediments to allocating additional resources for unemployed youth. The major source of the city's revenue is its tax on real property, which accounts for half the city's income. The share that property taxes contribute to total revenue in Syracuse is about the same as in other large metropolitan areas. The Syracuse property tax is limited by the State constitution to 2 percent of the equalized value of property and Syracuse collects the limit allowable under the law. Syracuse also has a 2-percent sales tax. Of course, the level of these taxes could be raised by law or constitutional amendment. But Syracusans suggest that such action would be fraught with danger. The city's major employers, except for the university and a manufacturer of electric appliances, are branches of national corporations. A raise of taxes, particularly property taxes, spokesmen for Syracuse suggest, might drive the "foreign" corporations out of the city or deter future expansion of existing facilities.

New York State has also failed to commit needed funds to provide for unemployed youth. An antipoverty program initiated by the State in 1956, which was a potential precursor to the present national program, was aborted in its study phase before the State decided to commit any significant funds for a meaningful drive on poverty. Similarly, the State's pilot youth employment program is due to be discontinued in its initial stages before the costs of the program start to rise.

It is therefore apparent that the State and local governments are not willing or able to fund a meaningful program to aid unemployed youth. If such a program is necessary, the financial resources for the program would have to come from the Federal Government.

Minimum wages

Some have suggested that the major obstacle to youth employment is minimum wage legislation and other regulations that prohibit or impede youth employment. In New York, employers are subject not only to the Federal minimum wage law, but also to a much broader State law. Some Syracuse employers have suggested that abolition of the minimum wage law would eliminate a major obstacle to youth employment in the city. They point to the fact that the mayor's commission had no difficulty in placing 50 unemployed youths when Uncle Sam was ready to subsidize on-the-job training by reimbursing the employer $25 per week for a period of 20 weeks for each employed youth.

A closer examination casts serious doubts whether the elimination of minimum wages would offer a major solution to the problems of youth unemployment. It is doubtful whether large numbers of unemployed youth would be willing to accept jobs at rates appreciably below the present statutory requirements. Youths placed in on-the-job training did receive the minimum wage, though the labor costs to the employer were reduced by Government subsidy. The commission's experience with on-the-job training might therefore suggest Government subsidization of youth employment, rather than elimination of the minimum wage.

There is other evidence which suggests that minimum wage legislation is not a significant obstacle to youth employment. As mentioned earlier, the New York State minimum wage law is virtually all-inclusive while the Federal statute is applicable to only about half of total wage and salary earners. The bulk of employees in retail and service industries are not covered by the Federal minimum wage law. Since service and trade occupations present a major source of jobs to youths entering the labor force, it should be expected that youth unemployment would be higher in Syracuse than in other major cities outside of New York, other things being equal, where there are no State laws regulating minimum wages in the service and trade industries. Only fragmentary data are available showing comparable unemployment rates in areas where effective minimum wage laws prevail and areas where employees do not have such protection. No conclusive judgment can be made about the impact that minimum wage legislation has upon the unemployment rate. The impediments to youth employment are due to a complex series of factors and there is little evidence that minimum wage legislation is a controlling factor contributing to the high level of unemployment which has existed among youths throughout the United States.

This conclusion does not negate the position of some economists and others who argue that a reduction in wages during periods of unemployment would increase total employment. It does suggest that radical changes will have to be accepted in our society's values if we are to allow minimum wages to find their proper economic level and thereby increase employment. To achieve this end it would require to curtail sharply our welfare system. For as long as society assumes the responsibility of providing for the basic needs of the destitute, it can hardly be expected that unemployed would accept jobs which provide little more income than benefits paid under the welfare system.

A case may be made for removing minimum wage protection from youths aged, say, 16 and 17, on the basis that the productivity of such workers is low, that the turnover is high, and that during the first year or two in the labor force these youths are really, in many cases, learners and serve a period of apprenticeship, using the term in the broad sense, and should therefore not be entitled to a minimum wage. It should be recognized, however, that such a policy may raise more problems than it solves. It would offer employers in low-wage industries an inducement to hire boys who have just entered the labor market, in preference to older youths or even mature unskilled workers. As long as unemployment remains at a high level among adult and unskilled workers, the gains made by inducing employers to hire younger workers may be outweighed by the loss of potential jobs to mature persons.

