EMPLOYMENT, GROWTH, AND PRICE LEVELS

HEARINGS

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

EIGHTY-SIXTH CONGRESS

FIRST SESSION

PURSUANT TO

S. Con. Res. 13

APRIL 25, 27, AND 28, 1959

PART 3—HISTORICAL AND COMPARATIVE RATES OF LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Printed for the use of the Joint Economic Committee

UNITED STATES
GOVERNMENT PRINTING OFFICE
38563 WASHINGTON : 1959

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington 25, D.C. - Price 35 cents

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EMPLOYMENT, GROWTH, AND PRICE LEVELS

SATURDAY, APRIL 25, 1959

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in room P–63, Old Supreme Court Chamber, the Capitol, Hon. Paul H. Douglas, presiding.

Present: Senator Douglas; Representative Patman, Coffin, and Widnall.

The CHAIRMAN. The committee will come to order.

The committee today starts the third set of hearings in connection with our study of economic policies which are being conducted under the general title of "Employment, Growth, and Price Levels."

After our opening hearings which presented general points of view on the economy at midcentury, we began to lay the groundwork of historical facts on which to base our conclusions, by looking at the overall measurements of performance in the economy, of prices, and productivity.

The hearings we are now about to begin, will set forth clearly and dispassionately the facts about employment, unemployment, and the labor force generally.

We have asked the witnesses today to focus on how unemployment and employment are measured and what the data reveal about the characteristics of the unemployed.

I know that the members of the committee who are absent today are sorry that conflicts in their schedules have prevented their participation in today's discussion. Congressman Curtis asked especially to have his regrets expressed to the witnesses, but wishes to assure them that their remarks will be carefully read in the transcript.

Our first witness is an old friend, Mr. Ewan Clague, Commissioner, Bureau of Labor Statistics.

STATEMENT OF EWAN CLAGUE, COMMISSIONER OF THE BUREAU OF LABOR STATISTICS; ACCOMPANIED BY ROBERT PEARL, CHIEF OF ECONOMIC STATISTICS BRANCH, POPULATION DIVISION, CENSUS BUREAU; LOUIS LEVINE, ASSISTANT AND DIRECTOR FOR PROGRAM, BUREAU OF EMPLOYMENT SECURITY; AND HAROLD GOLDSTEIN, ASSISTANT CHIEF, DIVISION OF MANPOWER AND EMPLOYMENT STATISTICS, BUREAU OF LABOR STATISTICS

Mr. CLAGUE. Mr. Chairman, I have a moderately long statement, complete with tables and charts. It is too long for me to read.

Chairman DOUGLAS. We will make it a part of the record.

(The complete statement follows:)

TESTIMONY BY EWAN CLAGUE, COMMISSIONER OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR

Mr. Chairman, and members of the committee, your committee has asked me to discuss the Government's measures of unemployment, employment, and the labor force. Yol have also asked me to comment on how these statistics can provide us with insight into the problem of unemployed workers, and how such factors as technological changes, pension plans, and other factors affect the mobility of the unemployed and their reemployment.

FEDERAL STATISTICS ON EMPLOYMENT AND UNEMPLOYMENT

The Government's statistics on employment, unemployment, labor force, and hours of work have received concentrated attention in the past 18 months as we moved through the recession and into the period of business recovery. These figures are indeed basic indicators of the state of our Nation's economy. For this reason we are constantly trying to improve not only the accuracy of the data, but the manner of presentation and interpretation. At this very time we are in the midst of working out arrangements for the expected transfer of responsibiilty for the monthly report on the labor force from the Bureau of the Census to the Bureau of Labor Statistics. Before I discuss this transfer and other developments in some detail, I would like to describe briefly the programs which provide these important measures of employment, unemployment, and the labor force.

The statisics are compiled from three major sources: household interviews, payroll reports from employers, and administrative records of unemployment insurance systems.

Data based on household interviews are obtained from a sample survey of the population. The survey is conducted each month by the Bureau of the Census and provides a comprehensive measure of the labor force, i.e., the total number of persons 14 years of age and over who are employed or unemployed. It also provides data on their characteristics such as age, sex, color, and marital status. The information is collected by trained interviewers from a sample of about 35,000 households in 330 acres throughout the country and is based on the activity or status reported for the calendar week including the 12th day of the month.

The employed total from the household survey includes all wage and salary workers and self-employed persons who worked at all during the survey week or who had jobs or businesses from which they were temporarily absent because of illness, vacation, industrial dispute, bad weather, or various other reasons, regardless of whether pay was received. It also includes unpaid workers in family-operated enterprises who worked 15 hours or more during the survey week. Employed persons are classified as working in agriculture or nonagricultural industries; those holding more than one job are counted only once, and are classified according to the job at which they worked the greatest number of hours during the survey week.

The unemployed total from the household survey includes all persons who did not work at all during the survey week and were looking for work regardless of whether or not they were eligible for unemployment insurance. Also included as unemployed are those jobless persons who (*a*) were waiting to be called back to a job from which they had been laid off; or (*b*) were waiting to report to a new wage or salary job within 30 days (and were not in school during the survey week); or (*c*) would have been looking for work except that they were temporarily ill or believed no work was available in their line of work or in the community. Prior to 1957, persons on layoff for definite periods of less than 30 days were classified as employed rather than unemployed as were all persons waiting to start new jobs within 30 days. The shift in definition of these two groups from the employed to the unemployed categories (amounting to about one-fourth million persons) was instituted following recommendation by the Review of Concepts Subcommittee of the Budget Bureau's Technical Committee on Labor Force, Employment, and Unemployment. The subcommittee gave careful consideration to the proper classification of these and other groups whose employment status could be considered ambiguous.

Data based on employers' payroll records.—The Bureau of Labor Statistics has developed, over a period of many years and with the cooperation of the

Bureau of Employment Security and State agencies, a comprehensive body of historical and current data on wage and salary employment, hours, earnings, and labor turnover both for the Nation and for States and areas. Each month the Bureau prepares estimates of the number of employees on the payrolls of nonagricultural establishments with detailed information on some 150 industries. Employment of production or nonsupervisory workers, average weekly hours and average hourly and weekly earnings are also available for a large number of industries.

The figures are based on payroll reports from a sample of 180,000 employers covering about 25 million workers. The employee figures include all workers (full time or part time) who received pay during the payroll period ending nearest the 15th of the month. Persons on paid sick leave, paid holiday, or paid vacation are included, but not those on leave without pay for the entire payroll period. Persons on the payroll of more than one establishment during the period are counted each time reported. Proprietors, the self-employed, unpaid family workers, and workers in private households are excluded. Because of these exclusions, the number of employees on payrolls of nonagricultural establishments is, on the average, about 7 million smaller than total nonagricultural employment based on household interviews.

Data from administrative records of unemployment insurance systems.—Data on insured unemployment published by the Bureau of Employment Security are obtained as a byproduct of the operations of the State employment security programs. Weekly reports, for the Nation and by State, are issued on the volume and rate of insured unemployment and the number of initial claims under State programs, including the program of unemployment compensation for Federal employees. Figures are also issued by State on the volume of unemployment compensation for veterans and nationally for the Railroad Retirement Board program.

Insured unemployment represents the number of workers covered by State programs who have been unemployed for at least 1 week and are claiming benefits. It includes some persons who are only partially unemployed but excludes persons who have exhausted their benefit rights, new workers who have not earned rights to unemployment insurance, and persons losing jobs not covered by unemployment insurance systems (agriculture, State, and local government, domestic service, self-employment, unpaid family work, nonprofit organizations, firms below a minimum size). As a result, insured unemployment includes only about two-thirds of total unemployment as measured by the household interviews. Initial claims are notices filed by workers losing jobs covered by State and Federal employee programs that they are starting periods of unemployment. A claimant who continues to be unemployed a full week is counted in the insured unemployment figures.

In addition to data from unemployment insurance systems, area labor market reports are prepared at bimonthly intervals by State employment security agencies for 149 major labor market areas. These reports contain statistics and analyses on employment, anticipated labor requirements, and labor turnover, by industry; unemployment, including insured unemployment; and labor demand and supply, by occupation. Statistics on employment and labor turnover developed in the joint BLS–BES agency programs are used in these reports for areas for which they are available.

Area classifications according to relative adequacy of local labor supply are assigned to the 149 major areas by the Bureau of Employment Security on the basis of the information in the bimonthly area labor market reports. The program of classifying areas, introduced during World War II, is designed to permit ready comparisons of general labor market conditions among areas. Under present area classification procedures, the 149 major areas are grouped into six major labor supply categories. The classification groupings are designated by letters ranging from A to F, with group A reflecting the relatively tightest labor supply and group F the relatively greatest unemployment. Areas classified in categories D, E, and F are regarded as meeting the requirements for designations as "areas of substantial labor surplus" under existing Federal programs to alleviate localized unemployment. In addition to the major areas, smaller areas with relatively substantial labor surpluses are reported semiannually.

TRANSFER OF THE MONTHLY REPORT ON THE LABOR FORCE FROM CENSUS TO BLS

Assuming approval by the Congress, the Bureau of Labor Statistics will have the responsibility for the content and analysis of data from the Monthly Report

on the Labor Force beginning next fiscal year. The Bureau of the Census will continue collecting and tabulating the data.

The transfer of the MRLF analysis function to BLS means that the Labor Department will have the primary responsibility for the Federal Government's analysis of all data relating to labor force, employment, and unemployment. This move represents a significant forward step in the Department's program of providing statistical data relating to the welfare of workers. It will now be possible for one agency to make the most efficient use of the analysts working in the field, and to provide integrated analyses of all data from household enumeration, from employer reports, and from unemployment insurance data.

In our continuing program of expanding and improving the data on employment and unemployment it will now be possible to take fully into account the interrelationships of the three basic series. All of these developments will result in better information on growth in the economy, and on the extent and nature of unemployment problems.

Public understanding of the statistical reports will also be considerably enhanced by regular press conferences. These conferences will give reporters an opportunity to ask questions and our technicians a forum for explaining the significance of changes in labor force, employment, and unemployment. As you probably know, the Bureau of Labor Statistics for years has used this procedure in releasing data from the Consumer Price Index. The Government's reports on employment and unemployment requires explanations of the figures fully as much as the report on prices.

The transfer of the analysis function from the Bureau of the Census to the Bureau of Labor Statistics is proceeding smoothly with the excellent cooperation of the census staff. We have met with several groups, both outside and inside Government, to get their advice on how the materials should be published, and what kinds of additional information they would like to have in the future. Among the groups consulted have been both the Business and Labor Research Advisory Councils to the BLS and the Federal Statistical Users' Conference. The conference with this latter group was attended by Mr. James Knowles of your committee staff.

Arrangements have been made to transfer key personnel from the analytical staff of the Census Bureau. Since last month, BLS and census staff members have functioned as a team so that BLS personnel can become familiar with the flow of data from the field through editing and tabulating into the final printed analytical report. We are now at the point of turning our attention to a number of housekeeping items and technical details connected with the transfer. Altogether, the whole transfer operation is working out very well, and in July we hope to be able to publish an integrated report without any difficulty.

PLANS FOR IMPROVING THE STATISTICS

As useful as all of these statistics have been in giving us insight into what is going on in the economy, there is still a need for extending them. For example, some of the broad questions which you have asked me to discuss can only be talked about in a general way. There is a distinct need for broadening our statistical programs so that we can describe and measure with accuracy the forces influencing our economic well-being and their results.

The existing statistical programs also need and are receiving attention directed to improving their accuracy and increasing their usefulness. All too often, I would guess, you have wanted precise information about some critical segments of economic activity and found that no figures were available. Or you may have wondered how significant a movement in one of the published series might be and have been told that no conclusion could be drawn because the figures were not precise enough.

I think we have been making major strides in bridging these gaps of ignorance. For example, the statistics we derive from establishment reports have been continually refined over the past few years and their usefulness to the public increased. With the cooperation of State agencies we have increased the coverage of our payroll employment sample from about 160,000 establishments in 1957 to 180,000 in 1958. The reports from these establishments now cover about a half of the Nation's nonfarm wage and salary jobs. We can, from these reports, give you the figures you want on employment, hours, and earnings for detailed industries and for many local areas as well.

We have been engaged in a continuing program of controlling the quality of these payroll statistics. This program has involved personal surveys of many of

our employer reporters and detailed analysis of their response to our regular payroll inquiries. The objective of this has been more than the pursuit of statistical perfection. It has enabled us to make our employment, hours, and earnings statistics more accurate and meaningful; it has given us a better idea of the types of information that are available; it has permitted us to frame our inquiries in terms which employers can readily respond to from the records they keep. For the time being, operations under our quality control program have been reduced, but we hope to be able to resume them on a larger scale when our resources permit.

Our program for labor turnover statistics has also been expanded so that we can now publish hiring, layoff, and other turnover data for a number of individual States as well as for the Nation as a whole. We hope eventually to be able to extend this program to cover all States and also to be able to provide data in greater industrial detail than is now possible.

We are now proceeding with the rather complicated job of converting all of our payroll statistics to the new standard industrial classification system, to keep these statistics comparable with others which will be put out according to the same standards and to bring our industrial groupings up to date with current economic practices.

We also have under consideration the presentation of our payroll statistics separately for plants of different sizes in individual industries. Such stratification of our statistics by the size of establishment would give us some idea of trends in growth among different size groups, and how well small business firms are doing compared with larger firms in each industry. It will also add to the accuracy of our data on earnings by industry. What we will be able to accomplish in this direction will depend on the availability of resources.

We also hope some day to be able to present, for all nonfarm wage and salary workers, figures on hours of work which will have as much authority and be as useful in gaging economic developments as those we now publish for manufacturing industries and a few nonmanufacturing industries. This, however, will be a formidable task that will require considerable expansion of our current resources. In the light of the usefulness of our present hours and earnings figures in appraising economic developments, I believe that a program for measuring hours of work in the whole economy is a well worthwhile objective.

The household survey has also been extended and improved over the years in the Bureau of the Census. The sample has been enlarged to provide additional detail on the characteristics of workers and to improve the quality of the statistics. Ever since the survey was established there has been a continuing program of increasing its efficiency. Questions have been sharpened to prevent ambiguous responses, industrial and geographical representation has been improved, and increasingly high standards of performance have been applied to all of the survey operations. One of the most dramatic examples of increased efficiency has been the shift from the use of mechanical tabulating to electronic equipment.

I wish to assure you that the drive to constantly improve the Monthly Report on the Labor Force survey will continue. No major changes are planned for the next fiscal year but we hope to publish a few additional details from the statistics already available. It is planned, for example, to resume publication of data on the movement of workers from one labor force category to another—for example, how many who are unemployed one month get jobs the next, and vice versa. Another way in which we hope to improve the usefulness of these statistics is to make them available in forms which will be equally informative to technicians and laymen alike. Those of you who have seen the chartbook we recently published on "Who Are the Unemployed?" will know what I have in mind.

Potentially the MRLF survey can provide answers to some of the questions you have raised about the relationship of labor mobility and unemployment to certain factors such as seniority, pensions, and supplementary unemployment benefits. However, it is no simple matter to get information on these subjects through household enumeration. The value of getting additional information must be weighed against the effect of overburdening the respondent and thus jeopardizing the basic survey questions. Availability of space on the questionnaire is another important consideration, since space for supplementary questions is in great demand and is normally scheduled many months in advance. Cost is another factor, because additional questions mean printing costs, training of enumerators, programing for machines, analytical time, etc. For these reasons, asking additional questions or any changes in the survey must be carefully considered and must necessarily be introduced slowly.

Further work is being done on seasonal adjustment of the unemployment and other labor force data. As you know, there is a high degree of seasonality in unemployment. In the winter months the total number of jobless increases as outdoor work is curtailed, then declines until early summer when large numbers of students enter the work force to seek postgraduation or temporary summer jobs. By October, unemployment is usually down again to the year's low point.

In order to clarify the basic economic changes, the Census Bureau has developed seasonal adjustment factors which attempt to allow for these recurring swings. On the basis of these factors the Census Bureau publishes both the actual and the seasonally adjusted rates of unemployment each month. These adjustment factors are not considered entirely satisfactory and research is still going on to improve them.

The Bureau of Employment Security is working with the State agencies on a series of studies to assist in measuring and making adjustments for administrative factors which tend to distort interstate comparisons. Beginning with the unemployment insurance claims information to be submitted in July of this year, the State agencies will adjust these data, when necessary, to eliminate the effects of rescheduling of claimants on the insured unemployment figures. The basic objective is to assign the weeks claimed by rescheduled claimants to the week in which they would have filed if the usual routine had been followed.

Because the volume of exhaustions can seriously affect the level and trend of insured unemployment statistics, the Bureau of Employment Security instituted weekly reporting of exhaustions by the eight largest States in the spring of 1954. These eight States together usually account for about 50 percent of the national total. All States report exhaustions on a monthly basis.

Important information on the problem of unemployment is related to what happens to claimants after they exhaust their benefit rights. Since they are no longer required to report to the local employment offices, this information cannot be obtained as a simple byproduct of regular operations. Instead, it requires special contacts with the former claimants to determine their current labor force status. During the last several years, studies have been made of postexhaustion experience of claimants in more than half the States. These studies follow a uniform method which assures comparability of data among the States. These data are valuable, not only for economic analysis purposes, but also in evaluating the benefit duration provisions of unemployment insurance laws.

LABOR FORCE TRENDS

I believe it would be useful to turn next to a brief discussion of the basic trends shown by the data on labor force, employment, unemployment, and hours. As I pointed out in January 1959 when I appeared before this group during hearings on the Economic Report of the President, labor force growth from year to year is very uneven. In the 8 years from 1950 to 1958, growth averaged about three-fourths of a million persons a year, but the increase ranged from less than 400,000 in one year to almost 1½ million in another. We know that the size of the labor force is closely related to the number of persons of working age in the population. If population growth alone determined labor force growth it would be a simple matter to calculate the expected size of the labor force at some future date within a 10- or 15-year period. One would have only to take projections of population already born in the base year and apply age-specific rates of labor force participation.

But there are three population groups whose rates of labor force participation have been showing a secular trend as well as considerable response to general economic conditions. These groups are (1) married women whose rates of labor force participation have been increasing over a long period of time; (2) men 65 years of age and over whose rates have been dropping over the years as retirement has become more feasible and prevalent; and (3) young persons of school age whose labor force activity has also declined in the long run as a result of extended schooling and basic shifts from farm to urban living and the attendant changes in work patterns of youth. The long-range trend in the rates for these groups has been quite clear, but the amount of that change is quite sensitive to the job situation. When the economy is expanding at a great rate and jobs are readily available women tend to enter the work force in greater numbers; more youths in school find part-time jobs and older men may postpone retirement. They respond to the demand for labor. It may be that the entry of women and youngsters in greater-than-usual numbers represents a borrowing ahead of labor supply that would have been available a few years later. This may account in

part for a dampened rate of entry in the year immediately following. In addition to this possibility, there have been at least 2 years since 1950 when less-than-trend growth in these labor force groups could be ascribed to lack of job opportunities.

These irregular changes can be seen in chart 1. Starting with 1950, the labor force increased by 1¼ million in 1951 as production was increased and the Armed Forces expanded following the Korean outbreak. The almost 500,000 greater-than-trend expansion was supplied to a large extent by youths and adult women. In the following two years, the growth was greatly dampened with a net addition to the labor force of barely 1 million for the 2-year period. As of 1953 the average size of the labor force was back on the trend line. In the 2 years following the 1951 sharp expansion, rates of labor force participation for youths and men 65 and over had dropped back; increases in rates for adult women were much smaller than average.

In 1954, when job opportunities became scarce during the economic downturn, the labor force growth remained small—less than one-half million—and the total was 300,000 below the trend line. The groups which were responsive to the earlier expansion were now below trend. Then followed 2 years of great expansion. Almost 1.1 million persons were added to the work force in 1955 and another 1.5 million in 1956. About three-fifths of the net additions in the 2 years were supplied by adult women. As the chart shows, the total labor force was back on the trend line in 1955, and in 1956 it exceeded the expected level by 700,000.

As labor demand slackened in 1957, fewer women were added to the work force and labor force participation rates for young workers and men 65 and over dropped more than expected on the basis of long-term trends. For the year as a whole, the labor force showed only 350,000 net increase and was back again on the trend line.

In 1958 labor force growth was again much less than average, and the total dipped below trend value by about one-fourth million. The scarcity of jobs apparently discouraged some school-age youths from seeking employment. Older men retired from the labor force in greater numbers than usual. Adult women continued to be added to the work force but in reduced numbers. The total number of women in the labor force was back to about the size indicated by continuation of trends in labor force participation rates and their number in the population.

Labor force growth so far this year is running about one-half million above a year ago. If the labor force returns to projected trend by 1960, about 2¼ million workers would be added in the 2 years between 1958 and 1960.

We are in a period when the population of working age is beginning to increase somewhat more rapidly than in the past decade. The really sharp population gains in the young working ages will begin in the early 1960's. For a few years these population increases will be concentrated in the age groups whose principal activity will still be attending school. As long as they are still students, some of them may postpone their entry into the labor market if jobs are not plentiful. But by the mid-1960's this large group of young people will be in their late teens and at this point many will be ready for fulltime career jobs. These years will be critical in terms of having enough economic growth to provide jobs for the large number of youths entering work career.

CHANGING INDUSTRIAL DISTRIBUTION OF EMPLOYMENT

To provide an estimate of how the future labor force will match job opportunities, BLS made long-range studies of the changing industrial and occupational patterns of employment. Over the past century the country moved from a predominantly farm economy with some craft industry into a predominantly industrial economy with a much reduced farm sector. The rapid technological changes that are in progress now, and that are expected to prevail over the next 20 years, indicate that the pattern of employment distribution will continue to change in the future. I would like to briefly describe the major changes that have occurred in the distribution of employment over the past several decades and also to suggest what continued changes we might expect over the next decade and a half.

First, the most obvious and important change is the continued growth of total employment. Between 1929 and 1957, employment increased by about 36 percent. Over this same period, there was a continuing shift in employment from the goods-producing industries (which include the extractive industries, construc-

tion, manufacturing, and agriculture) to the service-producing industries (which include trade, finance, transportation, public utilities, government, and miscellaneous service industries) (chart 2). In 1929 employment in the goods-producing sector accounted for 59 percent of total employment while that in the service-producing sector accounted for 41 percent; in 1957, the corresponding ratios were 47 percent and 53 percent. During this period, goods-producing employment increased by only 8 percent, while the service sector had an increase of about 77 percent. (The recent business decline affected goods-producing employment more sharply than service industry employment and exaggerated these ratios for 1958.)

The much slower growth in the goods-producing sector resulted mainly from an absolute decline in employment in agriculture and mining. Construction grew at a faster rate than total employment during this period. Manufacturing also showed an increase in employment proportionately greater than the total labor force for the period as a whole, although employment in manufacturing has been increasing at a slower rate in the post-World War II period.

All the industry divisions in the services sector increased in employment over the period, and only in one of them—transportation and public utilities—did employment increase at a slower rate than employment as a whole. By 1975 we expect that the service-producing industries will make up an even larger proportion of total employment.

The growth of our working population and the changing industrial distribution of employment has been accompanied by some major changes in the occupational structure of the labor force. The attached chart 3 shows the kind of change that has taken place. It shows that white collar workers—nonproduction workers in manufacturing and mining, and supervisory employees in public utilities, trade and construction—have increased greatly as a proportion of the total employment in these industry divisions. For example, nonproduction workers, as a percentage of total manufacturing employment, increased from 16 percent to 23 percent between 1947 and 1957. In fact, during the 1947–57 period when nonproduction workers increased by more than 50 percent, there was virtually no increase in the number of production workers.

In 1956, for the first time, white-collar workers (professional and technical workers; managers, officials, and proprietors; and clerical and sales workers) exceeded the number of blue-collar workers (craftsmen, operatives, and laborers). White-collar occupations accounted for about 22 percent of total employment in 1910, but by 1957, the proportion was 41 percent. On the other hand, blue-collar workers accounted for 38 percent of total employment in 1957, unchanged from its proportion in 1910. In the next decade, each of the white-collar groups is expected to grow faster than the labor force as a whole. It is anticipated that the professional and technical workers groups will show the fastest rate of growth. Our projections indicate that this group will increase more than twice as fast as the labor force as a whole. (In addition to the blue-collar and white-collar groups, there are two other large occupational categories—service workers and farmers and farm workers. The service group increased somewhat faster than total employment in 1910–57 period. However, farmers and farm workers declined substantially in employment during this period. In fact, today, there are fewer farmers and farm workers than professional and related technical workers; whereas in 1910 the farm group was more than 6 times as large.)

THE RECENT RECESSION

The economic situation has improved since I delivered my testimony before you in January. At that time, the various measures of employment had for several months shown only modest gains and the pattern of recovery was not very clear. During the last few months, however, we have had a succession of reports indicating sustained improvement in the job situation as well as in general economic conditions.

This committee is familiar with the picture, but it may be useful to review the course of the recent recession. Even while we were reaching new peaks of industrial activity in 1957, several situations were developing which, acting together, were to result in the business downturn we experienced.

These developments centered about the durable goods sector of the economy. Business spending for new plant and equipment dropped off sharply after 2 years of record growth which temporarily expanded our production capacity beyond the current levels of demand. At the same time, demand for new

automobiles and other durable goods was falling. Homebuilding activity declined, partly because of conditions in the money market. In addition, the Government slowed down its procurement of military goods while a reappraisal of our defense policy was underway and major decisions were being made regarding new fields of weapon development. In addition, businessmen cutback on production still further in order to liquidate inventories.

The results were evident through the fall and winter of 1957–58. The gross national product declined by $20 billion (at annual rates) from the peak of $446 in the third quarter 1957 to the first quarter of 1958. The number of jobs in the nonfarm economy dropped by 2.4 million (allowing for seasonal variation) or 4½ percent, between August 1957 and April 1958. (Chart 4.) Manufacturing employment fell by 10 percent as the payrolls of durable goods industries were cut sharply. The number of unemployed swelled by 2¼ million (seasonally adjusted), an increase of almost 80 percent over the jobless levels which had previously been relatively unchanged for 2½ years. About 7½ percent of the labor force was completely idle. In addition the factory workweek dropped by 1½ hours as large numbers of workers were reduced to part-time. The number of full-time workers whose hours were cut below 35 totaled 2¼ million at the depth of the recession compared with about 1 million in August 1957. Labor income dropped by $9 billion (at annual rates) between August 1957 and April 1958.

As I stated in January, the duration of this business downturn was relatively brief, and the sharpness of the decline was blunted by a number of forces working in the other direction, some of them exerting such noticeable effect for the first time.

The effect of these forces was to shore up consumer income and provide a basis for sustaining consumer demand. In fact, total consumer income remained relatively high throughout the downtown, and the demand for nondurable goods and for services continued strong. More than half of the $9 billion drop in labor income was offset by increases in transfer payments—unemployment benefits, payments under old-age and survivors insurance and under other Government retirement and welfare programs. Unemployment benefits, which were the most important factor, were extended for longer periods under temporary unemployment compensation plans becoming effective in July 1958. As a result of these increased payments the total decline in personal income amounted to less than 1½ percent.

In addition to Government programs, expanded private programs helped to moderate the decline in income. These involved plans for supplementary unemployment compensation, severance pay and retirement. Also contributing to the stability of personal income was the maintenance or increase in general wage rates, the rise in farm income, and the keeping up of dividend and interest payments even while profits fell.

An additional factor adding to the general stability of employment and consumer income was provided by the continued growth of service-type industries and the general maintenance of job levels among so-called nonproduction workers whose work in research, administration, and sales continued even in the face of declining business.

These influences did not tip the beam in the direction of recovery until after April of last year, partly because the business recession may have been extended and aggravated by exceptionally bad weather during the late winter. After April, however, business conditions began to improve. Relatively rapid recovery followed in employment and hours for about 5 months, but unemployment remained high. From September until the end of the year the economy seemed to hesitate even though output continued to move back to prerecession levels. It was with this background that I spoke to you in January.

Since that time, however, we have had a resumption of recovery in employment and most other economic activities as well. For a couple of months there was some lag in the unemployment situation but last month—March—we had a heartening reduction in the number of jobless.

Where do we stand now? In March we were in our 11th month of recovery following the low point of the recession. We have recovered more than half the loss in total payroll employment. We have regained a somewhat smaller proportion of factory jobs, but the job situation in this crucial sector nevertheless continues to improve. (Chart 5.) We have also wiped out half of the recession increase in unemployment. The unemployment rate, which had reached 7½ percent, has come down to about 6 percent. (Chart 6.)

While the job situation is about halfway back to prerecession levels, the picture of recovery is quite different when measured in other economic terms. Gross national product for the first quarter of this year will probably come to about $465 billion, almost $20 billion higher than the prerecession peak in current dollars, and roughly half that amount if allowance is made for price increases. The volume of factory output has also climbed back to its peak. However, manufacturing employment is still 5 percent below its prerecession level and unemployment is still higher than we would want to see it.