Aside from economic arguments, one may reject resorting to the elimination of minimum wages as a means to increase employment on purely moral grounds. If the much-heralded war on poverty is to be meaningful, it can hardly be expected that society will tolerate large-scale subsidization of employers and industries which do not provide employees with a socially acceptable level of income. The best available data indicate that about 2.5 million full-time employees who are heads of families earn an annual income of less than $3,000.

We must conclude, therefore, that the elimination of minimum wage statutes is at best a doubtful panacea to the reduction of unemployment.

Economists have disagreed about the causes responsible for the recent high level of unemployment in the United States. They generally agree, however, about the fact that many youths, particularly high school dropouts, are not being absorbed under current economic conditions into the labor force. It is not likely that these hard-core unemployed youths would be able to develop, without adequate help and training, their talents and capabilities to the point that they will be acceptable to private employers. The eagerness of many young people to accept a helping hand is well attested by the experience under MDTA. The original MDTA imposed rigid restrictions upon the training of youths. The 1963 amendments to the act expanded youth eligibility for training and during

1964 more than a third of all trainees enrolled in MDTA courses were young people below the age of 22. The increased need for youth traning programs does not necessarily imply an assumption that our economy has undergone structural transformations. The sheer increase in the number of teenagers may be the major factor contributing to the high rate of youth unemployment.

Federal regulations

Given a federally financed program and locally administered, there remains the age-old problem of the extent to which the central authorities should impose rules and regulations controlling the program and the degree to which local autonomy should prevail. This issue has not been resolved in connection with the administration of MDTA and was further complicated by the divided responsibility for the administration of the program between the Departments of HEW and Labor. In the case of the Syracuse Crusaders, the interdepartmental President's Committee, the initial angel of the program, also got into the act. The divided responsibility at the Federal level required the crusaders to report to several agencies, which frequently did not see eye to eye on policy matters and occasionally issued conflicting instructions relative to the same programs. In the Department of Labor, two different agencies, the Bureau of Employment Security and the Office of Automation, Manpower and Training, had their own jurisdictional problems which further added to the confusion at the local level. Since practically all the crusade funds came from Washington, the Syracuse officials were always mindful of avoiding crossing any single agency. "Who owns us," declared a top Syracuse Crusade official, "is a constant problem to us. We have been caught in a power struggle among various Federal agencies which has made it virtually impossible for us to move as quickly and as effectively as we would have wished." And the Washington officials may have shared the confusion of their local counterparts.

In the absence of clear-cut Federal rules and regulations, the instructions from even a single Federal agency were sometimes contradictory and certainly confusing. For example, OMAT has had three different monitors for its Syracuse project. The successive Federal officials from the same agency entertained different views about the Syracuse project and these were reflected in the communications with the crusaders.

The problems created by divided Federal responsibility are well illustrated by the Syracuse experience. As mentioned earlier, the Labor Department approved its part of the original Syracuse training proposal in September 1963. The Labor Department funds could be used only to defray administrative costs and the allowances paid to trainees. Seven months elapsed before HEW and the State department of education transmitted the needed funds for training. Having allocated its part of the funds, the Labor Department was anxious that the commission start implementing the project and exerted pressure to that effect. But the Syracuse Commission could not start on the project until it had its training funds. The Labor Department anxiety is understandable. The meager MDTA funds were inadequate to satisfy all applicants and if Syracuse did not use the money, it could have been allocated elsewhere. Fortunately for Syracuse, the Department of Labor did not revoke its original grant and the project finally got underway.

The Syracuse people also felt that the Federal methods of keeping statistics were not suitable to the local situation. The MDTA project allowed for 26 weeks of training. But in order to service a maximum number of youths, the commission found that in many cases a shorter period of training was adequate to place its trainees. Each time the commission placed a trainee, it vacated a spot for a new candidate. But, since the project called for 26 weeks, each training termination before the expiration of the term was carried on the Federal rolls as a course dropout and this put the Syracuse statistics in an unfavorable light, showing a high ratio of dropouts. The crusaders had considerable difficulty in explaining to the feds that they were utilizing their limited resources in the best way they could.

On the other hand, the commission training instructors wanted to extend the training of a few particularly promising youths who were willing to forego the immediate gains involved in placement in order to secure a more rounded training in their new skill of electric appliance repairmen. But the provisions of the contract limited training to 26 weeks and the commission did not have any funds to pay the few selected trainees allowances for an additional period in order to help them achieve more complete training. In this case, the contract provision

proved too rigid and the commission did not find any way of extending the training period of the promising trainees.