Total unemployment, at 4,362,000 in March 1959, was 840,000 below a year ago, but was still 1½ million higher than in March 1957.

WHO ARE THE UNEMPLOYED?

Considerable Government information is available on this question and also on the identification of those groups which are now experiencing the heaviest incidence of unemployment.

Workers from durable goods manufacturing and mining industries, hard hit by the recession, still account for a disproportionate number of the unemployed. They have the highest rate of unemployment except for construction workers who always have very high rates in the winter months. Trade and service account for a large number of unemployed since they are big industries.

Rates of unemployment in March were below a year ago in all major industries except mining, which was one of the hard hit industries during the recent economic downturn. The unemployment rates in durable goods manufacturing and transportation, which were also among the most severely affected industries during the recent recession, showed the sharpest drops over the year. Within the durable goods sector, rates were down considerably in primary metals (13 percent to 5½ percent) and in automobile manufacturing (25 percent to 10 percent), although the rate in autos was still relatively high. Joblessness in construction and service was little changed from the previous year. Compared to 2 years earlier, however, unemployment was still significantly higher in all major industries (table 1).

Blue collar workers (laborers, operatives, and craftsmen), who are concentrated in the recession-affected industries and in construction, had the highest rates of unemployment in March. Nearly 6 out of every 10 jobless workers were from these 3 occupational groups.

Joblessness among operatives was down sharply from a year ago when factory production was severely curtailed. Operatives accounted for nearly 70 percent of the 800,000 drop in total unemployment since March 1958. Craftsmen, who were also severely affected by the recession contributed another 18 percent of the total decrease in unemployment (table 2).

The unemployment rate for men (6.5 percent in March) was not much higher than the rate for women (6.2 percent). A year ago, during the depths of the recession, unemployment was considerably more severe among men than women (8.2 percent for men versus 6.6 percent for women).

Compared with prerecession levels of 2 years ago unemployment among men was 1 million higher; among women 460,000 higher. For men 25 to 54 years of age, most of whom are married men with families, unemployment was up 600,000 over 2 years ago. Young workers under 25, many of whom are single, had the highest rates of unemployment. This is true, however, in good times as well as in recession periods, because they frequently move between jobs as well as into and out of the labor force and these movements often mean temporary periods of job hunting (tables 3 and 4).

Older men were not as severely affected during the period of job cutbacks, but those who lost jobs have been having greater difficulty than other men in finding jobs during the period of recovery.

Out of every 10 persons jobless in March, 2 were males under 25 years of age, 5 were males 25 years old and over, 1 was female under 25, and 2 were females 25 and over.

Nonwhite workers continued to account for approximately one out of five of the total number of unemployed persons in March, twice their proportion in the labor force. The rates of unemployment among nonwhites were 13.6 percent for men and 11.4 percent for women, compared with 5.7 percent for white men and 5.5 percent for white women. In part, these high rates for nonwhites are explained by the fact that they are heavily concentrated in unskilled jobs which always have high rates of unemployment for both white and nonwhite workers. Another factor is that many nonwhites are low on the seniority ladder because they got jobs in industrial areas in recent years (table 5).

Long-term unemployment throughout this recession has been greater than in the two earlier recessions (see chart 7). Even though the number of long-term unemployed was about 350,000 below its April 1958 peak, it was still nearly 2½ times as great as in March 1957 and 350,000 above the peak level of the 1949–50 recession. Long-term unemployment last month was high among jobless persons in durable goods manufacturing, transportation and mining, among operatives and nonfarm laborers, among men over 45, and among nonwhite males. About 40 percent of all the unemployed in each of these groups had been jobless for 15 weeks or more (tables 6–10).

Half of the long-term unemployed (nearly 800,000) were out of work for 27 weeks or more. This number was nearly double that of a year earlier and was 300,000 higher than the peak number in the 1949–50 recession.

Communities hardest hit were those with heavy concentration of factories producing autos, steel, machinery, and other durable goods. In March 1959, 74 of the 149 major labor market areas were classified as areas of substantial labor surplus. Among the large metropolitan areas with heavy labor surpluses are Buffalo, Charleston (W. Va.), Detroit, Providence, and Pittsburgh. Most of the labor market areas are looking toward relatively small and predominantly seasonal improvements in the next couple of months. Small-to-moderate expansions are looked for in steel, electrical machinery, and fabricated metals. On the other hand, reports from major auto and aircraft centers indicate continuing uncertainly in the employment outlook.

In brief, serious unemployment and long duration of joblessness continue among workers from certain industries and in the areas where these industries are concentrated. It is also still high among nonwhite workers, and is not showing much improvement among older workers. Why do these problems persist when the economy is showing a significant general improvement? Many individuals have offered a wide variety of explanations. I should like to briefly discuss four general factors which I believe have an important bearing on this question.

1. Longer workweek and improvement in efficiency

When business starts to pick up, employers tend to increase their workweek rather than hire additional employees (chart 8). For one thing, if they have been operating on a part-week basis it is usually more efficient to add hours instead of workers. However, even when a shop is working full time, there are reasons for putting men on overtime before increasing the workforce. It costs money to put men on the payroll; an employer incurs obligations for severance pay, unemployment insurance and supplementary unemployment benefits, and health and welfare benefits, which may run far higher than overtime pay if these new men have to be laid off soon after they are hired. Moreover, there is the problem of community relations. Hiring workers may make a bigger splash in the local papers than increasing hours, but the splash is also louder when the firm has to lay the men off. For these reasons, when a businessman isn't quite sure how long a pickup will last, he is going to give more serious consideration to increasing hours than to hiring new men.

There are also improvement factors, which tend to push up output faster than employment during a recovery period. Management is not only more cost conscious as a result of having been over the coals of a recession, but it is also in a better position to do something about it. They may have a choice of the production facilities which need to be started up again, and they will tend to choose the most efficient.

2. Effect of labor force expansion on the number of unemployed

Another factor which tends to keep up the number of unemployed during a period of recovery is the tendency for the labor force to grow faster when job opportunities are expanding. As I pointed out earlier, larger numbers of youngsters and women enter the labor force when jobs are plentiful. Many of these workers get jobs immediately, but others spend short periods of time in search of jobs and add to the number of unemployed. If, for example, the labor force should expand as rapidly as it did during 1955 and 1956, when a total of 2.6 million workers were added, jobs would have to expand at an equally rapid rate to keep unemployment from increasing. It is, of course, unlikely that we will have such an exceptionally high rate of growth during the next 2 years, but it is important to bear in mind that as job opportunities expand, the labor force also grows. Because such labor force growth occurs almost entirely

among women and youth, the unemployment engendered is much less serious than that created by a recession, when a large proportion of the unemployed are family breadwinners.

WHY ARE UNEMPLOYED WORKERS "STUCK" IN DISTRESSED AREAS?

As in all recessions, the unemployed are concentrated in the communities which contain the hard-hit industries. Because prosperity has returned to some sectors of the economy, one frequently hears the question, "Why don't the unemployed shift to an expanding industry or move to other areas where there are jobs?"

It is often difficult for an unemployed worker to shift from his regular line of work into a new field. Even when there are openings in his community, they may be in trade and service activities which hire mostly women and young workers. Moreover, employers may be reluctant to hire workers whose experience and training has been in manufacturing or mining, particularly if they have reached middle age. The problem becomes even more intense when the unemployed worker is living in a distressed area where jobs of any kind are likely to be scarce.

Frequently, the unemployed worker has to decide if he should accept wages which are considerably lower than those he is accustomed to getting, or keep on looking for a job which matches his old one. If he has lost a job in manufacturing, mining, or railroading and finds another one in trade or services activity, he is likely to have to take a sharp cut in wages. Here again older workers with families are at a particular disadvantage because they have become accustomed to a certain level of living. A drop in earnings affects the kind of house the family can afford, what they eat, and all of their social activities.

These impediments to changing jobs and industries are minor in comparison with the obstacles an unemployed worker faces when he is forced to consider leaving his hometown.

A man with several years of service with a particular company has built up a structure of seniority and pension rights, vacations, and sick benefits. The holding power of this investment in the job is reflected in the long-run decline in the BLS quit rate in manufacturing (see Employment and Earnings, December 1956, pp. iii–ix). The value of his investment with a company is of course commensurate with the number of years he has worked. In many cases he has developed a specialized skill which is not readily transferable to another employer's operations. All of his vested interests in the job lead the unemployed worker to hang on as long as possible before leaving the area.

In addition to an investment in his job, the worker usually has an investment in a home, and the intangible, emotional ties of his entire family to friends, schools, churches, or perhaps a favorite fishing spot. Owning a home is perhaps the most formidable barrier to moving out of a labor surplus area. Most houses are purchased when times are good and house prices are high. Prices of houses are down when an area is depressed, and indeed, selling is often difficult at any price. Under these conditions, selling a house could mean a loss of several thousand dollars, representing a lifetime debt for most workers. Moreover, the unemployed worker presumably would be moving to a growing, prosperous community, where house prices probably would be far higher than in his hometown. When one adds to this potential loss the ordinary costs of moving, it is easy to see that leaving a community cannot be undertaken casually.

Aside from the financial barriers, the workers must also wrestle with the question of tearing up his roots. These roots are shallow for the young unmarried worker, who can pack a suitcase and be off, if he has the bus fare. It's not quite so easy for the man with a wife, but unless he has bought a house and has young children, moving is still a relatively simple matter. For the man with a house and children in school, moving away becomes complicated indeed. By this time the family's roots have sunk deep. Not only the parents but the children have a myriad of ties to the community—friends, schools, social organizations. Unfortunately, those with the deepest roots—the older ones—also have the poorest prospects for getting a job in a new community.

When an unemployed worker faces the prospects of losing his hard-earned job rights, a substantial loss in selling his house, and tearing loose from his community ties, it is understandable that he would convince himself that he might get his old job back if he could only hang on a while longer. A number of

studies, including several done under the auspices of the Labor Department, have found that the unemployed tend to be optimistic about recovery in their industries. This attitude is likely to be particularly prevalent in areas which have been hit by two previous postwar recessions and managed to make comebacks.

The possibility of significant losses in income is an additional factor holding workers to the areas where they have held good jobs. The unemployed in high wage areas know that it would be unlikely that they could match their previous earnings in other communities. Semiskilled workers in particular would be aware that their highly specialized skills are hard to sell in other industries and that they have to take unskilled jobs. The most extreme cases would be Negro workers who originally came from farms and whose chances of doing as well somewhere else would be almost nil.

THE DYNAMIC LABOR FORCE AND SHORT-TERM UNEMPLOYMENT

The factors I have just described contribute to immobility of workers and help to explain why unemployment persists in certain communities and among particular groups of workers such as older men and Negroes. Paradoxically, a considerable volume of unemployment is also found among workers who change jobs readily. In a free and growing economy some of this unemployment is unavoidable. There are always millions of workers on the move in our large and rapidly expanding country, because workers are free to make their own decisions about seeking better jobs, moving to areas of greater economic opportunity, or even simply finding a better climate. For the most part, these are young workers and adult women for whom the unemployment connected with job shifting or entry into the labor force is usually not as protracted or as serious a problem as it is for adult men.

In 1957, a total of 33 million people, or 1 out of every 5 in the population, changed their places of residence, and 5½ million moved across State lines, many of them to California and the Southwest States where the climate is pleasant. In the same year more than 2½ million persons voluntarily left their jobs in manufacturing industries alone. In an average month, 3 or 4 million persons enter the labor force and nearly the same number leave.

Most of these are women and students who take seasonal jobs in the garment trades, canneries, in stores during the Christmas season, etc.

There is always heavy turnover among the unemployed, too. Of the 4¾ million unemployed in February, for example, 2 million were no longer unemployed in March—1.4 million had found employment and 600,000 had left the labor force. Between February and March, on the other hand, 1.6 million persons were added to the unemployed group as 900,000 lost jobs and 700,000 came from outside the labor force.

Another factor which contributes to the large volume of job shifting in this country is the strong desire of our workers to establish their own businesses. Because everybody is free to go into business for himself, thousands of new firms are organized every year. When new businesses fail, both the employers and the employees must find new jobs.

As a result of all this shifting and moving, which appears to be unique to the United States, there are always some workers temporarily between jobs and who are counted as unemployed. As I have already indicated, if the individual is not working and is looking for work, even for a part-time job, he is counted as unemployed regardless of his economic circumstances. Obviously, the count of unemployed includes persons who do not experience the hardships that are often connected with unemployment.

LONG-TERM CHANGES IN LABOR FORCE COMPOSITION

Most of the shifting in and out of the labor force is accounted for by housewives and students, for whom jobs are often of secondary importance, and who often are not compelled to work out of necessity. Not all housewives, however, are in that part of the work force that moves back and forth between home duties and outside work. Women have made up an increasingly large proportion of the Nation's regular labor force in recent years, making up for declines among older men and youths.

One might ask why this is happening when per capita income is higher than it was 30 or 40 years ago. The answer seems to be that rapidly expanding trade

and service industries have created a need for more women workers, and the introduction of technology into the home has made it possible for housewives to fill this need. Years ago housewives spent most of their time shopping, cooking, sewing, washing, and ironing. These burdensome chores have been dramatically lightened by home technology, including washing machines, frozen and prepared foods, readymade clothing at reasonable prices, etc. The time saved through use of laborsaving devices in the home has given women the opportunity to take outside jobs, to buy bigger homes, new cars, and to pay for college educations for their children, which have become as much a part of the American standard of living as food, clothing, and minimum shelter. The availability of women workers has permitted the economy to expand, but of course has also made additional workers vulnerable to unemployment.

The increase in women workers has been the most significant change in the composition of the labor force during the last 40 years, but particularly since World War II. In 1920, 24 percent out of all women over 14 years of age were in the labor force. Today the proportion is 1 in 3.

In looking at the years immediately ahead, we can expect to find young workers contributing the greatest numbers to the labor force. This will occur despite declining worker rates among the young because their numbers in the population will be growing so greatly. By 1965, there will be nearly 40 percent more workers under 20 in the labor force than there are today. Greater numbers of youth will mean greater competition for the jobs for which they can qualify. At the same time, the kinds of jobs which can be filled by inexperienced and untrained workers, as I said earlier, are diminishing relative to those calling for a higher degree of training. The coming together of those two forces is likely to mean greater unemployment among our youth unless measures are taken to meet this situation.

While this is a matter which merits serious consideration by the Congress, it is important to note that many of the unemployed youngsters will be high school and college students looking for part-time work. In developing programs to promote employment opportunities for youth it will be necessary to distinguish between the problems of potential full-time workers and the student jobseekers.

TABLE 1.—*Unemployment by industry, March 1957, 1958, and 1959*

Industry	Number (in thousands)			Percent distribution			Rate of unemployment		
	1959	1958	1957	1959	1958	1957	1959	1958	1957
Total [1]	4,362	5,198	2,882	100.0	100.0	100.0	6.4	7.7	4.3
Farm	204	279	123	4.7	5.4	4.3	3.8	5.2	2.2
Nonfarm	3,844	4,679	2,519	88.1	90.0	87.4	6.2	7.6	4.1
Wage and salary	3,730	4,537	2,414	85.5	87.3	83.8	6.7	8.2	4.4
Mining	80	82	50	1.8	1.6	1.7	13.1	12.7	7.5
Construction	752	742	445	17.2	14.3	15.4	18.8	20.0	12.5
Manufacturing	1,199	1,777	771	27.5	34.2	26.8	6.9	10.1	4.3
Durable	745	1,191	409	17.1	22.9	14.2	7.4	11.6	3.9
Primary metal	68	169	36	1.6	3.3	1.2	5.6	13.2	2.6
Fabricated metal	81	108	51	1.9	2.1	1.8	7.1	10.4	4.2
Machinery except electrical	77	155	31	1.8	3.0	1.1	5.0	8.9	1.8
Electrical machinery	100	111	58	2.3	2.1	2.0	7.9	8.8	4.5
Transportation equipment	166	367	84	3.8	7.1	2.9	6.9	14.5	3.1
Auto	101	263	49	2.3	5.1	1.7	9.7	24.7	4.1
All other	65	104	36	1.5	2.0	1.2	4.8	7.1	2.5
Other durable	253	281	149	5.8	5.4	5.2	4.9	6.2	4.8
Nondurable	457	586	362	10.5	11.3	12.6	6.2	8.0	4.9
Transportation	222	366	164	5.1	7.0	5.7	5.0	7.9	3.5
Trade	708	807	537	16.2	15.5	18.6	6.6	7.7	5.2
Service	677	659	396	15.5	12.7	13.7	4.4	4.5	2.8
Public administration	83	102	42	1.9	2.0	1.5	2.6	3.3	1.4

[1] Includes the self-employed, unpaid family workers, wage and salary workers in forestry and fisheries and persons without work experience, not shown separately.

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

TABLE 2.—*Unemployment by major occupation group, March 1958 and 1959*

Major occupation group	Number (in thousands)		Percent distribution		Rate of unemployment	
	1959	1958	1959	1958	1959	1958
Total [1]	4,362	5,198	100.0	100.0	6.4	7.7
Professional, technical, and kindred workers	118	128	2.7	2.5	1.6	1.8
Farmers and farm managers	17	23	.4	.4	.6	.7
Managers, officials, and proprietors, except farm	94	146	2.2	2.8	1.4	2.1
Clerical and kindred workers	387	430	8.9	8.3	4.1	4.5
Sales workers	213	189	4.9	3.6	4.7	4.4
Craftsmen, foremen, and kindred workers	659	809	15.1	15.6	7.3	8.9
Operatives and kindred workers	1,077	1,654	24.7	31.8	8.6	12.7
Private household workers	131	130	3.0	2.5	5.6	5.4
Service workers, except private household	501	463	11.5	8.9	7.8	7.6
Farm laborers and foremen	160	229	3.7	4.4	7.5	11.3
Laborers, except farm and mine	695	760	15.9	14.6	16.6	19.1

[1] Includes persons without work experience, not shown separately.

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

TABLE 3.—*Unemployment by age and sex, March 1957, 1958, and 1959*

Age and sex	Number (in thousands)			Percent distribution			Rate of unemployment		
	1959	1958	1957	1959	1958	1957	1959	1958	1957
Both sexes:									
14 and over	4,362	5,198	2,882	100.0	100.0	100.0	6.4	7.7	4.3
14 to 24	1,297	1,419	889	29.7	27.3	30.8	11.9	13.4	8.5
14 to 19	606	603	497	13.9	11.6	17.2	13.0	13.5	10.8
20 to 24	691	816	392	15.8	15.7	13.6	11.1	13.4	6.7
25 to 34	903	1,190	556	20.7	22.9	19.3	6.2	8.1	3.8
35 to 44	795	1,036	506	18.2	19.9	17.6	4.9	6.5	3.2
45 to 54	706	828	457	16.2	15.9	15.9	4.9	5.9	3.4
55 to 64	503	561	349	11.5	10.8	12.1	5.5	6.2	3.9
65 and over	158	164	127	3.6	3.2	4.4	5.0	5.0	3.8
Male:									
14 and over	2,971	3,743	1,950	68.1	72.0	67.7	6.5	8.2	4.3
14 to 24	846	1,021	586	19.4	19.6	20.3	12.9	16.3	9.5
14 to 19	394	423	331	9.0	8.1	11.5	14.2	16.1	12.3
20 to 24	452	598	255	10.4	11.5	8.8	12.0	16.4	7.3
25 to 34	642	870	350	14.7	16.7	12.1	6.2	8.3	3.3
35 to 44	510	679	342	11.7	13.1	11.9	4.7	6.3	3.2
45 to 54	474	615	303	10.9	11.8	10.5	5.0	6.6	3.3
55 to 64	373	418	270	8.6	8.0	9.4	5.9	6.7	4.3
65 and over	127	138	98	2.9	2.7	3.4	5.5	5.7	4.0
Female:									
14 and over	1,391	1,456	932	31.9	28.0	32.3	6.2	6.6	4.3
14 to 24	451	398	302	10.3	7.7	10.5	10.4	9.3	7.1
14 to 19	212	180	165	4.9	3.5	5.7	11.3	9.7	8.7
20 to 24	239	218	137	5.5	4.2	4.8	9.7	8.9	5.7
25 to 34	261	320	206	6.0	6.2	7.1	6.3	7.7	4.9
35 to 44	285	356	163	6.5	6.8	5.7	5.5	6.9	3.3
45 to 54	232	213	154	5.3	4.1	5.3	4.6	4.5	3.4
55 to 64	130	143	79	3.0	2.8	2.7	4.5	5.2	3.0
65 and over	31	26	29	.7	.5	1.0	3.7	3.0	3.3

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

TABLE 4.—*Unemployment by marital status, March 1957, 1958, and 1959*

Marital status	Number (in thousands)			Percent distribution			Rate of unemployment		
	1959	1958	1957	1959	1958	1957	1959	1958	1957
Total	4,362	5,198	2,882	100.0	100.0	100.0	6.4	7.7	4.3
Male	2,971	3,743	1,950	68.1	72.0	67.7	6.5	8.2	4.3
Married, wife present	1,665	2,302	1,035	38.2	44.3	35.9	4.7	6.5	2.9
Married, wife absent	107	137	83	2.5	2.6	2.9	11.7	14.2	9.3
Widowed or divorced	159	194	117	3.6	3.7	4.1	10.2	13.0	7.4
Single	1,039	1,108	715	23.8	21.3	24.8	13.6	15.0	9.7
Female	1,391	1,456	932	31.9	28.0	32.3	6.2	6.6	4.3
Married, husband present	659	839	492	15.1	16.1	17.1	5.4	7.1	4.2
Married, husband absent	150	164	72	3.4	3.2	2.5	11.0	13.9	6.3
Widowed or divorced	239	173	128	5.5	3.3	4.4	6.5	4.9	3.8
Single	343	279	240	7.9	5.4	8.3	6.6	5.2	4.5

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

TABLE 5.—*Unemployment by color and sex, March 1957, 1958, and 1959*

Color and sex	Number (in thousands)			Percent distribution			Rate of unemployment		
	1959	1958	1957	1959	1958	1957	1959	1958	1957
Total	4,362	5,198	2,882	100.0	100.0	100.0	6.4	7.7	4.3
Male	2,971	3,743	1,950	68.1	72.0	67.7	6.5	8.2	4.3
Female	1,391	1,456	932	31.9	28.0	32.3	6.2	6.6	4.3
White	3,428	4,163	2,328	78.6	80.1	80.8	5.6	6.9	3.9
Male	2,362	3,056	1,576	54.1	58.8	54.7	5.7	7.4	3.9
Female	1,066	1,106	752	24.4	21.3	26.1	5.5	5.8	4.0
Nonwhite	933	1,035	554	21.4	19.9	19.2	12.7	14.4	7.3
Male	609	686	374	14.0	13.2	13.0	13.6	15.5	8.4
Female	325	349	180	7.4	6.7	6.2	11.4	12.6	6.7

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

TABLE 6.—*Unemployment by weeks of duration, March 1957, 1958, and 1959*

Weeks of duration	Number (in thousands)			Percent distribution		
	1959	1958	1957	1959	1958	1957
Total	4,362	5,198	2,882	100.0	100.0	100.0
Less than 5	1,365	1,753	1,167	31.3	33.7	40.5
5 to 14	1,452	1,998	1,052	33.3	38.4	36.5
15 or more	1,544	1,446	663	35.4	27.8	23.0
27 or more	777	401	253	17.8	7.7	8.8

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

TABLE 7.—*Persons unemployed 15 weeks or more by industry, March 1957, 1958, and 1959*

Industry	Number (in thousands)			Percent distribution			Percent of unemployed		
	1959	1958	1957	1959	1958	1957	1959	1958	1957
Total [1]	1,544	1,446	663	100.0	100.0	100.0	35.4	27.8	23.0
Farm	70	62	30	4.5	4.3	4.5	34.3	22.2	24.4
Nonfarm	1,381	1,312	575	89.4	90.7	86.7	35.9	28.0	22.8
Wage and salary	1,343	1,267	554	87.0	87.6	83.6	36.0	27.9	22.9
Mining	40	31	25	2.6	2.1	3.8	50.0	37.8	50.0
Construction	279	242	135	18.1	16.7	20.4	37.1	32.6	30.3
Manufacturing	472	486	195	30.6	33.6	29.4	39.4	27.3	25.3
Durable	323	343	100	20.9	23.7	15.1	43.5	28.8	24.4
Nondurable	149	143	96	9.7	9.9	14.5	32.6	24.4	26.5
Transportation	89	87	24	5.8	6.0	3.6	40.1	23.8	14.6
Trade	211	209	90	13.7	14.5	13.6	29.8	25.9	16.8
Service	217	173	71	14.1	12.0	10.7	32.1	26.3	17.9
Public administration	35	43	12	2.3	3.0	1.8	42.2	42.2	28.6

[1] Includes forestry and fisheries, self-employed, and unpaid family workers, and persons without work experience, not shown separately.

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

TABLE 8.—*Persons unemployed 15 weeks or more by major occupation group, March 1958 and 1959*

Occupation	Number (in thousands)		Percent distribution		Percent of unemployed	
	1959	1958	1959	1958	1959	1958
Total [1]	1,544	1,446	100.0	100.0	35.4	27.8
Professional, technical, and kindred workers	49	26	3.2	1.8	41.5	17.6
Farmers and farm managers	1	3	.1	.2	5.9	15.8
Managers, officials, and proprietors, except farm	40	45	2.6	3.1	42.6	31.7
Clerical and kindred workers	115	87	7.4	6.0	29.7	19.9
Sales workers	56	28	3.6	1.9	26.3	15.6
Craftsmen, foremen, and kindred workers	231	242	15.0	16.7	35.1	28.7
Operatives and kindred workers	431	452	27.9	31.3	40.0	27.1
Private household workers	30	31	1.9	2.1	22.9	21.5
Service workers, except private household	160	151	10.4	10.4	31.9	32.1
Farm laborers and foremen	57	56	3.7	3.9	35.6	23.6
Laborers, except farm and mine	276	271	17.9	18.7	39.7	34.0

[1] Includes persons without work experience, not shown separately.

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

TABLE 9.—*Persons unemployed 15 weeks or more by age and sex, March 1957, 1958, and 1959*

Age and sex	Number (in thousands)			Percent distribution			Percent of unemployed		
	1959	1958	1957	1959	1958	1957	1959	1958	1957
Both sexes: 14 and over	1,544	1,446	663	100.0	100.0	100.0	35.4	27.8	23.0
Male:									
14 and over	1,136	1,103	506	73.6	76.3	76.3	38.2	29.5	25.9
14 to 24	279	287	117	18.1	19.8	17.6	33.0	28.1	20.0
14 to 19	120	112	56	7.3	7.7	8.4	30.5	26.5	16.9
20 to 24	159	175	61	10.3	12.1	9.2	35.2	29.3	23.9
25 and over	857	816	389	55.5	56.4	58.7	40.3	30.0	28.5
25 to 44	439	395	152	28.4	27.3	22.9	38.1	25.5	22.0
45 to 64	365	358	189	23.6	24.8	28.5	43.1	34.7	33.0
65 and over	53	63	48	'3.4	4.4	7.2	41.7	45.7	49.0
Female:									
14 and over	406	343	155	26.3	23.7	23.4	29.2	23.6	16.6
14 to 24	115	69	28	7.4	4.8	4.2	25.5	17.3	9.3
14 to 19	47	28	13	3.0	1.9	2.0	22.2	15.6	7.9
20 to 24	68	41	15	4.4	2.8	2.3	28.5	18.8	10.9
25 and over	291	274	130	18.8	18.9	19.6	31.0	25.9	20.6
25 to 44	155	170	75	10.0	11.8	11.3	28.4	25.1	20.3
45 to 64	125	91	51	8.1	6.3	7.7	34.5	25.6	21.9
65 and over	11	13	4	.7	.9	.6	35.5	50.0	13.8

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

TABLE 10.—*Persons unemployed 15 weeks or more by color and sex, March 1957, 1958, and 1959*

Color and sex	Number (in thousands)			Percent distribution			Percent of unemployed		
	1959	1958	1957	1959	1958	1957	1959	1958	1957
Total	1,544	1,446	663	100.0	100.0	100.0	35.4	27.8	23.0
Male	1,137	1,102	506	73.6	76.2	76.3	38.3	29.4	25.9
Female	406	343	156	26.3	23.7	23.5	29.2	23.6	16.7
White	1,173	1,078	531	76.0	74.6	80.1	34.2	25.9	22.8
Male	872	842	416	56.5	58.2	62.7	36.9	27.6	26.4
Female	301	236	118	19.5	16.3	17.8	28.2	21.3	15.7
Nonwhite	370	366	130	24.0	25.3	19.6	39.7	35.4	23.5
Male	265	260	91	17.2	18.0	13.7	43.5	37.9	24.3
Female	105	106	39	6.8	7.3	5.9	32.3	30.4	21.7

Source: U.S. Bureau of the Census.