The allowances paid to trainees are also rigid and uniform. No provision is made for extra remuneration or incentives to outstanding students. The commission instructors could reward these trainees with some psychic income, but no cash.

Parenthetically, it should be noted that the problem of remuneration is going to be more complicated by youth programs provided under the Economic Opportunity Act. The decision has already been made that under the Neighborhood Youth Corps, trainees will receive $1.25 per hour. This will mean that a youth attending school and selected for 15 hours per week of "prevocational" employment will receive almost as much as an MDTA youth trainee will get for 40 hours of training. And the out-of-school selectee for the Neighborhood Youth Corps will receive twice as much remuneration as the MDTA trainee. This policy will provide an overriding incentive for youths to compete for Neighborhood Youth Corps jobs, which normally will not lead to the acquisition of any particular skills, and to forego more promising MDTA training. The situation will be even more complicated in low-wage areas where the allowances under the Neighborhood Youth Corps will be considerably in excess of wages paid in private industry. This again will offer an incentive to youths to maintain Neighborhood Youth Corps jobs as long as possible, rather than seek private employment. A sound program would obviously dictate that the conditions be reversed.

It appears also that Washington requires excessive detailed progress reporting. The key word here is "progress" and is reflected in pressures from Washington to show results. The "message" that the recipient of an MDTA grant gets is that if he cannot report success, there would be no additional funds forthcoming. This places a premium on selecting promising prospects and elimination of poor students. Of course, this reduces the experimental aspects of the program.

Every recipient of an experimentation and demonstration project—and the commission training program was classified under this heading—was required until the end of 1964 to submit to OMAT a monthly progress report. This involved considerable time to prepare and taxed the ingenuity of the grant recipients. In a project like the one in Syracuse, where scarcely a few dozen youths were undergoing training at any one time, the project officials found few newsworthy items to report and were forced to stretch the volume of the monthly reports by relating details which could hardly be of interest to the Washington authorities or anybody else. In addition, copies of these reports had to be sent to all other directors of experimental and demonstration projects. The underlying assumption behind this requirement seems to be that each experimental and demonstration project director can learn from the experience of the others. However, there is no evidence that the voluminous reports are being read by project staff members. It would appear that a single report prepared after the completion of the project should be adequate for the purpose of disseminating information, but thus far OMAT has insisted upon the continuation of monthly reports during the first 3 months of a project and bimonthly reports thereafter. In addition, periodic regional meetings of project directors with the Federal project monitors might be helpful to improve communications among the local people and would also better acquaint the Washington officials with community problems. One such national conference was held in the summer of 1964.

Relations with established agencies

The impediments to efficient operation of the crusade emanating from Washington were complicated by frictions created between the commission and established agencies at the State and local level. The basic function of the crusade is to focus attention on the need to introduce new concepts aimed at changing the scope of operations and to stimulate new programs aimed at expanding the services of established institutions to disadvantaged groups. Where existing institutions display a rigidity and inability to change, the crusade has encroached upon the jurisdiction of the agencies and has attempted to furnish disadvantaged groups the needed services. But as a rule, the crusaders preferred to secure funds to finance special programs for disadvantaged groups by existing institutions. For example, the training program advocated by the commission has been carried out by the vocational arm of the school system with MDTA funds.

The commission allocated some of its juvenile delinquency funds to contract local welfare organizations to perform specific services as part of the crusade's neighborhood center activities. In contrast to these operations, the commission has developed its capability to counsel and place unemployed youth.

The funding of the commission's activities indicated a recognition on the part of the Federal agencies that the established institutions had been found wanting, at least as far as their performance for unemployed youth was concerned. The action by the Federal agencies also implied a lack of confidence that the established agencies would be able to adopt needed techniques and methods to reach and service disadvantaged youth in low-income areas. A corollary implication suggested by the establishment of the commission was the apparent belief on the part of the appropriate Washington officialdom and representative citizenry in Syracuse that the disadvantaged groups were in a no man's land as far as established institutions were concerned and that the needed reorientation in ministering to their needs must be brought about by outside forces, such as the Syracuse crusade. The school's responsibility for the education of youth is clear. But the schools have obviously failed as far as the unemployed school dropouts were concerned and in many cases these youths cannot meet employment standards and they need assistance to enter the world of work. But no single agency has assumed the responsibility for providing the services necessary to transform the school dropout into an employable youth. The commission was therefore established to fill the existing void.