Prepared by U.S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics, Apr. 10, 1959.

CHART 1

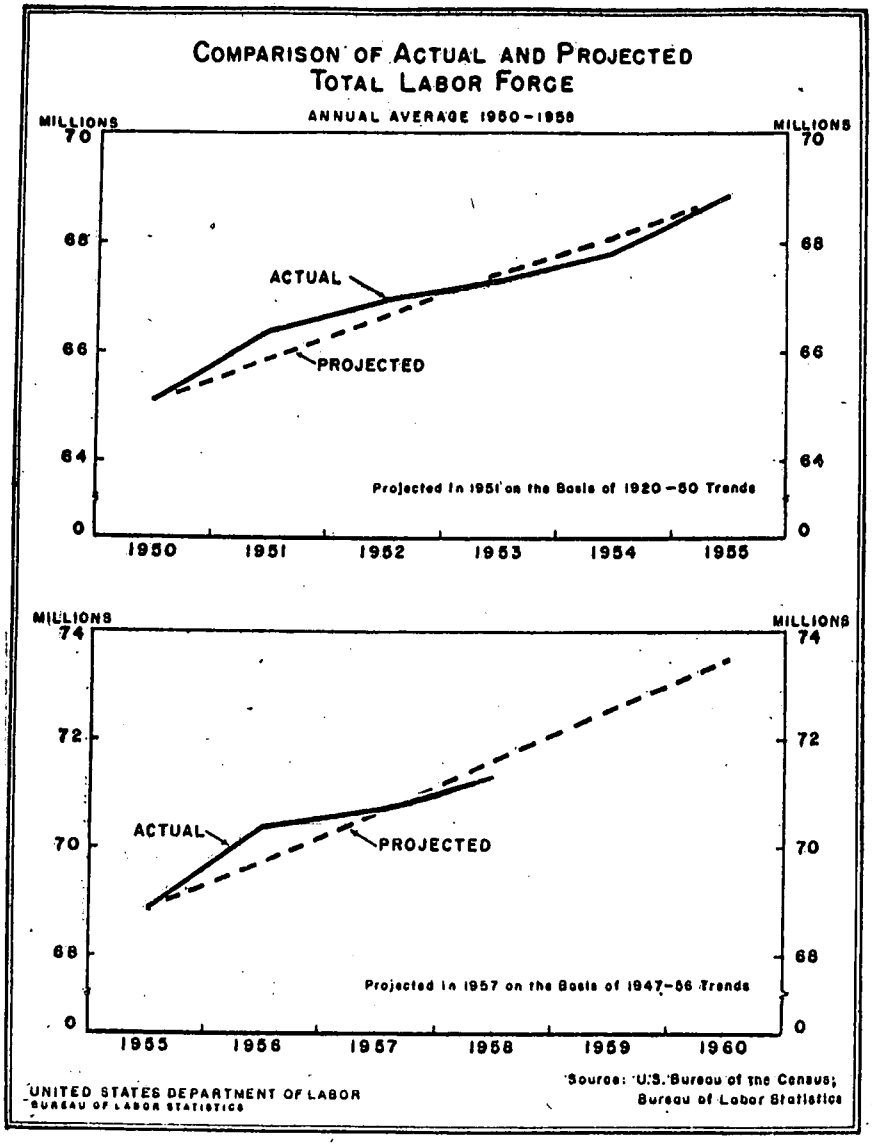

COMPARISON OF ACTUAL AND PROJECTED TOTAL LABOR FORCE
ANNUAL AVERAGE 1950–1958
MILLIONS
70
68
66
64
0
ACTUAL
PROJECTED
Projected in 1951 on the Basis of 1920–50 Trends
1950
1951
1952
1953
1954
1955
MILLIONS
74
72
70
68
0
ACTUAL
PROJECTED
Projected in 1957 on the Basis of 1947–56 Trends
1955
1956
1957
1958
1959
1960
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
Source: U.S. Bureau of the Census; Bureau of Labor Statistics

CHART 2

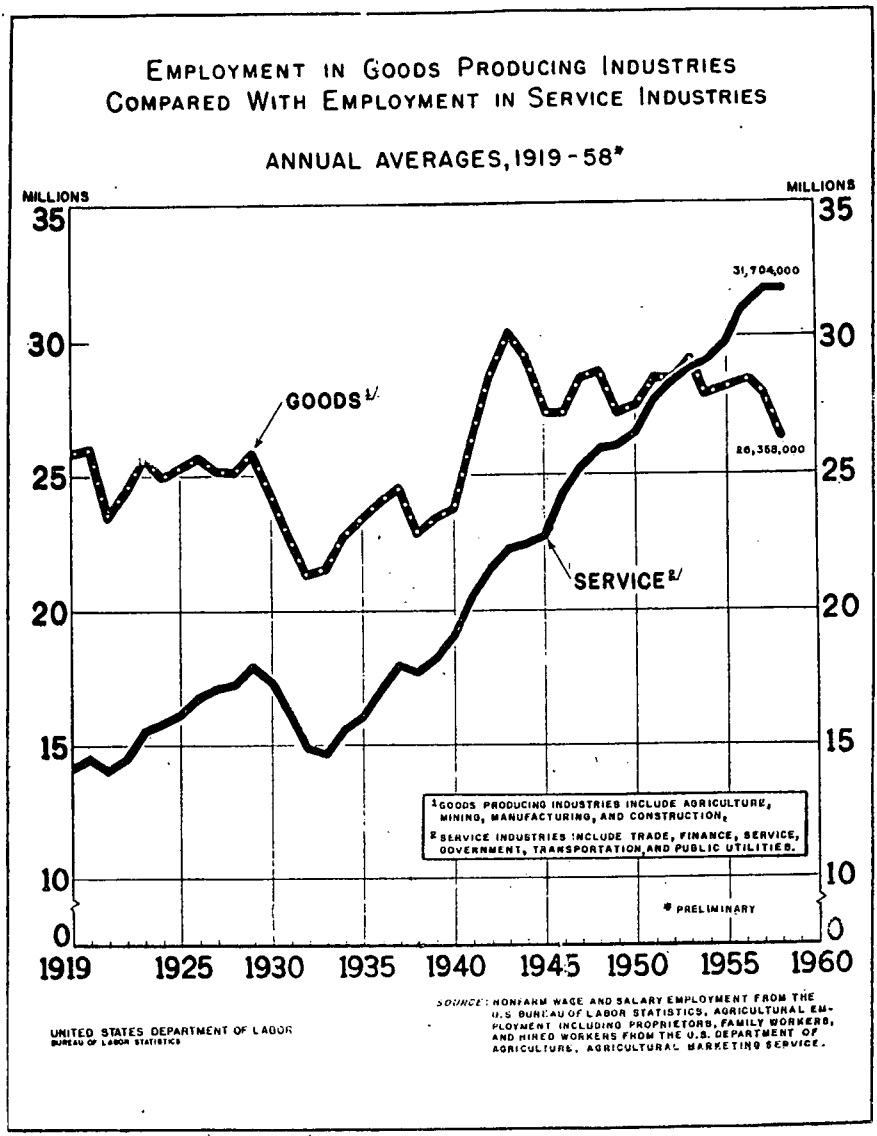

EMPLOYMENT IN GOODS PRODUCING INDUSTRIES
COMPARED WITH EMPLOYMENT IN SERVICE INDUSTRIES
ANNUAL AVERAGES, 1919-58*
MILLIONS
35
30
25
20
15
10
0
31,704,000
26,358,000
GOODS 1/
SERVICE 2/
1 GOODS PRODUCING INDUSTRIES INCLUDE AGRICULTURE, MINING, MANUFACTURING, AND CONSTRUCTION.
2 SERVICE INDUSTRIES INCLUDE TRADE, FINANCE, SERVICE, GOVERNMENT, TRANSPORTATION, AND PUBLIC UTILITIES.
* PRELIMINARY
1919
1925
1930
1935
1940
1945
1950
1955
1960
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
SOURCE: NONFARM WAGE AND SALARY EMPLOYMENT FROM THE U.S. BUREAU OF LABOR STATISTICS, AGRICULTURAL EMPLOYMENT INCLUDING PROPRIETORS, FAMILY WORKERS, AND HIRED WORKERS FROM THE U.S. DEPARTMENT OF AGRICULTURE, AGRICULTURAL MARKETING SERVICE.

CHART 3

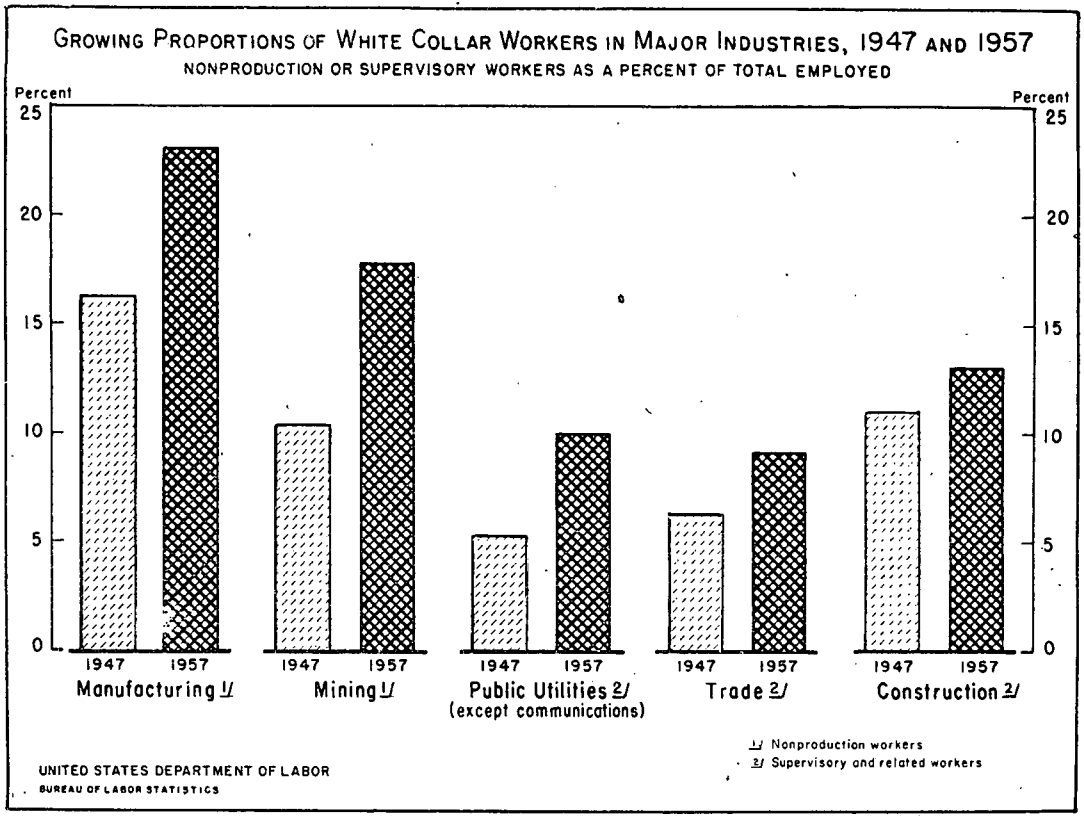

GROWING PROPORTIONS OF WHITE COLLAR WORKERS IN MAJOR INDUSTRIES, 1947 AND 1957
NONPRODUCTION OR SUPERVISORY WORKERS AS A PERCENT OF TOTAL EMPLOYED
Percent
25
20
15
10
5
0
1947
1957
Manufacturing 1/
Mining 1/
Public Utilities 2/ (except communications)
Trade 2/
Construction 2/
1/ Nonproduction workers
2/ Supervisory and related workers
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

CHART 3B

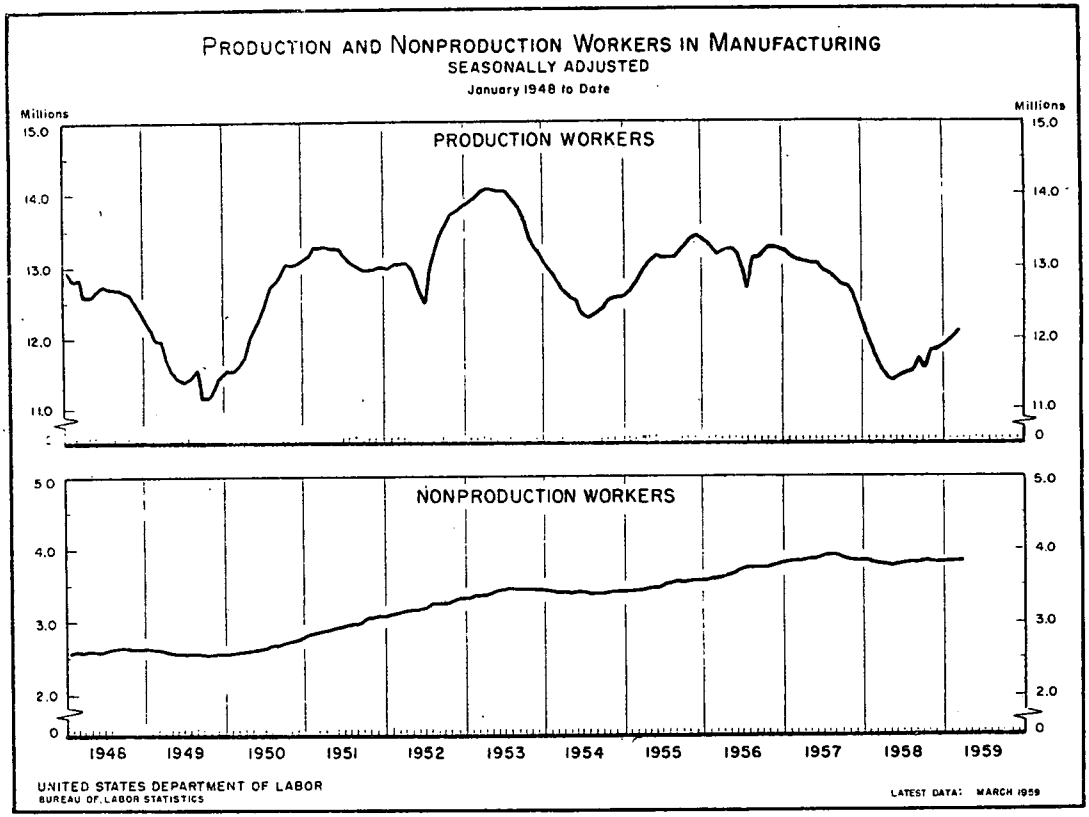

PRODUCTION AND NONPRODUCTION WORKERS IN MANUFACTURING
SEASONALLY ADJUSTED
January 1948 to Date
Millions
PRODUCTION WORKERS
15.0
14.0
13.0
12.0
11.0
NONPRODUCTION WORKERS
5.0
4.0
3.0
2.0
0
1948
1949
1950
1951
1952
1953
1954
1955
1956
1957
1958
1959
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
LATEST DATA: MARCH 1959

CHART 4

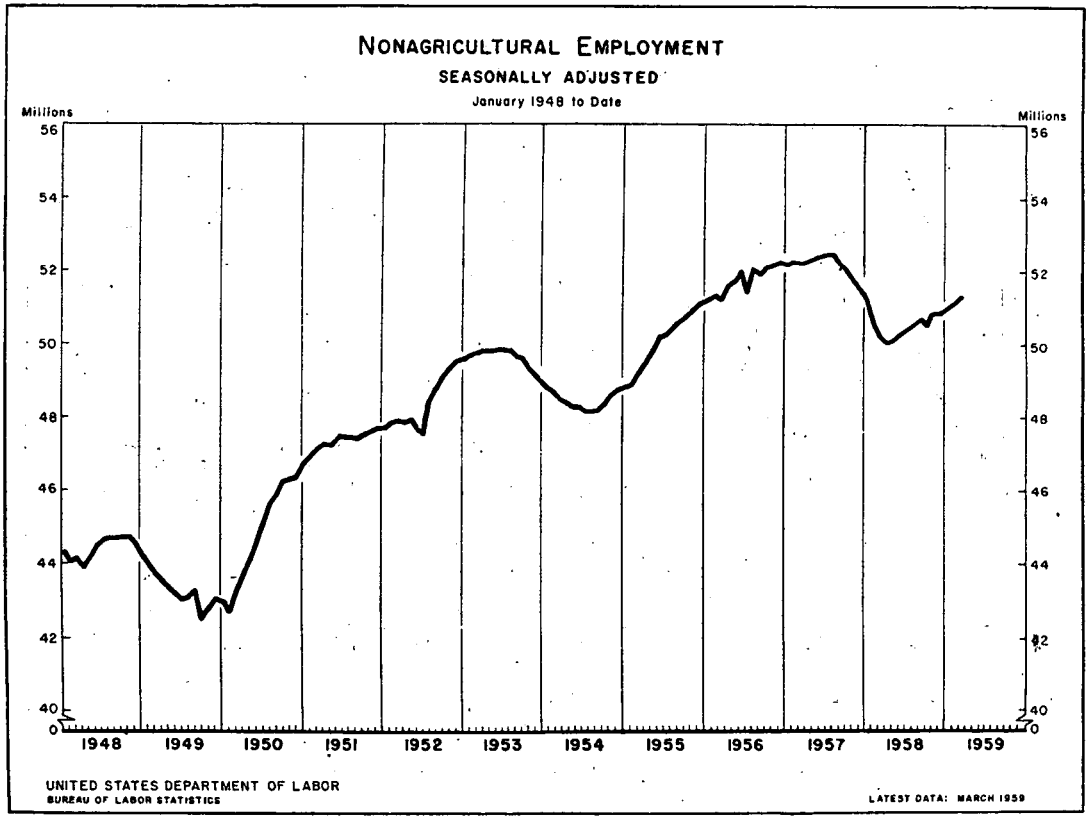

NONAGRICULTURAL EMPLOYMENT
SEASONALLY ADJUSTED
January 1948 to Date
Millions
56
54
52
50
48
46
44
42
40
1948
1949
1950
1951
1952
1953
1954
1955
1956
1957
1958
1959
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
LATEST DATA: MARCH 1959

CHART 5

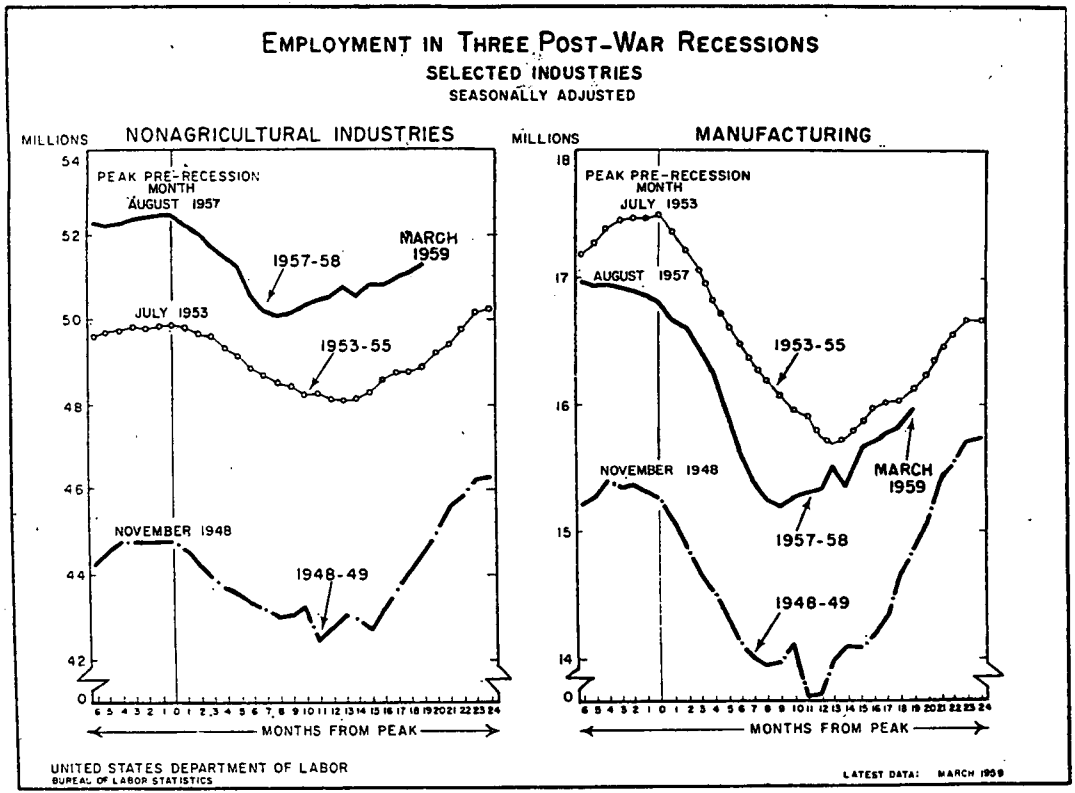

EMPLOYMENT IN THREE POST-WAR RECESSIONS
SELECTED INDUSTRIES
SEASONALLY ADJUSTED
MILLIONS
NONAGRICULTURAL INDUSTRIES
PEAK PRE-RECESSION MONTH
AUGUST 1957
MARCH 1959
1957-58
JULY 1953
1953-55
NOVEMBER 1948
1948-49
MONTHS FROM PEAK
MILLIONS
MANUFACTURING
PEAK PRE-RECESSION MONTH
JULY 1953
AUGUST 1957
1953-55
NOVEMBER 1948
MARCH 1959
1957-58
1948-49
MONTHS FROM PEAK
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
LATEST DATA: MARCH 1959

CHART 6

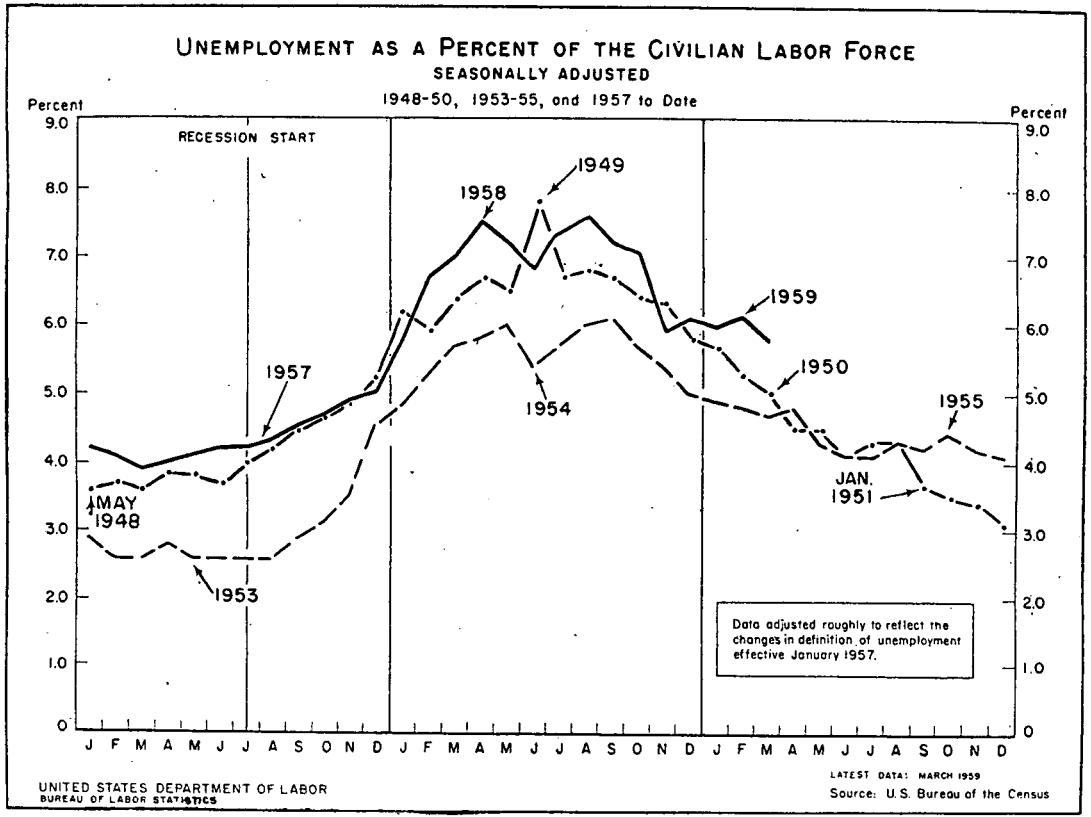

UNEMPLOYMENT AS A PERCENT OF THE CIVILIAN LABOR FORCE
SEASONALLY ADJUSTED
1948-50, 1953-55, and 1957 to Date
Percent
Percent
RECESSION START
1949
1958
1959
1957
1950
1954
1955
JAN. 1951
MAY 1948
1953
Data adjusted roughly to reflect the changes in definition of unemployment effective January 1957.
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
LATEST DATA: MARCH 1959
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
Source: U.S. Bureau of the Census

CHART 7

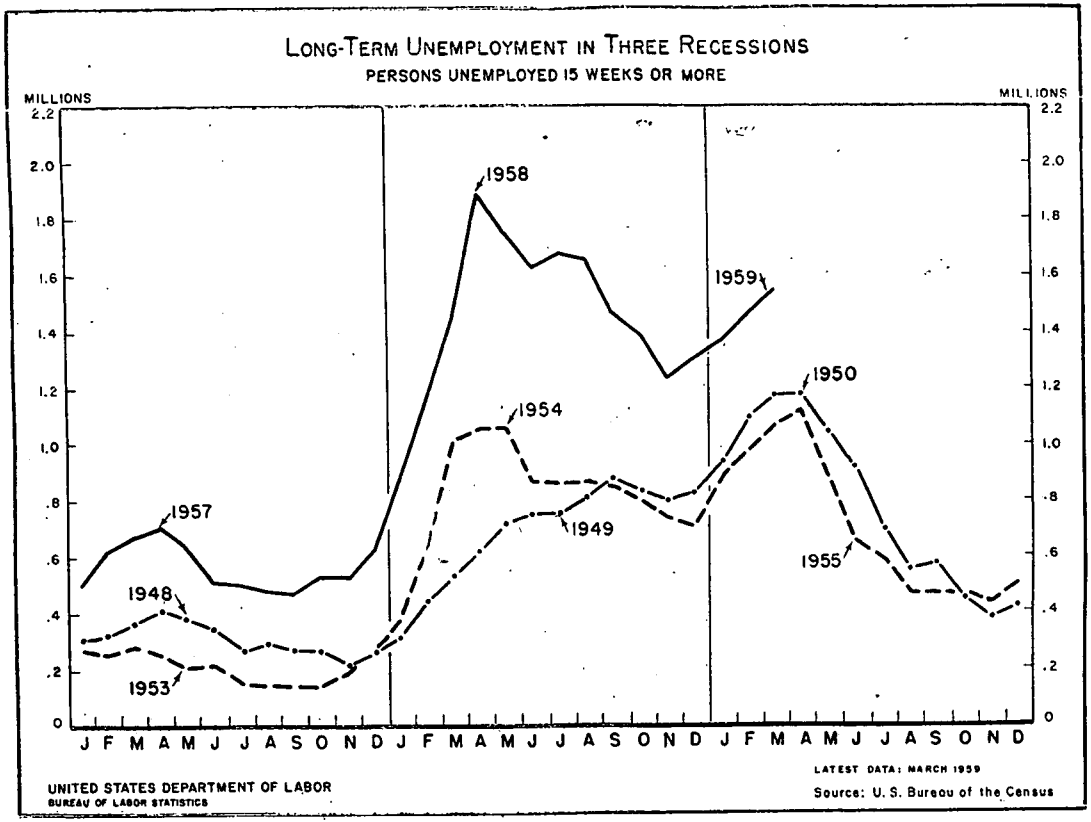
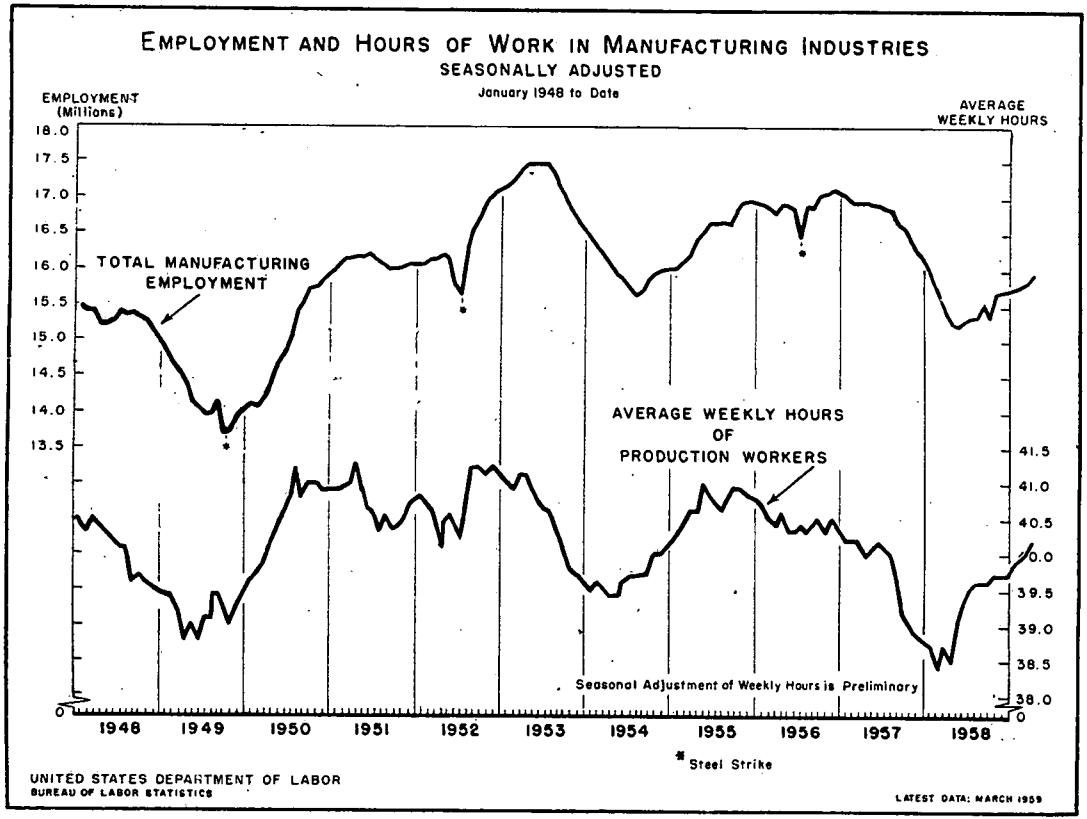

LONG-TERM UNEMPLOYMENT IN THREE RECESSIONS
PERSONS UNEMPLOYED 15 WEEKS OR MORE
MILLIONS
2.2
2.0
1.8
1.6
1.4
1.2
1.0
.8
.6
.4
.2
0
1958
1959
1957
1954
1950
1949
1948
1955
1953
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
LATEST DATA: MARCH 1959
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
Source: U. S. Bureau of the Census

CHART 8


EMPLOYMENT AND HOURS OF WORK IN MANUFACTURING INDUSTRIES
SEASONALLY ADJUSTED
January 1948 to Date
EMPLOYMENT (Millions)
AVERAGE WEEKLY HOURS
18.0
17.5
17.0
16.5
16.0
15.5
15.0
14.5
14.0
13.5
TOTAL MANUFACTURING EMPLOYMENT
AVERAGE WEEKLY HOURS OF PRODUCTION WORKERS
41.5
41.0
40.5
40.0
39.5
39.0
38.5
38.0
Seasonal Adjustment of Weekly Hours is Preliminary
1948
1949
1950
1951
1952
1953
1954
1955
1956
1957
1958
* Steel Strike
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
LATEST DATA: MARCH 1959

Mr. CLAGUE. Thank you.

I would like to summarize it briefly. I have some charts to present. If it will be helpful to you, Mr. Chairman, I will indicate the pages as I go through presenting the statement.

My paper will be presented in three major parts: No. 1 will deal with statistics, their meaning and definition; No. 2 will deal with some of the facts and figures, which are the trends I would like to present in the charts; and in the third section I would like to present some interpretation.

First of all, then, the statistics that we will have before us come from three major sources: the household interviews of the Bureau of the Census; the payroll reports from employers, in the Bureau of Labor Statistics; and the administrative records of unemployment insurance systems, which come from the Bureau of Employment Security.

The employed total from the household survey includes all wage and salary workers and self-employed persons who worked at all during the survey week or who had jobs or businesses from which they were temporarily absent because of illness, vacation, industrial dispute, bad weather, or various other reasons, regardless of whether pay was received. It also includes unpaid workers in family-operated enterprises who worked 15 hours or more during the survey week. Employed persons are classified as working in agriculture or nonagricultural industries; those holding more than one job are counted only once, and are classified according to the job at which they worked the greatest number of hours during the survey week.

The unemployed total from the household survey includes all persons who did not work at all during the survey week and were looking for work, regardless of whether or not they were eligible for unemployment insurance. Also included as unemployed are those jobless persons who—

(*a*) Were waiting to be called back to a job from which they had been laid off; or

(*b*) Were waiting to report to a new wage or salary job within 30 days—and were not in school during the survey week; or

(*c*) Would have been looking for work except that they were temporarily ill or believed no work was available in their line of work or in the community.

Prior to 1937 persons on layoff for definite periods of less than 30 days were classified as employed rather than unemployed, as were all persons waiting to start new jobs within 30 days. The shift in definition of these two groups from the employed to the unemployed categories—amounting to about a quarter million persons—was instituted following recommendation by the Review of Concepts Subcommittee of the Budget Bureau's Technical Committee on Labor Force, Employment, and Unemployment.

The CHAIRMAN. I want to congratulate the appropriate persons for including categories (*a*) and (*b*). I have contended for over 30 years that these people should be included as unemployed.

I can remember that in the days of the Hoover administration, Mr. Hoover insisted on excluding from the unemployed those who, though out of work, had a theoretical job to which they might return, so he said, in the future.

I want to congratulate the appropriate authorities for getting a much more realistic definition.

Mr. CLAGUE. The next series comes from employers' payroll records and is obtained by the Bureau of Labor Statistics with the cooperation of the Bureau of Employment Security and State agencies. It includes wage and salary employment, hours, earnings, and labor turnover, both for the Nation and for States and areas. There are detailed statistics for more than 150 industries. For production workers, we get average weekly hours, average hourly earnings, and average weekly earnings.

The figures are based on payroll reports from a sample of 180,000 employers covering about 25 million workers. The employee figures include all workers—full time or part time—who received pay during the payroll period ending nearest the 15th of the month.

The CHAIRMAN. That is about 43 percent of the employed workers in the country?

Mr. CLAGUE. It is nearly 50 percent. About 50 to 52 million is the total number of employees.

The CHAIRMAN. Fifty-two million is your figure of the employed workers? I thought it was 56 million.

Mr. CLAGUE. Excluding agriculture and excluding domestics. These are employer payrolls and government.

The CHAIRMAN. Fifty percent of the nonfarm employees?

Mr. CLAGUE. That is more accurate; yes.

Persons on paid sick leave, paid holiday, or paid vacation, are included, but not those on leave without pay for the entire payroll period. Persons on the payroll of more than one establishment during the period are counted each time reported. Proprietors, the self-employed, unpaid family workers, and workers in private households are excluded. Because of these exclusions, the number of employees on payrolls of nonagricultural establishments is, on the average, about 7 million smaller than total nonagricultural employment based on Census household interviews.

Data from administrative records of unemployment insurance systems: Data on insured unemployment published by the Bureau of Employment Security are obtained as a byproduct of the operations of the State employment security programs. Weekly reports, for the Nation and by State, are issued on the volume and rate of insured unemployment and the number of initial claims under State programs, including the programs of unemployment compensation for Federal employees. Figures are also issued by State on the volume of unemployment compensation for veterans and nationally for the Railroad Retirement Board program.

Insured unemployment represents the number of workers covered by State programs who have been unemployed for at least 1 week and are claiming benefits. It includes some persons who are only partially unemployed but excludes persons who have exhausted their benefit rights, new workers who have not earned rights to unemployment insurance, and persons losing jobs not covered by unemployment insurance systems—agriculture, State and local government, domestic service, self-employment, unpaid family work, nonprofit organizations, firms below a minimum size. As a result, insured unemployment includes only about two-thirds of total unemployment as meas-

ured by the household interviews. As a matter of fact, that two-thirds can vary quite highly. It sometimes can be as high as three-quarters and sometimes less than one-half.

An important move is being made in the transfer of the "Monthly Report on the Labor Force" from the Census Bureau to the Bureau of Labor Statistics.

Assuming approval by the Congress, the Bureau of Labor Statistics will have the responsibility for the content and analysis of data from the "Monthly Report on the Labor Force" beginning next fiscal year. The Bureau of the Census will continue collecting and tabulating the data.

The transfer of the MRLF analysis function to the Bureau of Labor Statistics means that the Labor Department will have the primary responsibility for the Federal Government's analysis of all data relating to labor force, employment, and unemployment. This move represents a significant forward step in the Department's program of providing statistical data relating to the welfare of workers. It will now be possible for one agency to make the most efficient use of the analysts working in the field and to provide integrated analyses of all data from household enumeration, from employer reports and from unemployment insurance data.

Public understanding of the statistical reports will also be considerably enhanced by regular press conferences. We have used these in Consumer Price Index work, and we have found it helpful in interpreting the information to the public.

The transfer of the analysis function from the Bureau of the Census to the Bureau of Labor Statistics is proceeding smoothly with the excellent cooperation of the Census staff. We have met with several groups, both outside and inside Government, to get their advice on how the materials should be published, and what kinds of additional information they would like to have in the future. Among the groups consulted have been both the Business and Labor Research Advisory Councils to the Bureau of Labor Statistics, and the Federal Statistical Users' Conference. The conference with this latter group was attended by Mr. James Knowles of your committee staff.

Arrangements have been made to transfer key personnel from the analytical staff of the Census Bureau. Since last month, Bureau of Labor Statistics and Census staff members have functioned as a team so that Bureau of Labor Statistics personnel can become familiar with the flow of data from the field through editing and tabulating into the final printed analytical report. We are now at the point of turning our attention to a number of housekeeping items and technical details connected with the transfer. Athough, the whole transfer operation is working out very well, and in July we hope to be able to publish an integrated report without any difficulty.

The existing statistical programs also need and are receiving attention directed to improving their accuracy and increasing their usefulness. All too often, I would guess, you have wanted precise information about some critical segments of economic activity and found that no figures were available. Or you may have wondered how significant a movement in one of the published series might be and have been told that no conclusion could be drawn because the figures were not precise enough.

I think we have been making major strides in bridging these gaps of ignorance. For example, the statistics we derive from establishment reports have been continually refined over the past few years and their usefulness to the public increased. With the cooperation of State agencies we have increased the coverage of our payroll employment sample during 1957 from about 160,000 establishments to 180,000. These establishments have about half of the Nation's nonfarm wage and salary jobs.

We have been engaged in a continuing program of controlling the quality of these payroll statistics. This program has involved personal surveys of many of our employer reporters and detailed analysis of their response to our regular payroll inquiries. The objective of this has been more than the pursuit of statistical perfection. It enabled us to make our employment, hours, and earnings statistics more accurate and meaningful; it has given us a better idea of the types of information that are available; it has permitted us to frame our inquiries in terms which employers can readily respond to from the records they keep. For the time being, operations under our quality control program have been reduced, but we hope to be able to resume them on a larger scale when our resources permit.

Our program for labor turnover statistics has also been expanded so that we can now publish hiring, layoff, and other turnover data for a number of individual States as well as for the Nation as a whole. We hope eventually to be able to extend this program to cover all States and also to be able to provide data in greater industrial detail than is now possible. We are still some 8 or 10 States short.

The CHAIRMAN. How is your collection of labor statistics coordinated with the various State collections? Are they identical?

Mr. CLAGUE. Yes. We use the same information. They use the form to collect the data from the employer, and then they send the information into us and we use it here. It is two uses of a single form.

The CHAIRMAN. They make a copy?

Mr. CLAGUE. Well, in the employment reports, we have what we call a shuttle schedule. It is the same form for the employer for 12 months. It is our form. It is made use of by the State. The State sends it to the employer. He sends his report for January back to the State. They take off the information for their State and local use; in some cases they put this information on punch cards and send it to us, or they send the form in to us. We take these figures off for national use and we get the forms back to the State to send to the employer for February.

So these forms shuttle back and forth from us to the State to the employer and back to the State, to us, around 12 times. Then next year we have a new form. So it is a single report that serves these purposes.

Another step we are taking is the new standard industrial classification system. The census is changing the industry classifications of their firms and other agencies are also doing so. The Bureau of Employment Security has arranged for that in the States. We, in the Bureau of Labor Statistics, this next year will be bringing our classification in line with that.

We are also trying to provide statistics by sizes of individual firms in order that we may single out the large firms from the small firms.

The CHAIRMAN. That deals with a point that I think deserves examination.

I would imagine that your sample is more representative of the larger firms than it is of the smaller ones; is that not true?

Mr. CLAGUE. That is correct.

The CHAIRMAN. Do you think that this produces a bias insofar as average earnings are concerned, or so far as employment is concerned?

Mr. CLAGUE. We don't believe it produces any significant bias so far as employment is concerned. It does with respect to average earnings. What we need to do is to get more small firms in the sample and to give them an appropriate larger weight, so that they will have an influence.

The CHAIRMAN. Do you think that your figure of average earnings somewhat overstates the general average for the country as a whole? The earnings in the smaller firms tend to be lower, do they not?

Mr. CLAGUE. That is right, generally speaking. For the country as a whole, I think the difference would be relatively small, but for some industries it is quite significant. It might move it several cents per hour.

The CHAIRMAN. Do you think that this is accurate with regard to employment?

Mr. CLAGUE. Employment? Let me ask Mr. Goldstein.

Do you think there is any significant difference in employment?

Mr. GOLDSTEIN. Our studies have shown that in employment there is very little error accumulated as a result of biases of this sort. When we make a benchmark adjustment every year, we have to adjust it upward or downward only by a very small amount.

The CHAIRMAN. Do you mean you adjust it every year?

Mr. GOLDSTEIN. That is right.

The CHAIRMAN. Then you simply use this as variations within the span of the year?

Mr. GOLDSTEIN. That is right, just to bring the data up to date.

Mr. CLAGUE. I forgot to bring out, Mr. Chairman, that we use the unemployment insurance reports of the States, who collect all the information in some States down to employers of one or more workers. In most cases the States make a full count, and for the remainder we use other records, such as social security reports. Then once a year we change our system to fit the full count.

We also hope to get hours of work on all nonfarm wage and salary workers. That has not been completed yet. This will require more resources. We think we ought to have a program of measuring hours of work in the whole economy.

The household survey has also been extended and improved over the years in the Bureau of the Census. The sample has been enlarged to provide additional detail on the characteristics of workers and to improve the quality of the statistics. Ever since the survey was estabblished there has been a continuing program of increasing its efficiency. Questions have been sharpened to prevent ambiguous responses, industrial and geographical representation has been improved, and increasingly high standards of performance have been applied to all of the survey operations. One of the most dramatic examples of increased efficiency has been the shift from the use of mechanical tabulating to electronic equipment.

I wish to assure you that the drive to constantly improve the monthly report on the labor force survey will continue. No major changes are planned for the next fiscal year but we hope to publish a few additional details from the statistics already available. It is planned, for example, to resume publication of data on the movement of workers from one labor force category to another—for example, how many who are unemployed one month get jobs the next, and vice versa. Another way in which we hope to improve the usefulness of these statistics is to make them available in forms which will be equally informative to technicians and laymen alike. Those of you who have seen the chartbook we recently published on "Who Are the Unemployed?" will know what I have in mind.

Potentially the MRLF survey can provide answers to some of the questions you have raised about the relationship of labor mobility and unemployment to certain factors such as seniority, pensions, and supplementary unemployment benefits.

Representative PATMAN. Suppose a person works a half day, a week, or a month now and then. Is he listed as employed or unemployed?

Mr. CLAGUE. In the survey week, if he worked half a day, he would be listed as employed.

Representative PATMAN. Suppose he worked an hour?

Mr. CLAGUE. I will have to ask Mr. Pearl. What is your definition of minimum employment?

Mr. PEARL. Well, for a paid worker, a self-employed person or a wage and salary worker, any amount of work during the week.

Representative PATMAN. Fifteen minutes?

Mr. PEARL. One hour; thirty minutes or more.

Representative PATMAN. Thirty minutes?

Mr. PEARL. Yes.

Representative PATMAN. Well, 15 would be all right?

Mr. PEARL. No, I think we would round it down to zero.

Mr. CLAGUE. Mention the case of the unpaid family worker, Mr. Pearl, please.

Mr. PEARL. For unpaid family workers it is necessary to work at least 15 hours during the week. That is mainly to exclude the normal amount of chores that a member of a farm family would additionally put in.

Mr. CLAGUE. I think I might add, Mr. Patman, mostly people don't come to work for about an hour or so. They usually get a day's work if they have any work at all. It might be a half day, I suppose.

The CHAIRMAN. The Congressman is laying the basis for the very important question; namely, the degree of unemployment which can exist within employment.

Mr. CLAGUE. I see.

With respect to collecting this kind of information, we have the problem that you cannot overburden the respondent and thus jeopardize the answers.

Availability of space on the questionnaire is another important consideration, since space for supplementary questions is in great demand and is normally scheduled many months in advance. Cost is another factor, because additional questions mean printing costs, training of enumerators, programing for machines, analytical time, et cetera. For these reasons, asking additional questions or any changes in the survey

must be carefully considered and must necessraily be introduced slowly.

Further work is being done on seasonal adjustment of the unemployment and other labor force data. As you know, there is a high degree of seasonality in unemployment. In the winter months the total number of jobless increases as outdoor work is curtailed, then declines until early summer when larger numbers of students enter the work force to seek postgraduation or temporary summer jobs. By October, unemployment is usually down again to the year's low point.

In order to clarify the basic economic changes, the Census Bureau has developed seasonal adjustment factors which attempt to allow for these recurring swings. On the basis of these factors the Census Bureau publishes both the actual and the seasonally adjusted rates of unemployment each month. We don't consider that these adjustment factors are wholly satisfactory. We are trying to do work to improve them.

In the third set of data, the Bureau of Employment Security is working with the State agencies on a series of studies to assist in measuring and making adjustments for administrative factors which tend to distort interstate comparisons. Beginning with the unemployment insurance claims information to be submitted in July of this year, the State agencies will adjust these data, when necessary, to eliminate the effects of rescheduling of claimants on the insured unemployment figures. The basic objective is to assign the weeks claimed by rescheduled claimants to the week in which they would have filed if the usual routine had been followed.

Because the volume of exhaustions can seriously affect the level and trend of insured unemployment statistics, the Bureau of Employment Security instituted weekly reporting of exhaustions by the eight largest States in the spring of 1954. These eight States together usually account for about 50 percent of the national total. All States report exhaustions on a monthly basis.

We have to know something about those after they have exhausted, so that bureau has arranged for special studies in the States on the postexhaustion of claimants, which means getting in touch with them in their homes.

Mr. Chairman, that covers what I think is my first section on the nature of the statistics.

In my second section, I would like to run quickly through the charts I have here.

Labor trends: You will see on this first chart, on the top section of it, a projection in the red line that the Bureau of Labor Statistics made in 1952, starting in 1950 and carrying forward to 1955. You will notice that the actual average labor force rose rapidly in 1951, was still above the trend in 1952, crossed below trend in 1954, and then in 1955 caught up again.

We made another projection from 1955 to 1960; and again in 1956 it was ahead, in 1957 it was about even, and 1958 it is behind the trend. We are still behind in 1959. If it catches up by 1960, we will pick up 2¼ million more workers from the average of 1958. That is due to the effect of the recession, of course. The labor force declines when a recession takes place.

The CHAIRMAN. It used to be contended that the number seeking work would increase during a recession on the ground that the diminished income of the head of the family would force more members of the family to seek employment. What you are saying is that this is not so?

Mr. CLAUGE. I think, Mr. Chairman, we wrote a good deal on that subject in the 1930's, and I am not sure we were wrong.

The CHAIRMAN. My specific knowledge does not extend beyond that date.

Mr. CLAGUE. If I may conjecture, I think that it was true when we had a deep depression. Apparently there are a good many young people in school, and housewives who work in prosperous times, who drop out without too much difficulty in a recession period, but who reenter later.

My next chart concerns a change in the industry structure of employment in the United States. We have here two lines, starting with 1919 and continuing up to date. In one line we have employment in goods production; that is the employment in agriculture, mining, manufacturing, and construction. These are the industries that produce goods. The other line, the black line, shows the service industries. That includes Government, trade, laundries, hotels, all kinds of other employment in the country except simply the self-employed and domestics.

You will notice that in 1919 after World War I, two-thirds of our total employment was in goods and one-third in services. In 1958, the goods employment is still only 26 million, or the same as it was in 1919. In other words, over a period of 40 years we have no more people at work now producing goods than we had in 1919, although, of course, we are producing vastly more goods.

On the other hand, you will notice that the service employment has steadily climbed. It passed goods employment in 1954 and now it is 5 million ahead. So what has happened is that the employees released from goods production have gone into services.

The CHAIRMAN. In other words, what Mr. Colin Clark calls tertiary employment is now appreciably greater than the sum of primary and secondary employment.

Mr. CLAGUE. That is right.

This shows up in another way, Mr. Chairman, in manufacturing. In this chart we show from 1947 to 1959 the two kinds of employment in manufacturing. One line is for production workers, who are the plant workers, and one is for nonproduction workers, who are the officeworkers, researchers, engineers, supervisors, and so forth.

We had 13 million production workers in 1947, and about 2½ million so-called nonproduction workers. You will notice that the production workers fluctuate with each recession. Note 1949, 1954, and 1958. The nonproduction workers hardly fluctuate at all. They level off in recession periods. They have been gaining steadily and now in 1959 when the production workers are about 12 million, about a million less than they were 12 years ago, these others are approaching 4 million. So there is a constant increase in that type of employment.

The next chart shows the nonfarm employment. That is our total picture of some 52 or 53 million.

Going back to 1947, you can just see the fluctuations—the downturn in 1948–49, the downturn in the 1953–54, and lastly the downturn and then the upturn in the last 11 months. This indicates the steady growth, as shown in that chart, and also the cycle.

Next we show the employment in three postwar recessions. This depicts the three downturns. We show it two ways: One is to take the nonfarm total. That is around the 52 million. This shows that there were three recessions. Note that the months on the chart are dated to begin with the period of the previous business peak. You will see that there is a gradual increase in employment over the years; that is, there is an upward trend which shows very clearly; and each succeeding low period has been higher than the bottom of the previous one. The pattern of the three downturns is shown: 1957–59 looks a little bit sharper than the others on the downturn. It also looks a little bit shorter.

In manufacturing, which is about one-third of the total nonfarm employment, you will notice a difference. At the peak in 1957 we didn't have as many employed in manufacturing as we had at the peak in July of 1953. And we are still below our 1957 peak, even in March 1959.

However, you still have the same general pattern of downturn in the recession.

The next chart shows unemployment in the three recessions as percentages of total civilian labor force. These are the census figures.

The red line is 1948–49. Moving from the prosperity period of 1948 into 1949, employment rose to a peak in the fall of that year, and then gradually declined.

The period 1953–54 showed a lower rate of unemployment, while 1958–59, which is the black line, has in general been higher.

The CHAIRMAN. What do you take as your denominator in figuring the percentage of unemployment in the civilian labor force? What is the civilian labor force?

Mr. CLAGUE. That includes the total of the employed and unemployed; and includes all farmers and farmworkers.

The CHAIRMAN. What about self-employed?

Mr. CLAGUE. The self-employed are included.

The CHAIRMAN. How can a self-employed person be unemployed? Do you think a self-employed person should be included?

Mr. CLAGUE. Well, there are some farmworkers unemployed, and self-employment can evaporate. A farmer can seldom, I suppose, be unemployed as long as he stays on the farm.

The CHAIRMAN. Would it not be more realistic to take the labor force minus the self-employed?

Mr. CLAGUE. This could be done.

May I ask Mr. Pearl this question: Did you ever attempt that kind of relationship by eliminating certain groups from the calculation?

Mr. PEARL. That would raise the rates about 10 percent or 0.5 percentage points. It can be done. The statistics are published. It is possible for anyone to compute such a relationship.

The CHAIRMAN. I know. I have computed it. I think it is a much more realistic figure than the figure of the total labor force. If you use the total labor force results, they artificially lower the percentage of unemployment and, therefore, minimize the gravity of the situation.

Mr. CLAGUE. May I have the next chart?

The CHAIRMAN. Incidentally, why don't you exclude farm labor and get a figure for urban unemployment?

Mr. CLAGUE. The answer is that surely we could make that type of tabulation also. Of course, farm labor can have a high degree of unemployment, as you know. But the answer is "Yes." We could relate these rates in any groups and subgroups. These are some of the things we could consider doing in the future as we work on this.

Mr. Chairman, here is another chart which I want to highlight a little bit, because I would like to move over to my section 3, which shows some interpretation and analysis of the unemployment situation.

Here is long-term unemployment in the three recessions. This shows persons unemployed 15 weeks or more. There you see in the black line, 1948–50, where the peak was reached in early 1950; next the green line, 1953–55; and then 1957–59. The last stands out quite clearly. The significant factor here has been the great increase in the current recession in the number of long-term unemployed.

By the way, in March 1959 the long-term unemployed shown on the chart were out of work 15 weeks or more; but half of them had been unemployed 27 weeks or more. So this is the outstanding characteristic of the present unemployment.

For my final section, I would like to discuss briefly four factors that I think have an important bearing in interpreting this situation; that is, upon the nature of present unemployment.

The first one is the longer workweek. Here we show on this chart total manufacturing employment, which is the top line, including the recovery in 1958–59; and then we show below th average weekly hours of production workers in manufacturing. You will see that from the bottom of the recession in 1958 there has been a much sharper increase in working hours. In other words, employers have tended to work their men longer hours rather than to hire more workers.

The second factor I would like to call attention to is the extent to which the number of unemployed is influenced by the labor force expansion or contraction.

Here I might remind the committee of what I said a moment ago. Young people, girls or boys, and women, will enter the labor force as the economy expands. In 1955 and 1956 there were over 2½ million workers added to the labor force. So in any labor force expansion there is, in a certain sense, a competition for jobs between those who are currently unemployed and the new workers who come into the labor force. This may occur in 1959–60.

My third factor is immobility and unemployment. We have asked ourselves the question: Why are unemployed workers "stuck" in distressed areas? Why don't the unemployed shift to an expanding industry or move to other areas where there are jobs?

First, why don't they move to a new industry? This I attempted to answer in my prepared statement. Briefly, the new jobs may be in trade and service; autoworkers and steelworkers are not ordinarily qualified for those jobs. The employer may be reluctant to hire a worker who has been in manufacturing and mining, particularly if the worker has reached middle age.

In distressed areas there aren't many jobs even of those kinds for which they qualify to which they could move.

Then there is a wage problem. Generally the workers in the durable goods industry are high-wage employees and would have to take a reduction.

The second half of the question is: Why don't they leave the community and migrate?

Here again we find that this is a very difficult problem. A worker has built up seniority and pension rights, vacations, and sick benefits. The holding power of this investment in the job has been shown in a long-run decline of the quit rate. We published an article on that in our publication, Employment and Earnings, in December 1956. We have had a long run decline in the quit rate, and part of it is due to the workers' attachment to the job where he is.

In addition to his investment in his job, he has an investment in a home. Owning a home is perhaps the most formidable barrier to moving out of a labor surplus area. Most homes are purchased in times when prices are good and wages high. But selling is often difficult when jobs are down, and the sale could mean a loss of several thousand dollars. The worker might be moving to a prosperous community where house prices would be higher. This would add to the potential loss of the ordinary cost of moving.

It is easy to see that a move out of the community could not be undertaken casually. It was hard enough in wartime to move people in one area to another. A person in a distressed area with a home and a family does not move easily.

Then, of course, the family side comes in. He has his children in school. The children have a lot of ties, friends in school, and so on.

Last of all, the older people, who are in the worst position in this situation, have the poorest prospects in the new community.

So when an unemployed worker faces the prospect of losing his hard-earned rights and his home, what he does is hang on in the hopes that something will happen in the community.

The CHAIRMAN. Without meaning to do so, you are making a very eloquent argument for the Douglas distressed areas bill, which passed the Senate and now is before the House. We are very glad to have two distinguished members from the other body here to listen to your statement.

You don't have to comment on that matter, since you are a civil servant.

Mr. CLAGUE. I had no intention of speaking on legislation.

We have made a number of studies, including several done in the Labor Department. We found the unemployed always tend to be optimistic about recovery in their areas and they are hard to move to another community.

The fourth point is mobility and unemployment. That begins on page 40 of my statement.

The dynamic labor force and short-term unemployment: We have frequent changes in industry. Some workers can change, and industries can change. We find that in a free and growing economy some unemployment is unavoidable and there are millions of workers on the move. These tend to be on the most part young workers and adult women. The adult women move in and out of industry rather easily. Young workers are the ones who can move out of a community, and will do so.

In 1957, a total of 33 million people, or 1 out of 5 in the population, changed their places of residence; many of them also changed their employment.

In the same year, more than 2½ million persons voluntarily left their jobs in manufacturing industries alone.

In an average month, 3 or 4 million persons enter the labor force and nearly the same number leave.

There is a heavy turnover among the unemployed, too. For instance, from February to March there was 2 million that dropped out of unemployment. One and four-tenths million found employment, and 600,000 left the labor force. But in the meantime, we picked up 1,600,000 new unemployed, 900,000 from jobs lost, and 700,00 who stepped in from outside the labor force.