Needless to say, spokesmen for the established institutions see the situation in a different light. They normally admit that existing institutions have not provided adequate services to the disadvantaged groups in our society, but tend to pass the buck to others. The fault, according to these spokesmen, must be placed on American society, not on the specific institutions. They point to the fact that society has chosen, until very recently, to neglect or even ignore the problems of the disadvantaged and this was reflected in the meager resources allocated by society to established institutions, including schools, public employment services, and related activities, which left no room for frills or special services to the disadvantaged. These institutions had, therefore, concentrated upon servicing the fortunate majority in the mainstream of society. Now that society has decided to allocate additional resources to provide for the special needs of the poor, it would be wasteful, the argument continues, to establish duplicate organizational structures to care for the disadvantaged. All that is needed is to provide the traditional institutions with necessary additional funds. In Syracuse, for example, spokesmen for the school system claim that they are perfectly capable of ministering to the special needs of its poor students and that the school system already has on its staff the needed expertise to do the job. They point to the fact that the guidance counselor, vocaional counselor, and other key personnel of the crusade have come from the school system and still remain on its payroll, though on a reimbursable basis. The school system would have assigned these experts to perform the same job that they are doing for the commission, but could not afford to assign them to specialized tasks and neglect the needs of the vast majority. Similarly, spokesmen for the Syracuse Employment Service claim that they could have performed the services for youths assumed by the commission and they assert that the employment service could have done it better and at lower cost since the latter would have trimmed most of the overhead inherent in the establishment of the commission.

It is apparent that the appropriate Washington officialdom and the citizenry in Syracuse, as represented by the commission membership, were not persuaded by the above arguments and decided upon the financing of a new institution. The action indicated a skepticism about the ability of the old institutions to change existing programs and to adopt new techniques to serve the poor. The funding of the crusaders suggests the need of supporting an organization which would act as the spokesman for the disadvantaged and advance their interests. In the past, those who dedicated themselves to change established institutions had to achieve their ends at their own peril and with their own resources. The affluent society apparently has adequate resources to continue to support the old and to pay the reformers for bringing about change.

Friction between the crusaders and the two major established institutions concerned with youth employment, the local school system and employment service, began with the establishment of the commission. The extent and direction of the difficulties that the commission experienced with the school system differed, however, from the clash that developed between the commission and the employ-

ment service. The differences may be due partly to personality factors and the apparent greater readiness on the part of the school authorities to cooperate with the commission. But, no doubt, differences in organizational structure and administrative procedures played a significant role. It will be recalled that the MDTA grant for training unemployed youth is administered jointly by the Federal Departments of Labor and HEW. The Department of Labor contracted with the commission to carry out the counseling and placement aspects of the projects. It also provided for some of the administrative costs involved in the project. The HEW part of the grant, allocated for training, was channeled through the New York State Education Department to the Syracuse school system. The latter adopted the commission training program and design, including the selection of skilled craftsmen, rather than licensed teachers, as training instructors. But the school authorities remained in the driver's seat through their control of the purse string. Though the commission staff continued to chafe under what they considered to be stringent regulations imposed by the school authorities, the two parties succeeded in developing relatively smooth working arrangements.

In contrast, the relations between the commission and the employment service took a different direction. Neither group showed any readiness to cooperate in carrying out a program for unemployed youth and the frictions between the two agencies continued to intensify as the program developed. The crusaders apparently believed that the employment service was not properly geared to help the commission in any meaningful way to service poor youths, and there may be considerable basis for the commission staff apprehensions about the local public employment service capabilities in this area. In applying for funds to establish a Youth Opportunity Center in Syracuse the employment office recognized that most of the "dropouts, unmotivated and seriously disadvantaged" youths had never been in contact with the office. The employment service estimated that this group numbered about 2,500. The application suggested that about a fourth of the youths, aged 16 to 21, were outside the reach of the service.

Spokesmen for the Syracuse Employment Service asserted that the training offered by the commission contains little experimental features and that it should therefore have been administered by the service. They also questioned the quality of the training offered by the commission and suggested that its placement services are costly and inefficient. Representatives of the employment service also expressed concern that the duplicate publicly financed placement service would not only mar the image of the service in the eyes of the public, but would also do considerable damage to its total placement activities, if it is allowed to continue.

The conflict between the crusaders and the employment service is now a matter of public record, prominently reported by the news media. Whatever the outcome of this open antagonism may be, the unemployed will be the losers.