The whole question of the turnover of the unemployed is very crucial. As a result of all of this shifting and moving, which appears to be unique to the United States, there are always some workers temporarily between jobs who are counted as unemployed.

In some of these cases, their problems are not so serious. The real problems are the regular workers unemployed for long terms.

Finally, just as a last point, I would like to call attention to some long-term changes in the labor force. We have mentioned women. Women have been increasing in the labor force for a long period of time. One might ask why this is happening, when per capita income is higher than it was 30 or 40 years ago. There seem to be two answers: The rapidly expanding trade and service industries have created a need for more women workers. They are specially numerous in that type of employment.

Secondly, the technology of the home has made it possible for housewives to move out of the home. The time saved in labor-saving devices has given women opportunity to take outside jobs. The increase in women workers has been the most significant change in the composition of the labor force in the last 40 years, but particularly since World War II.

In 1920, 24 percent, or about 1 in 4 of all women over 14 years of age were in the labor force. Today the proportion is 1 in 3.

The CHAIRMAN. Despite the fact that the percentage of child labor has decreased.

Mr. CLAGUE. That is right.

The CHAIRMAN. You could take the category of women over the age of 18 or women over the age of 20, and the increase would be still more mild.

Mr. CLAGUE. That is right. As a matter of fact, between the age of 20 and 35, when they are homemakers and child bearers, the ratio is not perceptibly increasing. The increase is over 35 years of age. That is where the great expansion is occurring. Those women are entering the labor force and staying in the labor force. They are also quite flexible in their attachment. They will come in and out during a recession period, but the long-term trend is upward.

Finally, a word about the young people. In the years immediately ahead we can expect to find young people contributing the greatest number to the expansion of the labor force. By 1965 there will be 40 percent more workers under 20 in the labor force than there are today. At the same time, the kind of jobs that can be filled by inexperienced

and untrained workers are diminishing, relative to those calling for a higher degree of training. It is the conflict of these two forces which give us concern about the unemployment situation in 1960's.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Congressman Coffin, have you any questions?

Representative COFFIN. Not at this moment, Mr. Chairman.

The CHAIRMAN. Mr. Widnall.

Representative WIDNALL. Mr. Clague, how many times have the methods of computing the unemployed been revised?

Mr. CLAGUE. I think I might ask Mr. Pearl to talk to that, because he is the man who directs that work in the Census.

Mr. PEARL. Basic concepts have been changed only very slightly since this monthly survey was instituted in 1940.

Mr. Clague made reference to that change in his statement, a small change involving about one-quarter of a million workers 2 or 3 years ago. That was the only change in concepts, in definitions, of unemployment which have been used.

However, over the years, the methods of collecting these data have been altered several times in the interest of improvement. The sample used to collect this information has been expanded two or three times during the last 20 years. The questionnaire forms have been improved, we believe.

Representative WIDNALL. Has that made a noticable difference in the results?

Mr. PEARL. Not in the level of the results, so much, but in the reliability of the results, the consistency of the figures from month to month and year to year. The improvements have been largely in the direction of reducing the sampling error and the response variability. That is, erratic fluctuations.

Representative WIDNALL. It is certainly very wholesome if we can get it that way. The point I am trying to make is this, though: When last revised 2 or 3 years ago, and changing the number by about a quarter of a million, 250,000, that then means when we take the figures today and compare them with figures of 4 years ago, you should have added about 250,000 to the figures of 4 years ago, for a true comparison.

Mr. PEARL. Well, for certain purposes the back series has been revised, specially for overall figures. Some figures have been issued which make it possible to study these on a comparable basis. It has not been possible to revise all of the details of the series, since the necessary information was not available. But an allowance for this change can fairly easily be made. I think in the comparisons which have been made in our own reports and in other statements given to the press, allowance has been made for this difference.

Mr. CLAGUE. Particularly, Mr. Widnall, for the total figures. It is easier to make the adjustment for the total figures than it is for some of the details.

Representative WIDNALL. Is there any chart which now shows what the figures were in 1940, 1941, and so on, to today's date, all computed on the same basis you use today?

Mr. PEARL. Not since 1940. But during the postwar period, yes. Since 1947 I think many of the charts presented here do make such an allowance.

Representative WIDNALL. So it would be a fairly true comparison?

Mr. CLAGUE. Since the war; yes.

Representative WIDNALL. What additional can you tell us about the composition of the unemployed? How many are unskilled workers or new entrants in the labor force?

Mr. CLAGUE. I think in table 2 of my statement you will see that information. Table 2 is March 1958 to March 1959. There we have the unemployed classified by professional workers, farmers, managers, clerical, sales, and so forth, farm laborers and industry laborers, reading down to the left. You will see the breakdown there.

Representative WIDNALL. How does the average wage of these people compare with the average wage of all workers? I am talking now about the unskilled workers and the new entrants into the labor force. Have you any comparison for that?

Mr. CLAGUE. For the average wage?

Representative WIDNALL. Yes.

Mr. CLAGUE. We do. I don't happen to have it here. But I would say this to you: Of course, the laborers, the unskilled workers—well, I think I will answer that this way:

The 1955–57 expansion in industry was a durable goods expansion. The heavy volume of unemployment in 1958–59 is in durable goods industries. In those industries, even the common laborers are not low-wage workers. The minimum wage in steel is about $1.75. The minimum wage in autos would be pretty nearly that high.

So some of these unskilled workers are fairly high salaried. That is why I made mention of the fact that if they shift to service employment, like laundries or service shops of some sort, such as filling stations—I don't recall how the wages are there—they might find they had to take a wage reduction. But, of course, some kinds of unskilled labor are, of course, low wage, too. I don't want to lend the impression that unskilled all have high wages. But we have to think in terms of where these unemployed workers come from, what kind of wages they commanded when they were working.

Representative WIDNALL. At the risk of being misunderstood in asking this question, because somebody will say I am heartless to say this. Doesn't the present unemployment insurance law tend to freeze unemployment in some areas? By that I mean the worker who has been working as an unskilled worker in steel at, you say, $1.75 an hour, who could find employment in another area where there are employment opportunities available, but under the present unemployment law he can be looking in the category that he was in before. Is that not so?

Mr. CLAGUE. I think I will ask Mr. Levine to talk about that. He knows the unemployment insurance system. It would not necessarily mean that the unemployed worker couldn't move. He could draw his unemployment benefits.

Mr. LEVINE. Under unemployment insurance provisions of the State law, there are provisions for interstate benefit payments, so an individual can go to another State and file a claim and that State will act as an agent and forward the claim back to the State from which he originated. So he can be searching for work. The evidence that these people are actually searching for work is found not only in the fact that some of them go through this whole period of benefit payments, having registered in a local office and made themselves available for job opportunities that can be offered to them, but

even after exhaustion, we find that a high proportion of them are still searching for work.

So there is an honest search for work going on.

Representative WIDNALL. I am sure of that. I am not trying to discredit the unemployed in their efforts to obtain jobs. But do they not confine themselves pretty much to the area that they have worked in before?

Mr. LEVINE. The same factors that Mr. Clague referred to apply to these workers as well in the sense of their tie to the establishment and the industry in which they have a great investment, both in terms of previous tenure, seniority, pension rights, health provisions of various kinds, and tie in the community, including homeownership, and so on.

So the preponderance of the effort is made to search at home in the first instance.

We feel, too, that it is improper to compel an involuntarily unemployed person, accustomed to a certain skilled level, having acquired over the years a certain level of skill, experience, and earnings, to be asked to take a very sharp break without some evidence that there are really no possibilities of recall or return to that kind of level.

All of the American work experience is striving to reach higher skilled levels and improve our capacities and abilities. We would hesitate very much to ask workers in an initial period of unemployment to make a major break with that experience and accept a quite low wage or an unskilled category as against a skilled kind of occupation.

Representative WIDNALL. I think I understand the purpose. Certainly, the right motive is in back of it. The point I was trying to make is that in a number of areas you see job opportunities being offered all the time and no takers for the job opportunities. At the same time, we have a lot of people unemployed.

Mr. LEVINE. Mr. Congressman, this point has been one that we have studied for many, many years, in highl levels of economic activity as well as in periods of recession. When we make an analysis of the characteristics of the displaced workers, these unemployed workers claiming benefits, and the characteristics or the specifications for the job openings that exist in the area, we frequently find there is a wide disparity between the two. The disparity may be in occupations, it may be in sex, it may be in age restrictions. There are a wide variety of specifications. So you can have in the same labor market, job opportunities that are not being filled, and at the same time have claimants who will not meet the specifications that the employers are holding out.

Representative WIDNALL. Do you have any figures that show how many families have more than one wage earner?

Mr. LEVINE. Under most of the unemployment insurance laws, we are not required to look into the question of the number of dependents. Their rights to benefits do not turn on whether they are married, single, or whether they have dependents. So we do not have that kind of information.

There are a limited number of States, 11, which have dependents' allowances, a dependent benefit tied to the claim for benefit. In those instances, we do know.

But, normally, we do not look to marital status or number of dependents as having a limitation in any way on benefit rights.

Representative WIDNALL. You would not have anything to show, at this time, the number of repossessions of automobiles or the number of foreclosures of homes within the last few years, something that to me has been quite noticeable, at least up in the area where I am, and where there has been some marked unemployment; that is, how few people seem to have lost automobiles and how few people seem to be involved in the foreclosure of a home.

If conditions are as bad within those homes as some would have you believe, it seems to me that they would be losing their homes, losing their automobiles, because most of them are on time payments.

Mr. LEVINE. Mr. Congressman, this situation varies widely over the country with the spotty character of unemployment and the duration of the unemployment. It has been noticed and a great deal of public attention has been directed to the fact that unemployment insurance in the 1958–59 recession has made a major contribution in the maintenance of purchasing power. This is in part an explanation why foreclosures and repossessions have not been taking place in the same degree.

However, in areas of persistent, long-term unemployment, with high ratios of exhaustions of benefits such as we have, for example, in some of the Michigan areas where even with temporary extension of benefits exhaustion has occurred again, so you have a second series of exhaustions, in those instances there has been evidence that department store sales, credit arrangements and so on, have undergone considerable change.

I might say also that merchants change their position with respect to repossessions and so on, in that kind of a climate of economic activity. So it is not a hardhearted kind of repossession.

Representative WIDNALL. If we were to go into a depressed areas program, such as suggested by Senator Douglas, and in some of these chronically depressed areas you endeavor to bring in new industry and new development, you would not necessarily have the same type of employment there as these people had before, if they were automobile workers, and you would have exactly the same problem with respect to the payment of wages, I should think.

Mr. LEVINE. I should like not to comment to the legislative proposal that is before the Congress. But talking to the economics of the distressed or areas of long and persistent unemployment, in many of these areas we have people with considerable skill and a long work history, and the contributions to the economic change in those areas might be a shift of industry or a shift of market or something of that kind. The kinds of industries that might be attracted to those areas would, in part, turn on the skilled characteristics of the work force and the manpower resources that are available in the area, and in some part no doubt would require some retraining, some kind of redirection of their abilities.

The CHAIRMAN. This is also a feature of the Douglas depressed areas bill; namely, retraining.

Mr. LEVINE. I would say that we find quite often when industries are talking about relocation, that among the elements that they take into account—and they, of course, take into account market, resources, transportation costs, and so on—that manpower resource is an important consideration.

Mr. CLAGUE. I would like to add a point on that because I thought this was rather dramatic in the case of Massachusetts. Massachusetts was a textile industry area and it was going downhill, because textiles were going downhill; but electronics moved in. Massachusetts became some years ago the leading State in electronics manufacture.

I think part of the reason for that was that some of those skilled textile machinists and other workers available there gave them the opportunity to build new industry. This is slow work. It means the distressed area has to attract industry to move in and to take account of the labor that is, let us say, stuck there, if we may use that word.

Representative WIDNALL. What are the latest figures on dual job holdings? Do you have those?

Mr. CLAGUE. Mr. Pearl will remember those.

Mr. PEARL. A survey made last summer, just about to be released, showed about 3½ million, I believe. Well, it dropped during the recession. It had been about 3½ million people who held two or more jobs at the same time, in the same week. The number dropped to about 3 million last July. We believe because of the recession.

Representative WIDNALL. I saw something happen in my own area when the Ford Motor Co. plant went out of operation for a number of weeks. They have the largest assembly plant in the world at Mahwah, N.J. A great many of those people worked on Saturday and Sunday in some other type of employment. Some of them when they had been out for a while ended up the effort to go back to Ford and started full time in the operation they were engaged in on weekends. It was a rather interesting development for me to see firsthand. I found at least in that particular area that there did not seem to be too many major repercussions because of the layoffs over a period of time. Of course, they are back in production and have a pretty full labor force employed at the plant.

Mr. CLAGUE. I might say, Congressman, of course, that this emphasizes the point that in certain sections of this country the unemployment rate is rather low, jobs are rather plentiful, and these people will find jobs in their own communities.

It is the concentration of unemployment where the opportunities do not exist which produces the long-term unemployed.

Representative WIDNALL. What is the incidence of unemployment in firms employing from one to four workers? Have you figures on that?

Mr. LEVINE. We don't have figures on that. We do have some figures on employment, and this is what was referred to earlier, employment by size of firm, so that you can look at employment variations. But in terms of unemployment, we have not really gotten any figures on that. It would be hard to trace back the individual to the particular establishment and then the size of the establishment, except as it showed up for us in the employment office, and where the State does not cover an individual under its unemployment insurance law because he is in a firm that has less than four. The Federal statute requires four or more. In that instance, we would not have any means of knowing that.

Representative WIDNALL. That is all.

The CHAIRMAN. We are very glad to have two other witnesses. I will call Mr. Peter Henle, assistant director of research, for the AFL–CIO.

STATEMENT OF PETER HENLE, ASSISTANT DIRECTOR OF RESEARCH, AFL–CIO

Mr. HENLE. Thank you, Mr. Chairman.

I would like, Mr. Chairman, to cover some of the same ground that Mr. Clague did. I will try to avoid any duplication.

First I will give a brief discussion of the available statistics and our views on them; and secondly, a few comments on the implications of today's unemployment and economic policy.

With regard to the first question, my judgment is that recent years have seen considerable progress in improving the statistical reports on the employment status of the population. There has been an expansion of the sample of households from which the basic data are obtained. There have been refinements of the interviewing process, and there has been considerable clarification of previously ambiguous conceptual problems. All of these have helped to make today's report more accurate and more meaningful than the comparable report as recent as 5 years ago. In particular, the able job performed by the so-called Review of Concepts Committee of Government Experts has been valuable in pointing the way toward these improvements. I think that the advice of both labor and business economists given to this committee also proved helpful.

This is not to say that today's reports provide the final answer to the quest for statistical information about unemployment. While there have been improvements in the method of obtaining the basic data, important gaps in statistics still remain. The task ahead is to identify these more precisely and then to adapt today's methods to fill these gaps.

The next few months constitute a particularly appropriate time to review these statistics. Arrangements are now being made for the forthcoming transfer of the supervision of the Monthly Report on the Labor Force from the Bureau of the Census to the Bureau of Labor Statistics. While organized labor, needless to say, was hardly instrumental in arranging this transfer, it is one that we heartily applaud.

The consolidation of responsibility for all employment and unemployment statistics in one agency should provide a more uniform method of collecting, analyzing, and presenting data, the responsibility for which up to now has been divided between two agencies. The occasion of such a transfer provides a particularly appropriate time to review the procedures for these reports.

Because this hearing is primarily concerned with unemployment, it is to these figures that I wish to direct my attention, excluding data relating solely to employment, labor turnover, et cetera.

The following are the specific questions that I feel are worthy of special attention in the continuing attempt to develop more meaningful statistics on unemployment.

1. Provide a better basis for judging hidden unemployment.

At the present time, the monthly report provides a reasonably accurate figure of the number of individuals totally unemployed; that is, those who during the survey week of each month have not been employed on any job and who have been actively seeking work in that week or in the recent past. This is the basic figure on unemployment which captures the headlines. However, by itself this figure does not indicate the full extent to which individuals have been made idle by economic conditions. There are two other aspects of the problem which are not adequately covered by statistical reports at the present time.

Part-time workers: Any individual who has been employed for even as much as one hour per week is counted as employed under the present definitions. Under the circumstances, this definition may be as reasonable as any other since otherwise it might be very difficult to decide exactly how many hours of work constitutes "employment."

However, for many the effects of a recession are reflected in cutbacks to part-time work, rather than complete loss of employment. This makes it imperative that full information be available indicating the extent to which individuals have been forced to accept part-time work when they cannot find full-time jobs. To meet this need, the Census Bureau has been providing during the last few years more regular reports on these part-time workers, dividing them into those who prefer to work part time, and those who prefer full-time work but who are working part time for economic reasons. Such figures show, for example, that in March 1959, 2.4 million workers were working part time because they could not find full-time jobs At the present time, however, the Census Bureau merely provides a breakdown of this 2.4 million according to the number of hours worked during the survey week. It does not take the logical step of calculating and then publishing figures indicating the full-time equivalent of the time lost by these part-time workers. Such figures can be readily obtained from data now available. In fact, they have been published, for example, in an appendix to the 1955 report of this committee on the President's Economic Report. It is our view that such a figure should be published on a regular monthly basis, thus making possible a more realistic assessment of the impact of economic conditions on employment.

The CHAIRMAN. For the sake of the record, I would like to point out that a definition of the methods of deriving estimates of full-time and permanent unemployment were submitted by Mr. Ensley in 1955, published as an appendix to the Economic Report in that year. It appeared on pages 95 to 97.

In the hearings of last year on the Economic Report to the President, at my request, Mr. Knowles submitted a memorandum on the computation of full-time and equivalent unemployment, bringing figures down to January 1958. This appears on pages 163–165 of that report.

We have been computing monthly estimates of what the full-time equivalent of unemployment would be of involuntary part-time workers. The legitimacy of these figures has never been recognized. So they are off on the wing, so to speak, and have never been officially admitted.

I think this is a very important issue. I can say that the figure for March is an estimate of approximately 1.1 million of the 2.4 million involuntary part-time workers. They came to the equivalent of about 1.1 million equivalent full-time unemployed workers. This, therefore, raised the percentage figure of unemployment, even if you took the 66 million as a basis. It would raise it by at least 1½ percent.

If you introduced the further refinements which I believe should be introduced and subtracted from the total working force, the number of self-employed, of course, the percentage increase would be still more.

I am glad you touched upon this point. I think full consideration should be given to it. I am glad that you also feel that they should be admitted to the family of unemployment statistics.

Mr. HENLE. I say this, Mr. Chairman, that regardless of a person's attitude regarding these figures, whether they feel that unemployment is slight or heavy, this is a very critical index, the extent to which people are forced to take part-time work. In some respects it is an impartial figure, because once you have a series of these figures, you can draw conclusions either way from them. But it provides what could be a very critical indicator, for example, of a possible forthcoming recession because the start of a downturn would be more reflected in cutbacks than in layoffs.

The CHAIRMAN. There is one final point I would like to mention, and that is that our very State unemployment insurance laws encourage part-time unemployment rather than full-time unemployment, because generally a worker is not eligible for benefits until his earnings are less than half of what they would normally be. The contributions or assessments which the employer pays to the State unemployment insurance funds generally is a rather close ratio to the total amount of benefits paid out to his specific workers. Therefore, he could reduce his contributions by spreading the unemployment more evenly and working a large number of people part time rather than concentrating the lost time upon a smaller number who would otherwise be completely unemployed and, hence, eligible for benefits. I think this is a hidden factor which, as you say, should be revealed.

The facts, I have always believed, are neutral.

Mr. HENLE. That is right.

Mr. Chairman, the second part of this problem deals with the question Mr. Clague has already touched on, the question of the changing growth in the labor force. You will remember his first chart depicted very clearly how the growth in the labor force is not a slow, steady growth, but rather erratic, and that it falls behind in times of recession and goes above or tends to go above the projected or normal line in times of prosperity.

As Mr. Clague explained, there are various reasons for this. The young people perhaps go to school another year rather than look for jobs in a recession job market, and so forth.

While it would be difficult to obtain exact statistics on the number of individuals who have refrained from job hunting because of economic conditions, it would be possible to estimate this figure by comparing the labor force for any period with the labor force that had previously been projected as normal for that period. Projections of labor force growth are published and revised every few years by the governmental experts. Differences between actual and projected size

of the labor force can be a valuable analytical tool in economic analysis, as Mr. Clague demonstrated before your committee in January.

Because changes in labor force growth can be erratic from month to month, it would probably not be advisable to publish monthly figures showing the divergence of the actual labor force from the long-term trend. However, it would seem possible for such figures to be published quarterly or semiannually. This would provide one additional tool to view the effects of a recession—or a more prosperous period—on the labor market. In other words, I think, as Mr. Clague himself has at times indicated, the trend is the difference between today's labor force and what the projected trend would have been. If we could have those figures on a regular basis, not necessarily monthly or quarterly, but semiannually, it would help.

II. OBTAIN INFORMATION ON THE CHARACTERISTICS OF THE UNEMPLOYED

Governmental agencies are already devoting increasing attention to this aspect of the problem. They recognize that it is not enough to provide a single figure for the unemployed. Monthly information is now being provided giving age, sex, marital status, and color breakdowns for the unemployed.

Additional information should be made available in this area. Information on unemployment by industry and occupation, published at irregular intervals, should be furnished each month. Greater attention should be given to the characteristics of the long-term unemployed. This has become a particularly critical question in the past few months, and while the governmental reports reflect increasing concern with this problem, they do not yet include such information as a regular part of the data.

III. EXAMINE IN MORE DETAIL WORKERS WITH ONLY MARGINAL ATTACHMENT TO THE LABOR FORCE

It is clear that the labor force status of many individuals is constantly shifting. For the average male adult there is little choice. His job as family breadwinner, and his attachment to the labor force is very specific. For the teenager, the older workers, and particularly for the women who now comprise a larger proportion of the labor force, the attachment to the labor force may vary with the time of the year, with job opportunities, or with their personal inclination. Additional work needs to be done to find out the conditions under which these people enter and leave the labor market.

IV. CONTINUE WORK TO IMPROVE THE SEASONAL ADJUSTMENT FOR UNEMPLOYMENT

The seasonal adjustment becomes a particularly critical factor at the time of any recession. During 1958 this factor came in for a certain amount of criticism which we believe was largely unjustified. Nevertheless, it is particularly important for the Government to review the process by which this seasonal adjustment factor is obtained to determine whether any improvements can be made. Some students of the problem have suggested that the behavior of unemployment between any 2 months of the year may vary depending on the

stage of the business cycle through which the economy is moving. Others have suggested that some seasonal changes may be best described in terms of absolute rather than relative changes in unemployment. These and other suggestions should be carefully examined and tested.

I am particularly concerned about point V of my paper, and I would like to go into that briefly. We think it important to review the unemployment insurance claims.

V. IMPROVE THE REPORT ON UNEMPLOYMENT INSURANCE CLAIMS

In addition to the Monthly Report on the Labor Force, information on unemployment is obtained and published as a byproduct of the operation of the unemployment insurance system. This report can be most useful since its weekly figures provide more up-to-date information than the monthly survey of households. However, the figures that are now published are of limited value because they reflect so many administrative factors operating in the 48 different State unemployment insurance systems. The number of workers filing claims in any week, for example, is affected not only by changes in unemployment, but also by numerous provisions in State laws which, for example, set particular dates after which new claims can be filed. Changes in State law, such as those broadening coverage of the system, also affect number of workers filing claims. Moreover, the usefulness of the data is impaired by the fact that no count can be made of unemployed workers who have exhausted the benefits to which they have been entitled.

It is possible, however, to make statistical allowance for most of these factors, and a correction can be applied to the data that is now published. In fact, the Bureau of Employment Security has worked out certain seasonal factors which take most of these points into account. However, the present weekly report does not include any such adjustment, making it very difficult to interpret. One of the most important improvements in unemployment data that can now be made would be to make possible more meaningful analysis of the weekly unemployment insurance claims report. We are very gratified to learn this morning that some steps are being taken. I think in addition it should be possible to make two improvements more promptly: First. To utilize the seasonal index, which is already available, so that weekly data or at most monthly data could be readily interpreted in the published report. In other words, to include the seasonal adjustment.

Secondly, with regard to the exhaustion of claims, it is true that figures are now available from eight industrial States. However, it is my understanding that those figures are not published weekly, although they are gathered weekly, and there is no reason in the world why this information should not be published.

Now, Mr. Chairman, I would like to turn my attention to interpreting today's unemployment figures.

The general pattern revealed by these figures has been discussed by Mr. Clague, and I do not propose to go into it further. It does seem important to me to ask this question: To what extent is the lag in unemployment today a normal unavoidable pattern, typical of the

American economy in times of recovery, and to what extent is it a more serious problem calling for remedial measures?

It is our view that there are two important factors that distinguish today's unemployment from conditions after the two previous postwar recessions. One of them is the fact that the lag today, after the 1958 recession, has remained far more pronounced than after the 1949 or the 1954 recession. I think that was demonstrated by Mr. Clague's charts showing the unemployment rates for the three periods.

Secondly, I would like to call your attention to the problem of jobs. In other words, not only is the rate of unemployment high, but the extent to which jobs have picked up, sort of the converse of the picture, brings this lag out very clearly. The figures indicate a sharp drop in employment between the previous peak to the troughs of each of the postwar recessions. The figures also reveal that 11 months after the 1949 and 1954 recessions, employment had expanded to the point where it had surpassed the previous peak. However, in the 1958 recession we are still more than 1 million workers, seasonally adjusted, away from the peak from which the recession drop began.

The CHAIRMAN. By about 1,450,000 in the 1949–50 recession and by about 400,000 in the 1953–54 recession. In 1957–58, the total employment was 1.1 million less.

Mr. HENLE. That is right.

Representative WIDNALL. Regarding the September 1950 figures, what is the impact of the Korean war there?

Mr. HENLE. That might be difficult to say. There may be some impact, but that was before the United States had gotten—no, we got in in June. Well, I am sorry. It began in June. In November was the intervention by the Communists from the mainland which turned it into a larger scale affair. There is some expansion here. That may account for part of the large increase over the previous peak.

Representative WIDNALL. It is just typical of the factors that can move into a certain particular series of months that can make it not a true comparison when you are talking about one year as against another.

Mr. HENLE. On the other hand, the differences are quite considerable between increases of 400,000 or so, or more, versus a drop of 1.1 million.

Now I discuss the problem which Congressman Widnall has been asking about. I think, perhaps, it is enough to summarize here.

There have been questions about how serious this unemployment is and how much hardship is involved to the people concerned. Efforts have been made to point out, for example, that of the unemployed there are so many that are working wives, and so many are young people who are living with their parents, and so many are in families with two income earners, and so forth. The point I would like to make is this: Of course, in good times or bad, a certain proportion of the unemployed workers are teenagers, married women, and so forth. The figures show, however, and I think Mr. Clague has emphasized this, too, that the 1958 recession hit particularly hard at married men with families, and that although there has been some improvement in this regard, the proportion of the unemployed represented by married men with families is higher today than it was 2 years ago.

The CHAIRMAN. Mr. Henle, is that because the present recession hit the durable goods industries harder and the percentage of men in durable goods is, of course, higher than in soft goods?

Mr. HENLE. I think that is true. I would add also that in many of these industries unemployment hit so hard, the cutbacks were so sharp, that it affected older workers with 10, 12, or 15 years seniority—obviously married men who had settled down at this job for their lives.

Moreover, the proportion among the unemployed of women who have added responsibilities because they are widowed or divorced or because their husbands are absent is higher today than it was 2 years ago.

Many of the people who discuss these figures tend to leave out the fact that there are many places and many types of situations where the women's earnings represent not only her income but the income of other people dependent on her.

Representative COFFIN. Perhaps you covered this question earlier, but if the birth rate has gone up, particularly since World War II, do we have any figures showing the average number of dependents of the wage earner? Has that gone up? Would that have any bearing on comparing unemployment figures of today with unemployment figures of 5, 10, or 15 years ago? In other words, does an unemployed person today have an average number of dependents greater than he did at an earlier period?

Mr. CLAGUE. I think I will ask Mr. Pearl to talk to that. This comes from the Census.

Mr. PEARL. Unfortunately, I do not have any basic statistics on this with me. It is true that families are getting somewhat larger because of the increased birth rate. At the same time, there has been a sharp uptrend, as shown earlier, in the extent to which married women are working and other members of the family are contributing. How this balances out, I am not quite sure. I would suspect that this percentage has not gone up, if you take into account both of those factors. But we would have to check into the figures to be sure.

Representative COFFIN. Is it possible to get that, to evaluate those two counterforces?

Mr. PEARL. I would have to look into it. These are not satistics which we have on a monthly or such frequent basis. But it is possible, I think, to work through our figures and see if we can't develop something. We will submit a statement to the committee if we can develop anything on it.

The CHAIRMAN. If that would not be too much trouble, we would appreciate it, if it could be done. We will have this printed as other material is printed, and submit it as a part of today's testimony.

(The material referred to follows:)

U.S. DEPARTMENT OF COMMERCE,
BUREAU OF THE CENSUS,
Washington, D.C., May 11, 1959.

INCREASING FAMILY SIZE AND FAMILY INCOMES

In the course of testimony given before the Joint Economic Committee during hearings on unemployment—measurement and characteristics, members of the committee expressed some concern that the growth in the size of the American family over the postwar period may have placed heavier burdens on family

income. The committee requested that some measurement of the possible extent of this burden be placed into the record of the hearings insofar as this was possible from the available statistics.

The Census Bureau estimates that the average size for all families has not changed significantly over the postwar period. (See table A.) However, for younger families, where the head of the family is under 45 years of age, the increase in size of family has been appreciable. All of this change can be explained in terms of larger numbers of children. In all, the increase from an average of 1.59 children under 18 to 2.05 for husband-wife families where the head was less than 45 years old, meant somewhat over 10 million more younger persons in our population in 1958 than would have been expected had the family size remained stable.

TABLE A.—*Average family size and average number of children under 18, by family type, for the United States, 1947–58*

Type of family	Average family size		Type of family	Average number of children under 18 years of age [1]	
	1947	1958		1947	1958
All families	3.67	3.65	All husband-wife families	1.19	1.43
Family head under 45 years of age	3.76	4.13	Husband-wife families with head under 45	1.59	2.05

[1] Comparable data not available for all families; husband-wife families constitute about 87 percent of the total of all types of families.

Source: Bureau of the Census.

These figures show that family responsibilities have increased significantly among those groups where the wife is relatively young. The postwar uptrend toward increased labor force participation of wives has occurred mostly among middle-aged women who are less likely to have young children in the home.

Comparison of the growth in per capita income during the postwar period for all persons against that of persons in families whose head was under 45, shows that the income of the younger families generally has grown less than the national average (table B). At the same time, the growth of per capita income for families with children under 18 years of age has fallen short of the national average by an even wider margin, amounting to a gain of some 35 percent as against somewhat better than 50 percent for all groups on the average. There is thus some evidence that these younger families may not have shared to the same extent as other groups in the population in the Nation's increasing economic well-being.

TABLE B.—*Levels and percent changes in per capita income from 1947 to 1957 (in current dollars) for family persons and other individuals in the United States*

Type of per capita income	Levels		Percent change
	1947	1957	
For all families and unrelated individuals [1]	$1,053	$1,607	+53
For persons in families with head under 45 years of age [1]	968	1,383	+43
For persons in families with children under 18 years of age [1]	940	1,270	+35
Disposable personal income for total population	1,180	1,782	+51

[1] Before personal income taxes and other payroll deductions.

Source: Bureau of the Census and Office of Business Economics, Department of Commerce.

Total income rather than earnings has been compared here in order better to measure the total available means for the family's support. It should be noted that on the average the children of today's families are still presumably

better off economically than 10 years ago, since the rise in per capita income of families with children has been greater than the increase in the cost of living.[1]

Caution should be exercised in interpreting these figures because they are subject to sampling and response variability and other possible errors of estimation. Moreover, per capita income before taxes—the only form in which the data are available for families by age of head and number of children—may not be a fair yardstick against which to compare the well-being of families with and without children. Since the tax structure provides for deductions for dependents and other benefits for married persons and family heads, the differences in income growth among the various groups of families would have narrowed if the computations could have been based on income after taxes. The question might also be raised, in computing per capita income, as to whether the weight assigned to young children should be reduced in line with the smaller expenditure required for a child as compared with an adult. The evidence presented can be used to form only tentative judgments in an area that needs still further study and more detailed types of information.

Representative WIDNALL. I have always wondered, and I have never gotten the answer to it, about this question: If a man has received about $4,000 of income from his job and he then becomes unemployed, and receives $500 of unemployment insurance, is his yearly wage computed at $4,500 in the figures for the United States, or only his actual earnings and the other considered insurance and not part of his earnings?

Mr. PEARL. We report all sources of income, including unemployment insurance, old-age pensions, and so on, in addition to earnings. So his income would be computed as $4,500 in that instance.

Representative WIDNALL. So your average yearly wage would include those figures?

Mr. PEARL. It is the average yearly income. It is not called wages.

Representative WIDNALL. Thank you.

Representative COFFIN. Mr. Pearl, in answering the question which I asked, you would bear in mind Mr. Clague's earlier statement about the ages of the women coming into the force being over 35. It is not just a question of balancing women against children, but in the age group of unemployed.

Mr. PEARL. You are thinking of younger families, in other words. We will attempt to make such a distinction, if we can.

Representative COFFIN. Having four children and being in constant danger of involuntary unemployment, I am very much interested in that.

The CHAIRMAN. Would you proceed, Mr. Henle?

Mr. HENLE. Mr. Chairman, the second point that I particularly wanted to emphasize as creating a unique aspect of today's unemployment picture I mention the fact that a large proportion of the unemployed have been out of work for extended periods of time and therefore face critical hardship problems far greater than anything that has occurred in the postwar period.

Mr. Clague had a very effective chart in this regard showing how the number of people in this long-term unemployed group was much higher in the 1958 recession than in previous recessions, and is much higher today than in other normal times.

Considering the general problem of the high unemployment figures and the continuing economic recovery, what is likely to happen over

[1] Consumer prices as measured by the BLS cost of living index increased about 25 percent from 95.5 in 1947 to 120.2 in 1957 (1947–49=100).

the next few months? I would say with the continuing recovery in economic conditions, some improvement can be expected. Yet, it is important to remember that such a change for the better is likely to be limited by two factors:

(1) A larger than normal increase in the labor force is expected during the coming months reversing the trend of the past 2 years, and

(2) The sharp improvement in the economy's productivity which has been evident since last fall. That is generally typical of a recovery period.

This productivity is a very desirable thing, and yet in terms of the unemployment statistics obviously continued improvements in productivity could well mean a continuing high level of unemployment.

In conclusion, I would like to raise three particular questions that this committee may wish to consider that I feel grow out of a look at the unemployment picture today:

1. Are we taking sufficient steps to assist workers currently stranded in depressed communities without sufficient job opportunities?

I have already mentioned the area redevelopment legislation which is designed to attack this problem. However, the number of these labor surplus localities has increased and the plight of their unemployed has become more serious during the years when Congress has been considering this legislation with the result that the new law, when and if it is enacted, may not be sufficient to do the job.

Do we need, for example, to consider a broader program of industrial training for these unemployed? It seems very clear that because of technological advances there are many workers in industries manufacturing durable goods, on the railroads, and in the mines, who for many years to come probably cannot be reemployed in the jobs for which they have been trained. The question arises whether there is some way these workers can be trained for other jobs that might develop in or near their communities. Have we given sufficient thought to developing, if necessary with assistance from the Federal Government, the proper program of training to help these workers obtain other jobs? I have no precise blueprint for such a program, but this may well become a major issue in the future for public and private policy.

2. Assuming no additional Government programs to meet the unemployment problem, is the present course of events leading to a permanently higher level of unemployment, even in more prosperous periods?

Each postwar recession seems to have left the economy with a higher residue of unemployment. After the 1949 recession, unemployment was as low or lower than 3 percent for many months, even after the end of the Korean war. After the 1954 recession, unemployment dropped but only to about 4 percent. Now, we seem to be facing the danger that unemployment may not recede below the 5-percent level.

The implications of such a deterioration in economic conditions for the competitive struggle with the Soviet Union are obvious.

3. Are we doing enough to get ready for the 1960's when substantial changes will be taking place in the labor force?

Population projections point very clearly to the explosion scheduled to take place in the 1960's. The number of young people reaching the age of 18 will be rising 35 percent from the 1955–60 period to 1960–65. Has sufficient attention been given to the effects on the economy of these youngsters reaching maturity? On the one hand, of course, the increasing number of marriages, of new households, and families would provide a stimulating effect to consumer demand. On the other hand, the entrance of these young people on the labor market is bound to add to unemployment difficulties. Is there any way to measure these two forces and determine the net effect on the economy? Perhaps this could become a fruitful source of inquiry for this committee to pursue.

These are a few issues that we see as critical in the months and years ahead. They should be kept in mind as the committee moves ahead in its investigations.

The CHAIRMAN. Thank you very much, Mr. Henle.

(The complete statement of Mr. Henle follows:)

STATEMENT OF PETER HENLE, ASSISTANT DIRECTOR OF RESEARCH, AFL–CIO

I appreciate this opportunity to offer some comments regarding the current unemployment picture.

My comments will fall in two parts: First, a brief discussion of the available statistics and, second, a few comments on the implication of today's unemployment for economic policy.

With regard to the first question, my judgment is that recent years have seen considerable progress in improving the statistical reports on the employment status of the population. There has been an expansion of the sample of households from which the basic data are obtained. There have been refinements of the interviewing process, and there has been considerable clarification of previously ambiguous conceptual problems. All of these have helped to make today's report more accurate and more meaningful than the comparable report as recent as 5 years ago. In particular, the able job performed by the so-called Review of Concepts Committee of Government experts has been valuable in pointing the way toward these improvements. I think that the advice of both labor and business economists given to this Committee also proved helpful.

This is not to say that today's reports provide the final answer to the quest for statistical information about unemployment. While there have been improvements in the method of obtaining the basic data, important gaps in statistics still remain. The task ahead is to identify these more precisely and then to adapt today's methods to fill these gaps.

The next few months constitute a particularly appropriate time to review these statistics. Arrangements are now being made for the forthcoming transfer of the supervision of the Monthly Report on the Labor Force from the Bureau of the Census to the Bureau of Labor Statistics. While organized labor, needless to say, was hardly instrumental in arranging this transfer, it is one that we heartily applaud. The consolidation of responsibility for all employment and unemployment statistics in one agency should provide a more uniform method of collecting, analyzing, and presenting data, the responsibility for which, up to now, has been divided between two agencies. The occasion of such a transfer provides a particularly appropriate time to review the procedures for these reports.

Because this hearing is primarily concerned with unemployment, it is to these figures that I wish to direct my attention, excluding data relating solely to employment, labor turnover, etc.

The following are the specific questions that I feel are worthy of special attention in the continuing attempt to develop more meaningful statistics on unemployment.

I. PROVIDE A BETTER BASIS FOR JUDGING HIDDEN UNEMPLOYMENT

At the present time, the monthly report provides a reasonably accurate figure of the number of individuals totally unemployed; i.e., those who during the survey week of each month have not been employed on any job, and who have

been actively seeking work in that week or in the recent past. This is the basic figure on unemployment which captures the headlines. However, by itself this figure does not indicate the full extent to which individuals have been made idle by economic conditions. There are two other aspects of the problem which are not adequately covered by statistical reports at the present time.

Part-time workers

Any individual who has been employed for even as much as 1 hour per week is counted as employed under the present definitions. Under the circumstances, this definition may be as reasonable as any other since otherwise it might be very difficult to decide exactly how many hours of work constitutes "employment."

However, for many the effects of a recession are reflected in cutbacks to part-time work, rather than complete loss of employment. This makes it imperative that full information be available indicating the extent to which individuals have been forced to accept part-time work when they cannot find full-time jobs. To meet this need, the Census Bureau has been providing during the past few years more regular reports on these part-time workers, dividing them into those who prefer to work part-time, and those who prefer full-time work but who are working part-time for economic reasons. Such figures show, for example, that in March 1959, 2.4 million workers were working part-time because they could not find full-time jobs. At the present time, however, the Census Bureau merely provides a breakdown of this 2.4 million according to the number of hours worked during the survey week. It does not take the logical step of calculating and then publishing figures indicating the full-time equivalent of the time lost by these part-time workers. Such figures can be readily obtained from data now available. In fact, they have been published, for example, in an appendix to the 1955 report of this committee on the President's Economic Report. It is our view that such a figure should be published on a regular monthly basis, thus making possible a more realistic assessment of the impact of economic conditions on employment.

Changes in labor force growth

One of the perplexing problems in interpreting data on employment and unemployment involves the growth of the labor force. Examination of data for the postwar period brings out how the growth in the labor force has been quite erratic, generally rising far more rapidly in prosperous than in recession years.

Actually this pattern of accelerated growth in prosperity and limited growth during recessions is quite logical. It is important to remember that an individual is counted as unemployed only if he is actively seeking work during the survey week or in the recent past. If because economic conditions become discouraging, an individual is not actively seeking work, he will be counted neither as employed nor unemployed, but not in the labor force.

Moreover, in times of recession many young people will often refrain from job hunting because it becomes clear that little or no work is available. Young people may decide to spend another year at school rather than look for work. Housewives who are interested in working decide to await more favorable job conditions. In these ways, a recession may leave its effect, not just in terms of the totally unemployed, or the part-time unemployed, but in terms of a slower increase in the labor force.

While it would be difficult to obtain exact statistics on the number of individuals who have refrained from job hunting because of economic conditions, it should be possible to estimate this figure by comparing the labor force for any period with the labor force that had previously been projected as normal for that period. Projections of labor force growth are published and revised every few years by the governmental experts. Differences between actual and projected size of the labor force can be a valuable analytical tool in economic analysis, as Mr. Claque demonstrated before your committee in January.

Because changes in labor force growth can be erratic form month to month, it would probably not be advisable to publish monthly figures showing the divergence of the actual labor force from the long-term trend. However, it would seem possible for such figures to be published quarterly or semiannually. This would provide one additional tool to view the effects of a recession (or a more prosperous period) on the labor market.

II. OBTAIN ADDITIONAL INFORMATION ON THE CHARACTERISTICS OF THE UNEMPLOYED

Governmental agencies are already devoting increasing attention to this aspect of the problem. They recognize that it is not enough to provide a single figure

for the unemployed. Monthly information is now being provided giving age, sex, marital status, and color breakdowns for the unemployed.

Additional information should be made available in this area. Information on unemployment by industry and occupation, published at irregular intervals, should be furnished each month. Greater attention should be given to the characteristics of the long-term unemployed. This has become a particularly critical question in the past few months, and while the governmental reports reflect increasing concern with this problem, they do not yet include such information as a regular part of the data.

III. EXAMINE IN MORE DETAIL WORKERS WITH ONLY MARGINAL ATTACHMENT TO THE LABOR FORCE

It is clear that the labor force status of many individuals is constantly shifting. For the average male adult there is little choice. His job as family breadwinner, and his attachment to the labor force, is very specific. For the teenager, the older workers, and particularly for the women who now comprise a larger proportion of the labor force, the attachment to the labor force may vary with the time of the year, with job opportunities, or with their personal inclinations. Additional work needs to be done to find out the conditions under which these people enter and leave the labor market.

IV. CONTINUE WORK TO IMPROVE THE SEASONAL ADJUSTMENT FOR UNEMPLOYMENT

The seasonal adjustment becomes a particularly critical factor at the time of any recession. During 1958 this factor came in for a certain amount of criticism which we believe was largely unjustified. Nevertheless, it is particularly important for the Government to review the process by which this seasonal adjustment factor is obtained to determine whether any improvements can be made. Some students of the problem have suggested that the behavior of unemployment between any 2 months of the year may vary depending on the stage of the business cycle through which the economy is moving. Others have suggested that some seasonal changes may be best described in terms of absolute rather than relative changes in unemployment. These and other suggestions should be carefully examined and tested.

V. IMPROVE THE REPORT ON UNEMPLOYMENT INSURANCE CLAIMS

In addition to the Monthly Report on the Labor Force, information on unemployment is obtained and published as a byproduct of the operation of the unemployment insurance system. This report can be most useful since its weekly figures provide more up-to-date information than the monthly survey of households. However, the figures that are now published are of limited value because they reflect so many administrative factors operating in the 48 different State unemployment insurance systems. The number of workers filing claims in any week, for example, is affected not only by changes in unemployment, but also by numerous provisions in State laws which, for example, set particular dates after which new claims can be filed. Changes in State law such as those broadening coverage of the system also affect number of workers filing claims. Moreover, the usefulness of the data is impaired by the fact that no count can be made of unemployed workers who have exhausted the benefits to which they have been entitled.

It is possible, however, to make statistical allowance for most of these factors, and a correction can be applied to the data that is now published. In fact, the Bureau of Employment Security has worked out certain seasonal factors which take most of these points into account. However, the present weekly report does not include any such adjustment, making it very difficult to interpret. One of the most important improvements in unemployment data that can now be made would be to make possible more meaningful analysis of the weekly unemployment insurance claims report.

I would like now to turn my attention to the interpretation of today's unemployment figures.

The general pattern revealed by these figures is clear enough. Eleven months after hitting the bottom of the 1958 recession, the U.S. economy has made an excellent recovery in terms of physical activity—production of basic industries, volume of sales, extent of new construction—but at the same time the recovery in terms of jobs is far from complete.

The key question to ask in interpreting this picture is: To what extent is this a normal unavoidable pattern typical of the American economy in time of recovery, and to what extent is this a more serious problem calling for remedial measures? It is this question that I wish to explore briefly with the committee.

To begin with, it seems clear that in previous postwar recessions, there has been some lag in employment behind the recovery in production. Nevertheless, there are a number of factors in today's conditions which I believe give real cause for concern. In fact, today's unemployment projected into the future could easily become a major economic handicap for the United States in years ahead.

Let me mention two factors which I think distinguish today's unemployment from conditions after the two previous postwar recessions.

1. *The lag in employment after the 1958 recession has remained far more pronounced than after the 1949 or 1954 recessions.*

In 1958 unemployment became more serious than during previous recessions, and it remains more serious during the recovery period.

Month	*Seasonally adjusted rate of unemployment*
March 1959 (11 months after trough of 1958 recession)	5.8
July 1955 (11 months after trough of 1954 recession)	4.1
September 1950 (11 months after trough of 1949 recession)	4.6

Not only is the unemployment rate higher but jobs have not expanded in this recovery period at the same rate as in previous recoveries.

Wage and salary jobs in nonagricultural establishments, seasonally adjusted

[In thousands]

Postwar recession	Previous peak		Trough		11 months after trough	
1949	44,739	November 1948	42,455	October 1949	45,899	September 1950:
1954	49,889	July 1953	48,149	August 1954	50,295	July 1955.
1958	52,457	August 1957	50,054	April 1958	51,357	March 1959.

The figures indicate a sharp drop in employment between the previous peak to the troughs of each of the postwar recessions. The figures also reveal that 11 months after the 1949 and 1954 recessions employment had expanded to the point where it had surpassed the previous peak. However, in the 1958 recession we are still more than 1 million workers, seasonally adjusted, away from the peak from which the recession drop began.

Recently, efforts have been made to minimize the hardships of today's unemployment by saying that a certain proportion of the unemployed are youngsters, a certain proportion are married women, and a certain proportion are men with working wives, all of whom presumably can get along without a job. According to this analysis, only a relatively small proportion of the unemployed present any serious problems for the conscience of the American people.

It is easy enough to refute this line of reasoning. In the first place, it is based on a number of obviously erroneous assumptions (that all unemployed single persons have no dependents, that all unemployed women have no dependents, that unemployment insurance benefits provide adequate income, etc.)

Second, it neglects basic statistical evidence. Of course, in good times or bad, a certain proportion of unemployed workers are teenagers, married women, etc. The figures show, however, that the 1958 recession hit particularly hard at married men with families, and that although there has been some improvement in this regard, the proportion of the unemployed represented by married men with families is higher today than it was 2 years ago. Moreover, the proportion of women among the unemployed who have added responsibilities because they are widowed or divorced, or because their husbands are absent, is higher today than it was 2 years ago.

Finally, it seems to me that an argument of this sort completely misses the point. Let us assume, for example, that there are a sizable number of families in which the husband is unemployed but the wife has been able to continue her job, or to find a new one. Is this the type of family situation which the United States is planning to perpetuate? Is it desirable for auto workers, railroad men, or coal miners to sit idle in the home while the family tries to get along on the wife's earnings as a waitress, secretary, or sewing-machine operator?

Congress can, if it wants, legislate national policy that married men should have job priority ahead of single individuals, and that wives should not work as long as husbands are available. However, let us hope that the American economy has not become so poverty stricken that jobs have to be allocated on the basis of need. A far more effective guide to economic policy is the assumption underlying the Employment Act of 1946; namely, that the American economy is sufficiently vigorous that it can provide jobs for all those who are willing, able, and seeking to work. This must continue to be the test of the American economic system, not the number of destitute families.

2. *A large proportion of the unemployed have been out of work for extended periods of time, and therefore face critical hardship problems far greater than anything that has occurred in the postwar period.*

Long-term unemployment is becoming a more serious problem. Even during the more prosperous years of 1956 and 1957, the number of workers idle for longer periods of time was far higher than in earlier prosperous years.

The Census Bureau data classifies unemployed workers according to the length of time that each individual has been without work. Those out of work for 15 weeks or longer are considered the long-term unemployed.

At the depth of the 1958 recession, close to 3 percent of the civilian labor force was out of work for 15 weeks or longer. This was almost double the rates reached in the 1954 and 1949 recessions.

In March 1959 the number of long-term unemployed (1,544,000) was 2½ times the comparable figure in March 1957 and larger even than in March 1958.

The following figures point up the increasing problem of the long-term unemployed:

Month	Total unemployed (in millions)	Percent unemployed	
		15 weeks or more	27 weeks or more
March 1959	4.4	35.4	17.8
March 1958	5.2	27.8	7.7
March 1957	2.8	23.0	8.8

The rate of long-term unemployment is highest in durable goods, manufactures, mining, and transportation. In terms of occupation, the group consists largely of manual workers, particularly semiskilled (28 percent), and laborers (18 percent). Relatively few of the long-term unemployed are professional, managerial, clerical, or sales workers. Over 40 percent of the long-term unemployed are married men supporting a family.

The persistence of this long-term joblessness creates very real problems for the American economy and helps explain why today's unemployment is still a serious problem. Is this condition likely to improve in the near future?

With the continuing recovery in economic conditions, some improvement can be expected. Yet, it is important to remember that such a change for the better is likely to be limited by two factors: (1) A larger than normal increase in the labor force is expected during the coming months reversing the trend of the past 2 years, and (2) the sharp improvement in the economy's productivity which has been evident since last fall.

The increase in productivity has been in the making for some time as industry has intensified its use of automation and other technological advances. The effect of such improvements is quite startling in manufacturing where production has already surpassed previous peaks but where employment is still 1 million below March 1957 and 1.4 million below March 1953.

Consequently, while prospects for the near future are not completely gloomy, they do not seem to envisage a full employment economy. The projections of the Joint Economic Committee staff, included in the committee report earlier this year, also bear out this point of view. Even the seemingly optimistic forecasts by administration officials of 3 million unemployed by October quickly lose their rosy glow when it is remembered that such a figure, seasonally adjusted, would be equivalent to more than 3.8 million and about 5.4 to 5.5 percent of the civilian labor force.

What types of policy questions flow from this analysis of the current unemployment picture?

This committee is, I am sure, very familiar with the types of programs which the AFL–CIO has been supporting to help stimulate economic growth and reduce unemployment. These policies include first, measures to minimize the hardship of unemployment by raising the level and duration of unemployment insurance benefits paid to the unemployed. Here we feel that State action by itself is not sufficient, but that the Federal Government must be willing to set certain standards to which the States must adhere.

Second, we emphasize that the country must be willing to use the resources of the Federal Government in behalf of needed programs in the fields of housing, urban renewal, education, and community facilities. This does not mean a program of spending by the Federal Government for the sake of spending. It does mean that considerations of budget balancing should not stand in the way of Federal programs that, of themselves, are necessary and desirable.

Third, there are certain specialized Government programs that could have a more direct bearing on today's unemployment problem. In particular, this is true of the so-called area development bill to provide special programs to assist those areas of the country where unemployment has been most heavily concentrated.

In conclusion, I would only like to raise three additional questions for this committee to consider:

1. *Are we taking sufficient steps ot assist workers currently stranded in depressed communities without sufficient job opportunities?* I have already mentioned the area redevelopment legislation which is designed to attack this problem. However, the number of these labor-surplus localities has increased and the plight of their unemployed has become more serious during the years when Congress has been considering this legislation with the result that the new law, when and if it is enacted, may not be sufficient to do the job.

Do we need, for example, to consider a broader program of industrial training for these unemployed? It seems very clear that because of technological advances there are many workers in industries manufacturing durable goods, on the railroads, and in the mines, who for many years to come probably cannot be reemployed in the jobs for which they have been trained. The question arises whether there is some way these workers can be trained for other jobs that might develop in or near their communities. Have we given sufficient thought to developing, if necessary with assistance from the Federal Government, the proper program of training to help these workers obtain other jobs? I have no precise blueprint for such a program, but this may well become a major issue in the future for public and private policy.

2. *Assuming no additional Government programs to meet the unemployment problem, is the present course of events leading to a permanently higher level of of unemployment, even in more prosperous periods?* Each postwar recession seems to have left the economy with a higher residue of unemployment. After the 1949 recession, unemployment was as low or lower than 3 percent for many months, even after the end of the Korean war. After the 1954 recession, unemployment dropped but only to about 4 percent. Now, we seem to be facing the danger that unemployment may not recede below the 5 percent level.

The implications of such a deterioration in economic conditions for the competitive struggle with the Soviet Union are obvious.

3. *Are we doing enough to get ready for the 1960's when substantial changes will be taking place in the labor force?* Population projections point very clearly to the explosion scheduled to take place in the 1960's. The number of young people reaching the age of 18 will be rising 35 percent from the 1955–60 period to 1960–65. Has sufficient attention been given ot the effects on the economy of these youngsters reaching maturity? On the one hand, of course, the increasing number of marriages, of new households and families would provide a stimulating effect to consumer demand. On the other hand, the entrance of these young people on the labor market is bound to add to unemployment difficulties. Is there any way to measure these two forces and determine the net effect on the economy? Perhaps this could become a fruitful source of inquiry for this committee to pursue.

These are a few issues that we see as critical in the months and years ahead. They should be kept in mind as the committee moves ahead in its investigations.

The CHAIRMAN. Your last point touches on a point Mr. Clague previously mentioned.

I would like to ask a factual question. Do I understand that your estimate is that for the first half of the 1960's that instead of the labor force growing by approximately 750,000 a year, it will grow somewhere at the rate of 1 million to 1.1 million per year?

Mr. CLAGUE. That is our estimate, Mr. Chairman, yes. And by the way, we estimate that for the 5-year period, 1950 to 1965, the young people will total about 3 million or about 600,000 a year entering the labor force. So they make up more than half of that total increase.

The CHAIRMAN. Mr. Silbert, we appreciate very much your coming from Cincinnati to testify. We know that this is an added chore that you take on in your desire to perform a public service, and your willingness to help. I want to express our gratitude for your coming. We are glad to have you here.

Will you proceed, please?

STATEMENT OF MYRON S. SILBERT, VICE PRESIDENT OF FEDERATED DEPARTMENT STORES, CINCINNATI, OHIO (ALSO CHAIRMAN, COMMITTEE ON MANPOWER AND EMPLOYMENT STATISTICS, BUSINESS RESEARCH ADVISORY COUNSEL TO U.S. BUREAU OF LABOR STATISTICS)

Mr. SILBERT. Mr. Chairman and members of the committee: your committee has asked me to discuss the quality of this system of measurements of labor conditions and any questions that may be raised concerning the interpretation of the statistics. You have asked me also to appraise the degree to which the agencies have carried out improvements suggested in the past, particularly by the Subcommittee on Economic Statistics of your committee, and to suggest what further improvements should be contemplated to make these statistics serve the purpose of public and private officials responsible for policy decisions.

I shall attempt to submit these appraisals and to offer humbly some suggestions for improvement.

The statistics on employment and unemployment are among the most important in our Government. Unemployment is a matter of solemn concern to all of us. It is important that we have adequate facts on unemployment and employment also.

Quality of the several reports considered together: These reports are a good set of reports. They are reasonably dependable. There are further improvements that can be made, but what we have are sound figures.

The hearings of your Subcommittee on Economic Statistics and the special studies it requested, helped to improve these figures.

A key contribution was the study and recommendations presented by the "Review of Concepts Subcommittee" late in 1955. This was a subcommittee of the Interagency Committee on Labor Supply, Employment, and Unemployment Statistics, established by the Office of Statistical Standards, Bureau of the Budget. Several of their recommendations were put into effect, but many still remain unaccomplished. Some of these unfinished will need appropriation, others could perhaps be carried out, with minor expense. An esti-

mate might be that about 40 to 50 percent of the previous recommendations were carried out, after weighing the various proposals by importance, and 50 to 60 percent are not yet adopted.

Suggestion: That your Subcommittee on Economic Statistics urge the reconvening of that capable "Review of Concepts Subcommittee" and ask them to check these unfinished projects and to suggest an order of priority for the ones they continue to recommend.

The CHAIRMAN. That is a very constructive suggestion. I will see that it is called to the attention of the chairman of that subcommittee.