Phasing out the crusade

The question about the duration of the crusade's life has been discussed by commission members and staff, but has not been settled. There is also no evidence that the Federal officials have thus far faced up to this issue. Assuming that the crusade is needed to force attention on the problems of the disadvantaged groups and to mobilize resources, as well as stimulate change in existing organizations and to coordinate their separate jurisdictions, a strong case might still be made for a gradual phasing out of the crusade activities and trnsferring its responsibilities to the established agencies. It can hardly be expected that public funds will continue to support duplication of functions on a permanent basis.

The Syracuse experience suggests a possible approach to the eventual termination of the crusade, as well as the difficulties inherent in achieving this end. If the crusade is not to be perpetuated and if its essential functions are to be continued after it is phased out of existence, then it would be necessary for the established agencies to take over these functions and to acquire expertise to perform them adequately. As stated, some of the key personnel on the cruasade's staff concerned with activities normally in the domain of the educational system are schoolteachers assigned to work on commission-sponsored projects and are still being paid by the school system, though on a reimbursable basis. This arrangement should endow the school system wtih the necessary techniques and expertise to continue the work of the crusade, should the latter be terminated. On the other hand, no such arrangements have been developed with the em-

ployment service and there is no evidence that the latter is in any better position to take over the functions of the crusaders than it was nearly 3 years ago when the commission was established.

The initiative to plan for the termination of the commission will have to be taken by the responsible Federal officials who gave the original impetus to its creation and who have financed its activities. While the raison d'etre for the establishment of the commission was its dedication to stimulate change in society's service to the poor, it is not at all evident that this devotion to change includes also the planning for phasing out the life of the crusade. In December 1964 the crusaders submitted a $1.4 million application to the Office of Economic Opportunity to expand the scope of the crusade's war on poverty. This proposal does not indicate any plan for the eventual phasing out of the cruasade's operations and their continuation by established agencies, and the antipoverty proposal of the crusade cuts even more across jurisdictional areas of established agencies than its earlier training programs.[1] Understandably, the OEO staff has thus far been more than fully employed in generating and supporting new programs and has not had the opportunity to examine the issues involved in terminating projects. Eventually OEO will have to face up to the need to help plan for the eventual demise of the agencies which it creates or supports, and to transfer their activities to established institutions. However, in many cases it may take years until these institutions will be adequately prepared and equipped to service the disadvantaged groups.

CONCLUSION

This report has focused upon the programs developed by the Syracuse Crusade for Opportunity to aid deprived and disadvantaged youth and the organizational impediments encountered by the new organization in its formative stages. No doubt, many of the obstacles encountered by the Syracuse Crusaders could have been avoided by appropriate advance planning and coordination of the programs. For example, a great deal of the friction engendered in Syracuse between the crusaders and the State employment security service might have been minimized, though not completely eliminated, if the officials of both agencies had been thoroughly briefed on the capabilities and functions of their respective and mutual responsibilities. The experience of Syracuse, one of the pioneers in the war on poverty, might help other communities in planning their own programs, by avoiding pitfalls encountered in Syracuse and by adopting its promising features. A review of the manual prepared by the Office of Economic Opportunity for community action planners indicates that officials in that agency have a sophisticated appreciation and initimate grasp of the problems involved in establishing community programs and it might be optimistically hoped that the community action program will prevent in other communities the difficulties experienced by the Syracuse Crusaders in their youth employment program.

It would be premature to attempt to evaluate the impact of this local fledgling in the national war on poverty. Nor can it be expected that the operations directly initiated by the crusaders will have a significant impact in improving the lot of its disadvantaged constituency. The financial resources allocated to the new agency and the funds that it can realistically expect to receive in the future cannot possibly achieve even a small part of the difficult task ahead. If a meaningful program to break the chains of poverty is to be accomplished, and if youth unemployment is to be reduced to an acceptable level, this will be achieved only through the efforts of private enterprise and established public institutions, provided the latter can adapt, either on their own or in cooperation with the crusaders, to do the needed task. The Syracuse school system alone spends in 1 year about 30 times the total financial resources that have been made available to the crusaders in nearly 3 years of existence. Even the annual budget of the community chest is nearly three times as large as all the funds that the crusade has expended thus far.

The true measure of the crusade will be taken only in terms of forces it will stimulate, mobilize, and coordinate to achieve the tremendous task it was set up to do. It will take many years, at best, to achieve this end.

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[1] In February 1965 OEO approved a grant of $484,000 to the Syracuse Crusade. The program called for the establishment of an emergency child care service and for providing other services to the poor in a neighborhood help center.

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