Mr. SILBERT. Consistency of the several reports on unemployment and employment: These several reports are developed from different sources and by different methods. They should not be expected to come up with the same figures. The fact that the figures from different sources vary is no condemnation of them. However, there is room for more analysis and explanation to help the public and private user of these figures to go from one set to the other and make the necessary reconcilation between the figures or to know why they cannot be reconciled.

For example, the user of the figures on total unemployment from the household survey and of the figures on insured unemployment should be aided in understanding the difference between these figures.

Another example: The user of figures on total nonagricultural employment based on the household survey of the labor force should be helped to reconcile it with the nonagricultural establishment report of employment that is based on reports from 180,000 establishments and covers a sample of 25 million jobs.

There should be aid in reconciling these figures by showing how we can start with total nonagricultural employment and deduct domestic and self-employed to get a figure for those working in nonagricultural establishments. These are based on the household survey. Then in comparing this adjusted nonagricultural employment figure with the parallel figure from the establishment or company reports, further allowance should be made for those holding double jobs in the establishment reports. The chairman himself went through such a mental calculation this morning. The Congressman asked the question about double employment.

The suggestion here is that we don't do enough publicly of spelling out these differences in an attempt to reconcile the gaps.

Suggestion: In the analyses to be prepared by the labor department under their new assignment, substantial emphasis should be put on comparing the several sets of figures and attempting to reconcile the differences. The explanation should use whatever other estimates are available to account for the gaps between the separate sets of figures. This effort to assist the user in creating a bridge from one set of figures to the other will result in more confidence in both sets of figures even if some gaps still remain.

Now let us look at some of the individual parts of this system of reports.

Quality of "The Monthly Report on the Labor Force"—based on 35,000 household interviews: I am impressed with the basic soundness of the sample used in these reports collected by the Census Bureau.

I have confidence in the statement of the officials in charge of this sample that there is a two out of three chance that the figure on total unemployment—in March 1959 it was 4,362,000—is correct within 100,000, and there is a 20 to 1 chance that the figure is correct within 200,000.

This degree of approximation, I believe, is close enough for determination of policy on unemployment.

However, the more detailed questions on figures concerning unemployment, such as distribution by age, sex, have a larger percentage of error, but still assuming we understand they are to the subquestions, they are still accurate enough for dependable use.

As a result of the Review of Concept Committee's report, several recommendations were carried out to improve the definition of who should be listed as employed and unemployed. I believe the definitions now are good ones. The chairman commented on the improvement in that definition.

Suggestion: We should put more emphasis on finding out about who are the unemployed, who are the employed, and who are in the labor force. Both previous speakers have made suggestions in that same field.

There has been much good material already developed on characteristics of the unemployed.

First, there should be more effort made at analyzing the data we already have to bring out more where the most pressing problems are in the unemployment picture.

Secondly, there is still some further information we should collect, perhaps in the form of additional questions in the household survey of the labor force.

We should know more about the people who enter the labor force and drop out—we should know more about their reasons.

We should know more about the school graduates and how they make their first attempts to enter labor force. It would help us aid them in building their careers.

We should know more about the varying type of hardship cases among the unemployed as a guide to appropriate public action. As Mr. Henle said, these figures are not for one side or another, but they are to get facts.

We should know more about the heavier impact of unemployment on minority groups so that we can understand how to aid them in securing equal opportunity.

The CHAIRMAN. That is a very interesting point. I have made a number of visits to the unemployment and employment offices in Illinois. I found that the unemployment amongst Negroes is many, many times the unemployment amongst the whites. Even in the down-State cities, such as Peoria, where the percentage of Negroes is not great, nevertheless the incidence of unemployment amongst the Negroes is much higher than amongst whites.

Do you find the same thing in Cincinnati, Mr. Silbert?

Mr. SILBERT. Yes, sir, Mr. Chairman. We have a single figure in the surveys to show that the unemployment in the minority group is, I would say, roughly double that of other groups. But we need more information about it than just the single figure. We have to know how much is due to seniority and how much is due to the unskilled nature of their jobs, and so forth.

The CHAIRMAN. Yes, I understand.

Mr. SILBERT. Sometimes this is a problem, I think, about which we only whisper. It demands our more serious attention.

The CHAIRMAN. I quite agree. After inspecting the offices and standing in line with the applicants for benefits, I find the predominance of Negroes is overwhelming.

Mr. SILBERT. I have had additional opportunity to see this problem because I have served as an alternate on the President's Committee on Government Contracts, which deals with the employment of minority groups on Government contracts. There, in the problems that came up, the problems of layoffs and rehiring, is an added obstacle and hurdle to the increasing of employment of minority groups and the increasing of upgrading of them.

The CHAIRMAN. Of course, as you say, part of this is due to the fact that the Negroes in the North are, in large part, recent migrants and, hence, have not been able to obtain strong seniority rights; it is also due to the fact that they tend to congregate, a much larger percentage of them, in the ranks of unskilled labor than semiskilled or skilled. These are all factors, aside from discrimination on the ground of race.

Mr. SILBERT. And it may raise the point in this retraining or training of unemployed. It may help us direct more fruitful efforts at this group.

Quality of the reports on employment in nonagricultural establishments colected by the U.S. Bureau of Labor Statistics in cooperation with State agencies: These reports are also good reports. They cover about 25 million jobs and are the source of important employment information by State, by metropolitan areas, and by broad groups of employment.

These reports are colected promptly. Mr. Clague, in answer to a question, described how the States and the Federal Goverment work on getting those together.

Suggestions on establishment reports: 1. This sample is a large one but there should be applied more of the methods of probability sampling, especially in the areas outside of manufacturing employment. In service employment and in trade employment, we would increase the accuracy of this large reporting system by full utilization of the scientific methods in sampling. Mr. Clague referred to the fact that more work is being done on the size of companies. I still would urge that in the restudy of this sample, it be put right up against the more scientific methods of sampling that we use in the 35,000 household survey.

2. These establishment reports now furnish weekly pay-and-hours-worked information only in manufacturing and a few other isolated groups. It would be very helpful for the economy, if the weekly pay-and-hours,worked information could be expanded to all reporting groups in the establishment reports. This would enable us to know much about current payrolls by State and by metropolitan area. In this weekly pay-and-hours information, we now have only half a loaf. Half a loaf is better than none, but why should we have only half a loaf in an important area? I am afraid the other half may cost some money.

Quality of the seasonal adjustment methods. That has been mentioned by both of the other papers.

There have been developed seasonal adjustment factors which have been applied to the raw figures on employment and unemployment.

The process of developing these seasonal adjustment factors is not entirely a mechanical one. Some judgments are necessary in adjusting for various types of trends.

Therefore, we may have some differences of opinion about the seasonal adjustments now used in the published data on unemployment rates, and on total establishment employment. My estimate is that these seasonal factors are not far from the right answer. I would look forward, however, to further analytical effort to be put on these seasonal factors so that they may be a still more effective measure of the month-by-month changes.

In these remarks I have directed by comments primarily to the measures rather than to the economic interpretation of them.

I wish to thank the committee for the opportunity to take part in this discussion.

The CHAIRMAN. Thank you very much.

Mr. Coffin, have you any questions of any of the members of the panel?

Representative COFFIN. I wondered if Commissioner Clague could tell us whether or not in arriving at his statement of the young people who will enter the labor force under age 20, whether he made any assumptions about any changes in educational coverage.

Does this mean that there will be more people continuing with education beyond high school? What were your assumptions?

Mr. CLAGUE. Yes, Mr. Coffin, we did make allowance for that. There has been a gradual decline over the years, a slow decline, in the proportion of youngsters under 20 in the labor force. That is due, as you indicate, to the increasing education.

We have assumed a continuing decline at what we estimate to be the past trend rate. This could be altered, of course, by more scholarships, and by a larger proportion going to college. But we have assumed that this trend will continue up into the 1960's.

Representative COFFIN. To be specific, in your figuring is the impact of the National Defense Education Act enough to change the decline rate?

Mr. CLAGUE. Do you mean to speed it up?

Representative COFFIN. To speed up the decline; yes.

Mr. CLAGUE. I think I would like to call on Mr. Goldstein for that. He is the man who gets these figures up.

Mr. GOLDSTEIN. In these estimates, we have taken into account the expansion in the proportion of the young people going to college, which has been projected by the U.S. Office of Education, but have not yet taken into account any specific effect of the National Defense Education Act, because it was a little too early to do so.

Representative COFFIN. Thank you.

Occasionally I will get a letter from a constituent who complains about unemployment compensation, saying that workers sometimes malinger and just deliberately stay out of the job hunting field. Is there data on that? Do we have information? I know this would be a difficult and somewhat subjective inquiry, but I wondered if there

was information as to the extent to which serious diligent effort is made.

Mr. LEVINE. Mr. Congressman, the procedure that applies in the filing of a claim for benefits requires in the first instance that the applicant register for a job at a public employment office, and that in the course of filing the claim he signs a statement knowing full well that this can involve a matter of fraud and court actions, as to the conditions involving the separation from the job.

And, further, that he is available and would accept suitable employment.

The claims examiner inquires into the conditions surrounding the loss of employment and attempts to determine from that whether he is eligible, although the benefit rights are determined from his earnings and employment experience, as specified under the State law.

He is required to report back at weekly intervals. He is also required to accept a referral to a job from a public employment office. In a good many States, there are requirements that he evidence efforts to seek employment in a variety of other ways in addition to the registration at the public employment office.

In the studies which we have made of these claimants we find that there is very little evidence that they are not truly unemployed and eager to accept employment. The benefit amount and the duration of benefits are not sufficiently attractive as an alternative to full-time employment and earnings. The typical worker, the one who has the normal attachment to the work force, I think will stand up well with any of our citizens in terms of the probity and honesty with which they approach this.

Representative COFFIN. Thank you. I think that is an excellent answer.

Mr. Clague, do you have any judgment on what—this is perhaps an unfair question to ask you—might happen under this circumstance: Assuming conditions of reasonable growth in this country, is there any percentage figure of unemployed that you think would be a practically irreducible minimum?

The CHAIRMAN. I would warn the witness that he answers this at his own peril.

Mr. CLAGUE. In the early postwar period we did seem to get down around 3 percent, and I would think in a full blooming economy under peacetime conditions it is pretty hard to get less than that.

The CHAIRMAN. Less than what?

Mr. CLAGUE. Three percent.

The CHAIRMAN. That does not include the full-time equivalent of involuntary part-time unemployment?

Mr. CLAGUE. That is correct.

The CHAIRMAN. There would probably be another 1 percent there, or close to another 1 percent.

Mr. CLAGUE. Yes.

Representative COFFIN. But in terms of figures we have now, it would be about 3 percent?

Mr. CLAGUE. Well, what I really wanted to say was that under our best experiences, it does look as though we can get down to that low level, under peacetime conditions. We are in a dynamic economy, as I tried to bring out in my paper, and there are a lot of changes occur-

ring in business firms. Many firms go bankrupt from time to time. There are new distressed areas appearing. Not all the distressed areas of 1958 have been distressed areas before. And some of the areas that used to be considered distressed areas have recovered. In the kind of economy we have, I would say 3 percent was certainly a very excellent performance.

The key point I would like to make is that as long as the unemployment duration is such that the bulk of the unemployed are covered by unemployment insurance, we are doing all right. Maybe the system is not as good as it should be. Maybe there are improvements that could be made. But when we are tiding over our people, tiding over the great bulk of the unemployed by means of unemployment insurance, we are achieving exactly what we intended by putting that system into effect. When long-term unemployment begins to appear, when there are people out more than 26 weeks, or up to 30 weeks or 40 weeks, then we are in a situation in which the unemployment really ought to be considered closely. So it is not the rate, I think, that is so important, as the appearance of long duration. That is the factor on which I think our attention should be concentrated.

Representative COFFIN. Do I understand that you do not have figures on exhaustion?

Mr. LEVINE. Yes; we do have figures on exhaustion.

The CHAIRMAN. You do not have figures on the reemployment of those who have exhausted their claims to benefits; is that true?

Mr. LEVINE. Except under special studies, Mr. Chairman. We have made special studies in a number of States, and have found—and this depends on the level of economic activity, making these studies in the past 5 years and under different conditions—as many as 40 percent of the exhaustees continuing unemployed, although many became discouraged and withdraw from the labor market as well. But when I say continued unemployment, actively in the labor force and seeking employment.

With respect to exhaustions, Mr. Congresman, last month we had 193,000 exhaustions of unemployment benefits. In the last calendar year, 1958, there were 2.6 million exhaustions. The rate of exhaustions has been much higher in this 1957–58 recession. Even under the program for temporary extension of unemployment benefits, we have had a considerable rate of exhaustion.

So it further attests to that long duration unemployment that was evidenced on the charts.

Mr. HENLE. Could I break in here? I think the Congressman might have misinterpreted a point I made. It was not my point that we do not have exhaustion figures, but that the Labor Department does not publish them sufficiently up to date. In the weekly report, for example, they should carry the current exhaustion figure for the eight reporting States and this is what they do not do, as I understand, at the present time.

Representative WIDNALL. Mr. Clague, if you were to take the March 1959 figures, then, with this 3 percent factor of what you might call transitional employment, for some reason or another always being on the move in and out of the labor force, your problem group, then, amounts to about 2.3 million people?

Mr. CLAGUE. Yes, Mr. Congressman. I am even willing to put my neck out a little further. Three percent is pretty ideal. We may come a little nearer four. I would say around 2½ to 3 million is about what I would assume is as much as we will come down to under normal peacetime conditions.

Again, as I said a little earlier, this assumes that there is real turnover, and that very few of the unemployed are out more than 26 weeks.

Representative WIDNALL. Based on your statement, at the moment, using March 1959 figures, the real problem group would be 1.3 million to 1.8 million?

Mr. CLAGUE. Well, those out over 15 weeks, I believe, are about a million and a half. Those are the ones I showed on my chart. Those out for 27 weeks or more, that is, more than 26 weeks, numbered about half of that, or about 800,000. So our real problem is the million and a half out over 15 weeks, or the 800,000 that are out more than 26 weeks.

Representative WIDNALL. Do we have any comparison in numbers, then, for the three 11-month periods shown in Mr. Henle's statement? He says seasonally adjusted rate of unemployment, March 1959, after 11 months, 5.8; in July 1958, after 11 months, 4; and September 1950, 11 months after the 1949 recession, 4.6.

About what would that amount to by way of comparison in millions of people? The labor force changed.

Mr. CLAGUE. That is right. And he is taking out the labor force change by using those percentages.

Representative WIDNALL. Would it be possible to work that out and furnish it for the record, what the figure would be?

Mr. CLAGUE. What the amounts would be?

Representative WIDNALL. If you were to take not an irreducible minimum but something that might be expected as a minimum in a healthy employment economy, and then take those who are the problem people, because they have run out of unemployment benefits and are actually the ones we have the deep concern for, the real problem with, could we get that in millions by way of comparison?

Mr. CLAGUE. Yes, you certainly can. I mentioned that.

Representative WIDNALL. I think it would be a little more understandable, at least to me, rather than 4.6 as against 5.8. It might be helpful.

(The material referred to follows:)

Total and long-term unemployment, 11 months after trough in 3 postwar recessions

Month	Total unemployment				Persons unemployed 15 weeks or more
	Actual		Seasonally adjusted		
	Number	Rate[1]	Number	Rate	
	Thousand		*Thousand*		*Thousand*
March 1959	4,362	6.4	4,028	5.8	1,544
July 1955	2,781	4.1	2,659	4.1	586
September 1950	2,539	4.0	2,812	4.5	571

[1] Percent of civilian labor force.

Source: U.S. Bureau of the Census.

Representative WIDNALL. Are people on strike included in the unemployment figures?

Mr. LEVINE. No, sir.

Mr. PEARL. Not unless looking for other work.

Representative WIDNALL. When a group such as the Kohler employees are out for many, many months, do they become unemployed figures?

Mr. LEVINE. When they file claims for benefits or otherwise evidence that they are looking for work. There are two States that provide that after a certain period of time following a strike the unemployment may be considered no longer attributable to the strike, and in that instance, they may file a claim for benefits.

In all but two States there can be no filing of claims so long as strikes are on. However, when the individual seeks employment and indicates that he is removing himself from that establishment, that he is not any longer involved with that establishment, then he may get a job and file a claim in terms of this new employment.

Representative WIDNALL. So if you had, conceivably, a strike with 10,000 people going out against X company, those 10,000 people, or any part of the 10,000, would not become figures in the unemployment survey until they, themselves, went to look for a job and said they were through as far as that particular job was concerned?

Mr. LEVINE. Yes, sir; that is right.

Representative WIDNALL. I have another question for Mr. Henle.

In your statement, you say the rate of long-term unemployment is highest in durable goods, manufactures, mining, and transportation.

In the mining and transportation field we are going through quite a revolution at the present time, so that the factors of unemployment there are completely different than they are in some of the other fields of our economy. In minig, I know we have zinc mines in my own district that are closed down for the first time in 62 years. We have 500 unemployed in one place. There is no conceivable employment for them in that field within the district, within many miles of their home, in the type of industry that they have been employed in, unless we solve the question of the price of zinc in some way here in the Congress. There, of course, I do not think that the bill introduced by Senator Douglas would be helpful in that particular situation, because the area that they are involved in, the overall area, wouldn't have the percentage that would qualify for depressed area relief.

We have a number of places like that in the United States where people are unemployed and where some other type of solution certainly has to be found.

Mr. HENLE. I want to say, Congressman, that I think you have raised a very critical problem. I think in each of these industries, mining and transportation, and in durable goods, you can find special situations of this sort. In coal mining, of course, a lot of mines have given out. You have vastly improved technical equipment in mining. The same thing is true on the railroads and in many of the manufacturing industries.

Your zinc plant may be one that has been affected in terms of foreign markets and imports. There are such situations in various types of manufacturing industries as well. That is why I raised the question about some of these critical situations.

While we are very hopeful that Congress will act on the Douglas bill, and we think it is a real start at meeting the problem in these areas where, after all, unemployment is the most critical, nevertheless perhaps we may have to talk about some other approach to training those people who are not going to be able to get jobs in places and in occupations for which they have previously had training.

Representative COFFIN. Would the gentleman yield for just one question on this point?

Representative WIDNALL. Yes.

Representative COFFIN. I wonder if it would be helpful or if it is possible, when we get figures on the exhaustions, if you could identfy where those longtime unemployed people are. I know the States report that information, but could you break it down in terms of people who are long-term unemployed who are in surplus labor areas or distressed areas and those who are in longtime unemployed because of particular industries?

In other words, this might pinpoint the acute problem, and pinpoint the extent to which depressed areas legislation would help. It would show the balance of the extreme cases that would not be covered and might indicate the need for action in those areas.

Mr. LEVINE. Mr. Coffin, with respect to the unemployment in the so-called distressed areas or labor surplus areas, there the unemployment is so chronic and of such long duration, that exhaustion has long since taken place, and a great many of the unemployed there have no rights to unemployment benefits because they have had no intervening employment following the exhaustion of benefits.

We included them in the total unemployment estimates, and we know what we have in the insured.

Now, with respect to the exhaustions, you are putting your finger on a phase of the problem about which we think we need to know a great deal more. We are currently looking into the possibility, even though it may mean some additional burden on the administrative agences in the States, and they don't relish that sort of reporting burden—and it does involve some costs—of getting the characteristics of the exhaustees, in terms of occupation and industry, sex, age—those five or six basic characteristics that would give us a better understanding of what the composition of that exhautee group is.

Mr. CLAGUE. May I add a word on that, Mr. Congressman?

In my table 7, which you will find at the back of my statement, I do have these 1½ million long-term, 15 weeks or more, people classified by major industry groups. The trouble is that the Census figures, of course, are national; and as you know, from hearing us talk about the sample, it is so small that we cannot put it down State by State or in smaller areas.

Mr. Levine's figures, which will be most germane to this, will be his exhaustion figures, because those will indicate the duration of those who have used up their unemployment insurance. But you can see that the two sets of figures don't fit exactly; so we have no way, really, or reconciling these two, since the system of unemployment insurance loses track of workers when they have exhausted their benefit rights.

Mr. WIDNALL. To come back to transportation again, certainly, as you can see, if the railroads are going to lose more and more pas-

senger service we will have more and more railroad people unemployed who cannot get railroad employment.

It will be spotty unemployment, which will not have a major impact in one particular city because these people live all over.

There again we have part of the evolution going on within the United States within our economy. That is a hard type of unemployment to figure out an answer for.

Again, opportunities for retraining would seem to be best, although I note that a great many of the people who become unemployed that way are in an age group which is very hard to retrain and take care of them.

Mr. HENLE. That is certainly true on the railroad.

Representative WIDNALL. I know of a man in my area who has an icemaking business. He can't get anybody to go to work there because they think there is no future. He has employment opportunities and he pays a pretty good wage.

Mr. HENLE. With regard to the railroads, our railroad union people, of course, feel that the railroad managements have, in a fairly arbitrary fashion, cut back pretty sharply on their maintenance crews. This is adding to the problems on the railroad. Of course, the management of the railroads feel they have problems, too. But our people feel that they have taken it out far too sharply on their work force and on their maintenance crews than they had to during the 1958 recession.

Representative WIDNALL. I think that is part of the reason that they lost part of their passenger traffic, the obvious lack of maintenance on some of their equipment.

Mr. HENLE. That is right.

Chairman DOUGLAS. Mr. Coffin?

Representative COFFIN. I was wondering if Mr. Henle would comment on this question: Do you imply in your statement to think that we may need a different definition of the surplus labor area?

Mr. HENLE. No; I think the present definitions are quite adequate. What I simply meant to convey is that consideration of the Douglas bill has actually proceeded in something like three or four different sessions of Congress, and during this process the problem has become far more serious than it was when the legislation was first initiated.

The approach to the problem is quite useful, necessary, and desirable. But because the problem has become so much more critical, we have been giving all of our attention to getting this legislation through and when we get it through we have to turn our attention to see whether it is really going to do the job, or is there something else.

The CHAIRMAN. It is certainly true that more emphasis should be put on retraining. It is quite possible that a certain amount of financed mobility should be encouraged.

I remember reading one passage in Adam Smith's "Wealth of Nations," where he stated that man of all baggage is the most difficult to transport.

Mr. HENLE. Mr. Chairman, I just want to say one further thing. I particularly welcome the number of suggestions that Mr. Silbert made in his testimony. Some of these are the types of things that we have put stress on in the past, and for lack of space and time I

left out of my testimony. I think that all of them deserve serious consideration.

The CHAIRMAN. I want to say that I think the constructive attitude shown by Mr. Silbert and by you will be very helpful in this field.

Representative WIDNALL. I believe the witnesses have been very helpful this morning.

The CHAIRMAN. I want to thank them all. I think the intellectual level has been high, and the honesty and integrity in the answers have been very impressive. We want to thank you all.

Hearings will be continued next Monday, not in this room, but in room 6226 of the New Senate Office Building, when Mr. Clarence Long will testify on the "Historical Changes of the Labor Force"; Mr. Lebergott will testify on "Long-Term Factors in Labor Mobility and Unemployment."

I thank you once again for coming.

(Whereupon, at 12:10 p.m., the Joint Committee recessed, to reconvene at 10 a.m., Monday, April 27, 1959.)

EMPLOYMENT, GROWTH, AND PRICE LEVELS

MONDAY, APRIL 27, 1959

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met at 10 a.m., pursuant to recess, in room 6226, New Senate Office Building, Hon. Paul H. Douglas (chairman) presiding.

Present: Senators Douglas, Sparkman, and Bush; Representative Bolling.

Representative BOLLING. The committee will be in order.

The chairman has been slightly delayed and has asked that we get underway.

Our first witness today is Mr. Clarence D. Long, professor of economics at Johns Hopkins University.

Mr. Long, you may proceed if you wish.

STATEMENT OF CLARENCE D. LONG, PROFESSOR OF ECONOMICS, THE JOHNS HOPKINS UNIVERSITY

Professor LONG. Fluctuation is the normal characteristic of unemployment. It has ranged between 1 and 25 percent of the labor force during the past quarter century and between 2 and 8 percent during the past 3 years. In addition, wide variations have occurred in the kind of people who are out of work—classified by age, sex, occupation, education, industry location, and other characteristics.

This turbulence may derive from two main sources: The first is the demand for labor. Unemployment may increase because employment decreases, as firms go bankrupt, departments are shut down, occupations are displaced by machines, industries lose their markets, or whole towns and regions find themselves bypassed in the march of technology.

The other potential source of change is the supply of labor. Unemployment may change with the number and kind of people who are willing and able to work—the labor force.

In the United States the labor force is currently defined as the sum of all persons reported by the census to be employed or unemployed during a certain specified week. The "employed" category covers all persons 14 and older who have jobs or businesses for pay or profit, including employers and the self-employed, unpaid family workers in a store or on a farm who help produce a salable product or service, and employees of nonprofit enterprises and Government agencies. The unemployed category includes persons 14 and older who have no job or business of the above-mentioned sort and are seeking such employment during the survey week.

The cutoff of 14 years instituted after the 1930 census revealed very few persons under 14 in the labor force. I suspect there may now be quite a substantial number under 14 who are actually working for money, usually at part-time jobs, but are not counted as being in the labor force because of their youth.

The Joint Economic Committee has asked me to discuss the way the labor force has behaved under changing conditions, including recession and depresssion, war and peace, economic expansion and growth. It has also asked me to suggest improvements in the present measures of unemployment and labor force. I turn first to labor force behavior.

As the economy contracts and men and women lose their jobs, do many of them retire from the labor force, thus reducing the unemployment problems? Or is unemployment made worse by the addition of desperation work seekers from the ranks of dependents of unemployed family heads?

As the demand for labor recovers, does the labor force increase so that jobs must be found not only for the disemployed but also for the new labor force additions, thus compounding the difficulties of attaining full employment?

What, too, can we say of the labor force in the long-run growth and expansion? As automated industry produces more goods with fewer workers, will the higher real incomes enable families to support themselves with fewer people working, thus retiring many of the workers whose labor has been saved? Or will the labor force increase even faster than population, making it necessary to create new demands for workers and products in order to forestall technological unemployment?

These are obviously large questions which cannot be answered fully in this brief discussion. Some of them have been debated for centuries. A couple of decades ago Senator Douglas did pioneering work on them in his great treatise on the "Theory of Wages."[1] I, myself, have devoted much of the last dozen years to a study of labor force behavior for periods ranging up to a hundred years in five countries—as reflected in the data of decennial censuses, of monthly sample surveys of households, and of administrative records. I shall summarize that behavior very briefly.

First, the labor force in severe depressions:

The overwhelming weight of statistical materials here and abroad suggests that more persons have been forced out of the labor force by the difficulty of finding jobs than have been forced into it by desperate family circumstances created by the unemployment of family heads.

I have a number of tables and charts, which I will submit for the record. These tables and charts are all taken from my recent book on "The Labor Force Under Changing Income and Employment."[2]

The tendency of labor force participation to decline in time of great unemployment has extended also to rural areas, urban areas, large cities, and the 48 States in 1940, compared to 1930 and 1950 which were high employment dates—relatively so, anyway. It has not been

[1] Paul H. Douglas, "The Theory of Wages," Macmillan, 1934, ch. XI.
[2] Clarence D. Long, "The Labor Force Under Changing Income and Employment" (National Bureau of Economic Research, Princeton University Press, 1958).

confined to the overall labor force of both sexes but has characterized most male and female age groups. There was no consistent tendency for any age-sex group to have higher labor-force participation rates in depression than in prosperity.

Second, the labor force in recessions and booms, including wartime variations:

Large wartime fluctuations in labor force participation have occurred since 1940 when the monthly record begins, creating a popular impression that the labor force is very elastic with respect to peacetime booms and recessions. I shall say something first about these wartime changes.

In the 5 years of World War II up to April 1945, the American labor force, excluding population growth, rose 8.5 millions, a rise of 8.2 percent of the population 14 and older, compared with 6.8 in Canada and 4.7 percent in Great Britain.

Germany made the poorest record for wartime additions. Its labor force lost native Germans, even if war deaths are not deducted from labor force; if foreigners are counted in its labor force, the expansion was still much less than that in the United States (table 3).

Most additions to the wartime labor force came when the enemy was hitting hardest. In Britain, 6 in 10 of the labor force additions were made before the U.S.S.R. entered the war; in this country, 2 in 3 of the additions came during the 2 years up to the Italian surrender in mid-1943.

Aside from the increase due to population growth, the great bulk of the war's additions were temporary. The inflows to the labor force in the various countries during World War II were dominated by the military draft (chart 1). Until the Armed Forces were enlarged, the labor force expanded negligibly. With the demobilization of nine-tenths of the peak armed strength, the U.S. labor force shrank eight-tenths of its excess over prewar (disregarding the population growth). In America the postwar labor force participation did not go all the way back to its 1940 level, but that level had been somewhat depressed, probably by the widespread unemployment.

In the Korean conflict, the labor force rose as the Armed Forces expanded. However, its ratio to armed force recruitments was much less than half that in 1941–43. And with the approaching end of the Korean conflict the labor force proportion returned to near peacetime proportions.

In none of the countries was direct compulsion a major factor during wartime. The United States never required civilians to work. Germany had universal conscription on paper but did not thoroughly enforce it until after the Allied landing, when it was too late to use the extra labor effectively. Half of Britain's additions were made before the National Service Act. Even after that, its policy was still persuasion.

The wartime movements to the labor force may have been influenced by four factors: The reserves of potential workers among students, housewives, and the elderly; the burdens of housework preventing girls and women from taking gainful work; the liberality of government to dependents of fighting men; and the strength of enemy blows. The United States had had more females outside its peacetime labor force than the British or Germans, so that more women could go into

industry in wartime despite a higher burden of child cares among American women. It was relatively less openhanded than Germany or Canada in caring for dependents of fighting men, though by no means niggardly. And it avoided the German and Canadian practice of reducing dependents' allowances if they worked for pay.

Since 1946, the whole range of peacetime fluctuation in labor force participation between quarterly data, seasonably adjusted, has been less than 2½ percent of the working-age population. The labor force data are based on interviews conducted each month with a representative sample of the Nation's households and a good part of the range of fluctuation—perhaps all of it—could have been the result of errors in sampling or interviewing (table 4). What information we have on gross changes in the labor force (the sum of people who enter or leave in any month) suggests that they have occurred at a regular rate and have not been responsive to changes in income and employment. Neither the total labor force nor the major age-sex groups behaved in the recessions of 1948–50, 1953–54, or 1957–58 in a manner to confirm any theory that unemployment drives a net number of persons into or out of the labor force.

Third, the labor force over long-run periods of rising income:

The overall proportion of the working-age population in the labor force has been rather impressively stable from one high-employment census year to another: The stability has held for the United States as a whole since 1890 and possibly since 1820, for Great Britain since 1911 and possible since 1841; for Canada since 1911; for New Zealand during 1896 to 1951; and in a lesser degree for Germany during 1895 to 1939 (chart 2). In the United States during 1890–1950 the maximum fluctuation between successive high-employment census dates was less than the normal seasonal variation from January to July in any given year.

The stability of labor force participation in the United States has been due to the overall labor force and to the native whites, for both the colored and foreign born have reduced their labor force participation by impressive amounts; in the case of Negroes nearly all of the reduction has occurred since 1930 (chart 3). However, the foreign born, the native-born children of the foreign born, and the colored—have all tended in recent decades to aline their labor force behavior with that of native whites. That is, they seem to be declining toward native white levels. In the case of the Negroes they have not settled to those levels yet.

The overall labor force participation rate has remained rather stable in spite of marked changes in the participation of major age and sex groups. In all five countries every male age group has manifested some decline in its labor force participation and most female groups some rise (chart 4). The net change in the overall labor force has generally been only a small percentage of the gross change. This fact raises the question whether there has been some systematic tendency for the changes in these component labor force groups to offset each other.

It is our hypothesis that the women may have pushed and pulled young and elderly males from the labor force and at the same time have been drawn into the labor force by the vacuum left by the exodus of males for other reasons.

The source of the influx of females could be explained by the growing redundancy of females in the home—I am not sure redundancy is the most happy word—as the result of the developing technology for the home, the reduction in the number of children to be cared for, and the increasing survival of women who formerly died from childbirth and other diseases. The demand for the influx could be explained by the expansion of the clerical occupations, occurring along with the great increase in educational attainment of the average female which enabled her to take advantage of the new job opportunities and in a sense to create them. The timing of the influx could be explained by the reduction in the normal workweek in industry which made it further possible for many females to enter the labor force and still have time after work to carry out the household responsibilities which most of them must always have. Men seem to have a way of letting their women work, without being overly anxious to take over any of their regular duties of cooking, dishwashing, et cetera.

The decline in labor force participation of older men—45 to 64 and 65 and older—has been less easy to explain. No evidence could be found that the decline has been immediately owing to increases in real income, to extensions of pensions and social security, to physical deterioration, to changes in the pace of industry, or in the level of employment or self-employment. I do not mean that pensions and social security have not had an effect. They certainly have. But they have not had a major effect, and the exodus of older people from the labor force began before pensions became a factor. Even if a tightening of company practices against older workers has been primarily responsible—there was no lack of such discrimination a half century ago—it is doubtful that firms could have afforded to part with this supply of labor had there not been a new and better source to take its place—namely women.

It would seem plausible that the women displaced the elderly men from the labor force because they were better trained for many clerical, personal, and professional jobs in relation to their wages. Financial aid from working daughter or wife—even their ability to support themselves without help—doubtless enabled many elderly men who became sick or unemployed to advance the date of their retirement.

The fact that the overall labor force participation remained stable may have been from no lack of increase of desire for leisure, but rather from this leisure having been taken in the form of reduction in the normal working hours for the average labor force member.

Reductions in the full-time workweek occurred in every one of the four nations for which standard hours data could be compiled, and between every census date, except in Hitler Germany between 1933 and 1939. The average per decade reductions in hours were rather remarkably uniform among the four nations; but there were wide variations from one decade to the next. And there seemed to be no dependable association between hours reductions and income increases in the short run. Nevertheless, there was sufficient possibility of income increases having played a longrun role, in the sense of inducing or enabling people to work less, to justify an inquiry into why reductions in effort should have taken place in hours instead of overall labor force participation.

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The decline in the labor force participation of the foreign born and Negroes in the United States raises the question of why it did not happen for the native whites or all the classes. Incomes were rising more rapidly for these minority groups than for the population as a whole, and the decline in their labor force participation may have represented an attempt to bring their working habits into line with those of the native white as their incomes coverged toward those of the native whites. If so, as the remaining barriers to equal opportunity in the economic life of the Nation break down, the Negro will aspire in an increasing degree to live and work like any American of the same income group.

Our conclusions concerning the relative stability of labor force participation refer to the percentage of the working-age population. The absolute size of the working-age population and therefore of the labor force will increase at a more rapid rate in the next decade than in the last because large numbers of persons born in the late 1940's will come into working age.

Our conclusions concerning the nature and causes of unemployment and labor force behavior can be no better than our knowledge of that behavior. Do our measures provide us with an accurate and useful inventory of our human resources? The inventory is vastly more complete than it was in the 1930's and is better now than it was a decade ago, but it still has far to go.

Our complete censuses, taken once a decade with vast numbers of sketchily trained enumerators, have undoubtedly overlooked significant numbers of population, labor force, and unemployed. This does not mean the statistics are useless—only that they are uneven in quality and to be used with great care. The monthly surveys have been conducted with better personnel and better direction, but the sample of households, while larger than formerly, is too small to give accurate information on the labor force and unemployment rates of industries, occupations, States, and small localities, where the unemployment problem is often the most acute. These surveys are still probably subject to discrepancies based on changes in intensity in conducting the interview. The estimates are especially weak for marginal groups and for workers in detailed occupational and industry groups. We have no satisfactory information on unemployment and labor force by locality. The reports on unemployment insurance are based on complete counts and are available each week but they vary for administrative reasons, are not published with industry and occupational detail, do not cover the labor force, and exclude the unemployment of large and important groups.

Even the concept of unemployment has left much to be desired. Partly unemployed people are counted by the Census if they were employed. Some persons who want and need jobs are not counted in the labor force—many of them older workers, women, and rural people remote from job opportunities. Others counted in the labor force include the unemployables, persons pretending to be in the labor force in order to collect unemployment benefits, those desiring only part-time or incidental employment, or some about to leave the labor force. The concept does not reach people in inferior employments, or the disguised unemployed; in the sense that many people who are holding jobs far below their capacities are counted as just

as much employed as if they were holding jobs fully commensurate with their abilities.

The present techniques are not adequate to deal with these problems, even if the enumerators were superlative at their tasks. What can be done to improve our statistics on labor and unemployment?

First, we need more information on labor force and unemployment by locality, occupation, and industry. This would require a bigger sample of households.

Second, we need more reliable fieldwork. The quality of the interviewers and their methods is far from satisfactory. I say that, however, with perfect understanding of the difficulty the Census has in conducting these interviews with the amounts of money at its disposal. Improvements in this direction will require more money and more research into interviewing techniques.

Third, we need improvements in the criteria used to establish willingness and abilty to work. These are now too vague.

Fourth, the Labor Department ought to compute and publish current measures of equivalent full-time employment, unemployment, and labor force in addition to the present statistics which only count heads.

Fifth, we need information on labor force participation rates by family and on number of families without any earners, because of unemployment, disability, temporary illness, old age.

Finally, we need more information on reasons for unemployment: Why people lose their jobs, why they can't find other jobs, and what they are willing to do to find new jobs.

This information should be particularly valuable in finding solutions for the problems of hard-core, frictional, and disguised unemployment, all of which persist at excessively high levels in this country, even during periods of boom and inflation—and in fact, are contributing causes of inflation.

The CHAIRMAN. Dr. Long, we want to thank you for your very able paper. I have long admired your detailed and comprehensive studies in this field. You have broken a lot of new ground and put us all in your debt. You also have a great ability to summarize studies going back over a period of many years, covering a great deal of material in a few pages.

I was very pleased with one specific recommendation which you made, namely, your fourth recommendation on page 10 of your paper, that the "Labor Department ought to compute and publish current measures of equivalent full-time employment, unemployment, and labor force." I take it by this you mean there should be some measurement of the loss of time from involuntary part-time unemployment.

Professor LONG. Yes, sir.

The CHAIRMAN. I have been advocating that for many years and have been computing a private index on this subject which from time to time I get inserted under my own responsibility in the Congressional Record or into the hearings of this committee. But I have never been able to get it recognized as legitimate, either by the Council on Economic Advisers or by this committee. And so I am very glad to have you bring your testimony here on this point, that you think it should be added to our measurement.

Professor LONG. I have campaigned for a while on this myself, Senator. I published an article in 1942 in which I pointed out the importance of also measuring the time dimension of unemployment, rather than merely counting heads.[3]

The CHAIRMAN. I am going to ask the secretary of this committee, the executive director of this committee, to mark this testimony and send it to all three members of the Council of Economic Advisers, with the compliments of the chairman.

Senator BUSH. I am glad to join with our distinguished chairman, Mr. Long, in complimenting you on this very fine paper. I suppose that we would not be sitting in these special hearings this year if it were not for the unemployment situation being such a troublesome thing in our national life today. It is one of the most serious things, perhaps the most serious thing, that we have on the domestic scene. And therefore, the more information we have about it, the better able we may be to deal with it. And you have made quite a contribution this morning, I think.

You say that the labor force will increase at a more rapid rate in the next decade than in the last because large numbers of persons born in the late 1940's will come of a working age. This would suggest, therefore, that in the next decade this may become an ever more serious problem than it is today if something is not done about it and we do not take a realistic approach to it, appraise what is really the cause of this, and then, try to do something about it.

Professor LONG. That is right, sir.

Senator BUSH. I think that some of your suggestions are good; that we should take a bigger sample of households, as you say, and do other things that get more information together, because I suspect that our distinguished chairman may be right that the figures do not tell us the whole story. But the story is a very important one.

You say, on page 10, "Finally, we need more information on reasons for unemployment: Why people lose their jobs, why they can't find other jobs, and what they are willing to do to find new jobs."

Now, do you feel that we have today any adequate body of information that tells us why people do lose their jobs? And I am pointing this up a little bit toward this question, ultimately. There has been much said in the press and in debate on this subject that we are pricing ourselves out of the market, both at home and abroad. That has become almost a cliche these days. Unfortunately, there may be some truth in it. I do not know. I do not think this committee is convinced yet. We have not really studied the thing. But that is one of the objectives of this year's work, to find out among other things, to find out about this.

That is question A, and I would like to know if you have any comment to make on this question of why people are losing their jobs; why, with the gross national product at a new high and gross national income at new high levels, we have this very discouraging, unhappy element of unemployment, which is plaguing our political and economic and social life today.

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[3] Clarence D. Long, "The Concept of Unemployment," the Quarterly Journal of Economics, November 1942, pp. 1–35.

Professor LONG. Well, I think as in crime detection, we are embarrassed by too many clues rather than not enough. There are many reasons why we have unemployment, and our existing knowledge merely tells us the story in a most general way and therefore leaves an enormous amount of room for any person to throw in his own pet prejudice. There is very little that the data enable us to say quantitatively about what part of the unemployment problem is caused by people pricing themselves out of the labor market, by insufficient demand, by declining industries, by depressed areas, by people being to old, by people who are unemployable—not in the sense that they will not or cannot take a job, but in the sense that if the going gets a little tough they don't look very hard—by some people perhaps prefering to draw unemployment insurance—and by the extent to which some people work when they see possibilities for good employment, and other times prefer to stay home and take care of their families. These are all possibilities, and with our existing state of knowledge we just do not know how to assign quantitatively——

Senator BUSH. But might I interrupt you there to ask you this? You have given some very good reasons right now as to what causes unemployment. And in connection with the forthcoming census, would it not provide a body of useful information if we asked those very questions that you have laid on the record here, to see if we cannot develop some information, some really authoritative information, as to what is causing this unemployment? Do you think that is a practical idea?

Professor LONG. So far as the 1960 U.S. census is concerned, this is too late. The whole schedule has been made out. So you will have to look to 1970, Senator, for that. The census itself is burdened with so many jobs to do, for all sorts of people, advertising agencies and others, who want information and the average interviewer of the census is probably not well qualified to administer a complicated questionnaire. So I do not think the decennial census is perhaps the place to get this precise type of information. That can be better done through sample surveys and in other ways.

Senator BUSH. Where do you think we should look for this information? How do we go about getting it?

Professor LONG. I would look to the sample surveys—and I would also like to see much more done by the Department of Labor, through the State unemployment insurance system. There, after all, is the place where the closest contact is with the unemployed person. And I have never been happy with the amount of information that comes to us from the State unemployment insurance systems in its close contact with the unemployed.

Senator BUSH. Do you think the Department of Labor could direct questions to the various States that would produce this information?

Professor LONG. I certainly think it could.

Senator BUSH. I think that is a very practical suggestion, Mr. Chairman, that Mr. Long has made here.

Professor LONG. I am not sure about the legality. These are State systems, of course, and I think you would have to obtain State consent. But I have no doubt that could be done if it were felt to be sufficiently important and enough emphasis were put on it.

Senator BUSH. I would think it very practical. The problem is a State problem more than a Federal problem, because that is where the unemployment exists, and I should think they would be very anxious to have the information themselves.

And, Mr. Chairman, I suggest that this committee consider whether it is not advisable for us to ask the Department of Labor to try to acquire information through these State agencies all along the lines suggested by our good friend Mr. Long.

The CHAIRMAN. I think that is a very good suggestion. As you know, we have a subcommittee on statistics of this committee headed by Congressman Bolling, and that subcommittee has already made a number of suggestions to the Department of Labor, which have already resulted in improvement in their figures, and I am sure that Congressman Bolling and his subcommittee will take this into consideration, and in the conferences which they hold from time to time with the Department of Labor and with the Council of Economic Advisers give this idea due consideration.

Representative BOLLING. Certainly, Mr. Chairman.

Senator BUSH. May I make just one more comment?

I think my time will be up in just a minute. We do not have very much time to deal with this problem. This problem could get an awful lot worse very rapidly if we were not, you might say, riding on top of a very formidable wave of prosperity, in the rest of this social and economic structure of ours. That is the reason I think it important that we develop some factual information promptly, so that we can consider whether there is anything that the Congress should do about it.

The CHAIRMAN. Senator Sparkman?

Senator SPARKMAN. Mr. Long, I appreciate the paper. I think you have given us a great deal to think about, although I must confess that there are a lot of things in it that I would have to study before I knew much about them. But I do believe you have made some very good suggestions, and I certainly join with the recommendation made by the chairman and backed up by Senator Bush regarding the recommendation of need for our getting more accurate statistics on which we can rely.

There were a couple of points that I was particularly interested in. You say neither the total labor force nor the major age-sex groups behaved in the three different recessions you mentioned in a manner to confirm any theory that unemployment drives a net number of persons into or out of the labor force.

What about periods of high employment? Does that draw additional people into the labor force?

Professor LONG. That has not been my experince so far. I might take one exception, and that would be 1955, when there seemed to be something of a bulge, which I have not yet been able to fully explain. We have had a number of other instances of high peacetime employment which have not had that effect. So that, while you get occasional instances, the effect is not systematic. You cannot rely on it.

Senator SPARKMAN. Well, now, again, you make the statement:

In the United States during 1890–1950—

a period of 60 years—

the maximum fluctuation between successively high-employment census dates was less than the normal seasonal variation from January to July in any given year.

I am not sure that I know just what you mean by your reference to high-employment census dates. In other words, are you measuring from peak to peak, variations between peaks?

Professor LONG. I am simply taking all those censuses that occurred between 1890 and 1950, except the 1940 census. All the others were conducted at times of moderately high employment. So we leave out only the 1940 census in that comparison.

Senator SPARKMAN. You are referring to the regular decennial censuses, then?

Professor LONG. The regular decennial censuses, yes, sir, leaving out 1940, which was still a time of great depression.

Senator SPARKMAN. I do not recall that you had much to say here about automation and its influence on change of employment. Will it have much of an effect, and a lasting effect?

Professor LONG. I would be very surprised if automation had any dramatic effect on the level of unemployment.

Senator SPARKMAN. Even temporarily?

Professor LONG. Even temporarily; for this reason: That the periods during which you are apt to get your greatest automation are naturally periods of great investment. During such periods large sums of money are spent for machinery and new equipment. That in itself, of course, gives a good deal of employment at the same time that it is displacing labor. So that I would not expect the first impact of automation to result in great quantities of technological unemployment.

For the long run the decision to automate is not a technological decision, primarily. Technology is a necessary condition, but the decision to automate is almost always an economic decision, based on the relative cost of machinery and labor, the availabilities of different kinds of labor. If it is true that automation will require a great deal of highly skilled labor—because the essence of automation is the displacement of semiskilled and the use of highly skilled workers for planning the automated equipment, maintaining it, and so forth—then the availability of highly skilled labor, which has been scarce all along, will be a limiting factor in automation.

I would not expect automation to explode, but rather to continue forward in much the same tradition of technological development that we have had in the past. There has never been any evidence in the past of mass technological unemployment.

Automation is a new name, and to some extent it is new, since electronics opened up many possibilities for automatic feedback that could not be done before. But I think the great mass of industry will not be economically or technically "automatable," if I can coin a new word, for a long time to come.

Senator SPARKMAN. Several who have testified before us have suggested a figure, a percentage of the total labor force, that we might consider as being the normal unemployment level. Do you have such a figure in mind?

The CHAIRMAN. I think I should warn the witness that to answer this question would be done at his peril.

Senator SPARKMAN. Well, I will frame the question a little differently. In fact, I believe we had three or four who suggested approximately 3 percent for unemployment. I believe one said between 3 and 4; that we might always expect that as a normal level of unemployment. Would you agree with some such level as that?

Professor LONG. I have had long experience in being forewarned on the peril, because I have served with the Council of Economic Advisers.

There is no normal unemployment, if normality carries with it the notion that this is a desirable or undesirable level of unemployment. Part of the theme of my paper was that if we can find out a great deal more about unemployment and what causes it—and this means getting a grassroots intimacy with the problem, knowing much more about the individual unemployed person and the area and occupation in which he is unemployed, so that we are able to run our economy much more efficiently—we can get our unemployment down to a much lower level than many people now regard as normal. I would not accept it as normal in the sense that it is desirable or unavoidable at all.

Senator SPARKMAN. May I say that I do not believe anyone intended to convey that it was desirable, but perhaps that it was unavoidable.

Professor LONG. I would point out that some countries have managed their economies for quite a few years now with levels of unemployment much lower than ours, some countries as low as 1 percent. The reasons they had that lower level are in some ways explainable in the nature of their economies, including the degree of mobility, as Mr. Lebergott will discuss a little later. Just the same we ought to look into the experiences of some of those countries and ask why. Switzerland has had a very low level of unemployment for quite some time, and a stable price level, too. So I do not see why we should not assume these things can be done.

Senator SPARKMAN. If I may say one other thing, it seems to me that the difference in the area of the country would probably make a difference. And also it seems to me, too, that perhaps some of our agricultural difficulties contribute to the unemployment in this country, that perhaps they do not have.

Professor LONG. That is right.

Representative BOLLING. You say:

> First, we need more information on labor force and unemployment by locality, occupation, and industry. This would require a bigger sample of households.

Refresh my memory as to what the sample is now.

Professor LONG. It is 35,000 households. That is the total maximum size. I think that is actually now the number of households interviewed.

Representative BOLLING. What should it be, in your opinion?

Professor LONG. I would rather not answer that question.

Representative BOLLING. Give me some range, then.

Professor LONG. Well, if you are going to start handling it on a nationwide basis, to get real knowledge of the localities and occupations, it will have to be many times larger than this. But I think it could be done without, let us say, running into a sample of hundreds of thousands and millions, by taking localities and doing a good job of sampling those.

You see, our present sample is nationwide, which means that the areas, are chosen for sampling, for estimating the national total, and serve almost no purpose for telling what goes on in any particular locality. But if we took a sample in a city like Baltimore or Lowell, Mass., and studied it over a period of years, we would choose a sample adapted to that locality.

We need not do this for every locality but only for those areas where we believe we could learn a lot, and where there is either a lot of distress unemployment, or some other important problem. This would enable you to get a lot of information without increasing the size of the sample manyfold.

Representative BOLLING. Would this approach require a periodic series?

Professor LONG. Oh, yes. A study does not do you any good at all unless you keep it up. And I think Senator Douglas would agree with that, because he spent many years working with the unemployment problem before there were any decent data. I think he would agree that you have to keep this up year after year.

Representative BOLLING. In other words, if I understand what you are saying, these things blend together. What you need in effect is a broader and more detailed conceptual approach of sampling.

Professor LONG. Yes.

Representative BOLLING. With a more variegated set of samples?

Professor LONG. That is right; adapted to localities. After all, unemployment is in a particular locality. A certain person, of a certain occupation, age, and other characteristics, living in a certain town—he is unemployed. Nationwide or statistical unemployment is not worth very much from the standpoint of the student who wants to come to close grips with the problem of unemployment.

Representative BOLLING. And in effect very little of this sort of thing is actually being done today?

Professor LONG. That is right.

Representative BOLLING. Now the second item:

> Second, we need more reliable fieldwork. The quality of the interviewers and their methods is far from satisfactory. Improvements in this direction will require more money and more research into interviewing techniques.

Have you any order of magnitude of the amount of money that might be required to do a more effective job? Would it call for a doubling, a tripling, or what?

Professor LONG. Well, I certainly think it would take at least a doubling.

Representative BOLLING. Now the fourth point involves the measure of "equivalent full time" of involuntary part-time unemployment. You state that you think, as does Senator Douglas, that this calculation is entirely practicable and technically possible.

Professor LONG. Yes. I think with the present information, measures of equivalent full-time unemployment and labor force could be developed at a relatively small cost.

Representative BOLLING. What are the arguments against it, if any? You probably have heard some arguments against it, since you have been an advocate of it.

Professor LONG. I do not know of any good argument against it, except that the Labor Department undoubtedly feels it has plenty to do, with the funds it is given by Congress. The Labor Department may also feel that other information is more valuable and be inclined to give other things priority.

The CHAIRMAN. There is a practical political difficulty; namely, that any administration that is in power tends to be opposed to this, because it will raise the total figure of unemployment. And I had such difficulties when the Democrats were in power on this same matter, just as I have difficulties now.

According to our private index, which Mr. Knowles has helped us to compute, the full-time equivalent of the involuntary part-time unemployed comes to about 1.1 million, and this is about 1½ percent lost time of the total labor force, even including the self-employed, and if one were to exclude the self-employed and take as the denominator only those seeking wage or salaried labor, it would be 2 percent.

No administration wants to raise the figure of unemployment by 2 percent, because they know there will be someone in the opposition camp who will take advantage of them and say, "This indicates an increase in unemployment."

Now, if you could effect this change during a period in which there is a transition, or homogenized politics, it will be very beneficial.

Professor LONG. I agree with you entirely. As a matter of fact, I have used this reason for a good many years in my classes, but I hesitated to bring it up in this particular forum.

Senator BUSH. May I comment?

I think that this has been a very useful morning in connection with this whole matter. I am glad Mr. Bolling, chairman of our statistics committee, was here for this meeting. And I would like to say, as one who supports this administration usually—and my friend on my left will agree with that, I think—I think it is very much in our interest, just as an administration, to know the facts about this thing. And I hope that we have begun this morning on an effort that will be continued until we get them.

Representative BOLLING. Mr. Long, what all of these recommendations amount to, if I understand it, is that we do not now have anything like satisfactory information. Such information is obtainable, but it will cost money and greater effort than we have been willing to put forth to date.

Professor LONG. That is right, Mr. Bolling. It would involve considerably larger expenditures. But I might say, in relation to the magnitudes involved, the expenditures involved would be chickenfeed. If you consider that there are now 4½ million people unemployed, and perhaps another million or 2 million part time or disguised unemployment, and if you just multiply that by $4,000 a year or $3,000, as the average potential earnings, you can see quickly that you are running into billions and billions of dollars of lost income and lost resources. This also has its impact on inflation, because we support these people. We give them relief, unemployment insurance, and so on. They spend the money and create the level for goods, but the

fact that they do not create the supply of goods which match their expenditures definitely has an inflationary effect. So it affects all of us, not just the unemployed people and the unemployed firms.

When I was with the Hoover Commission, the first Hoover Commission, I had the job, with Professor Mills of Columbia University, of studying the statistical agencies of the Federal Government. And we found, to our astonishment that in 1948, an off-census year, the total Federal Government expenditures in statistics came to only $48 million. Expenditures have gone up since then, but only because I believe the price level has gone up, and not because the scale of statistical effort has enlarged.

This reminds me of a story my father told me about an employer of his who had made millions of dollars, all the while keeping his accounts on the back of his safe door. My father used to hear him as he went through the factory, and his sons would ask him why he did not take inventory.

He would say, "Why should I count it? It doesn't make it any more."

Of course, businesses have changed the philosophy on this completely. They realize it often makes it more to "count it," and that "counting it" may be the most valuable thing you do. But I am not sure our Nation has found this out. You cannot run a $450 billion economy by keeping your national accounts on the back of a safe door.

Representative BOLLING. Mr. Long, I could not agree with you more. For a number of years—this must be at least the fifth—I, along with other members of our Subcommittee on Statistics, have been trying without any notable success to do a series of things. One is to encourage the administration to ask for more. And we have been somewhat successful in this, although not entirely so. The other is to encourage the Congress to vote for more. We have been even less successful in this. We have been, in effect, a sort of built-in lobby for the point of view you have expressed. I would like to use even harsher words than you have. I think our present level of statistical effort at the Federal level is a little short of ridiculous it is so little. I think it is absolutely folly for this country, with the kind of economic problems that it has, not to spend more than what is relatively "chickenfeed" to get essential information. I hope some way, in one way or another, we will get to the point where we do spend a few hundreds of millions of dollars, so that we can have the facts upon which to base our plans and programs.

The CHAIRMAN. Thank you very much. I would like to make just one final comment.

That is that when we discuss the causes of unemployment, I think we should distinguish between the forces which affect the total amount of unemployment, aside from seasonal and transitional difficulties, and the forces which determine the particular persons who are unemployed, namely, the incidence of unemployment. And it has seemed to me that frequently the factors which determine which particular persons are unlucky enough to be laid off are given greater stress than is justified, and that even if all the personal causes for unemployment were to be removed, the total volume of unemployment would not be affected. And, as I have said, it seems to me that aside

from seasonal and transitional unemployment, the cause of unemployment in excess of this figure is a shortage of demand in comparison with the prices charged for goods. And therefore we should not miss seeing the forest because of our absorption in the trees.

Professor LONG. I agree with you entirely, Senator. I did not mean to say that I thought that unemployment was due in any way only to the deficiencies of individuals. I am sure that in the present situation, if everybody in our country were very efficient and productive people, that given the demand situation, we would undoubtedly still have some unemployment. But what I was trying to get over was the fact that not all people in our economy are of that high order of ability and employability and there are many people who can only be employed under boom and inflationary conditions, and many others who will not even be able to get jobs, for one reason or another, under those boom or inflationary conditions. We ought to do whatever we can to improve the employability of these people in their localities, so that when we do solve the problem of providing a regularly expanding level of demand, we will have both the necessary and the sufficient conditions for creating full employment.

The CHAIRMAN. Thank you very much.

Senator BUSH. I think the question of part-time employment, which Senator Douglas frequently refers to, is a very important question, which in itself ought to be studied very carefully, because no doubt there are those who were only working part time, who would like to be working full time. There are also those working part time who are unable and unwilling to work full time. And those should be categorized and separated so that they do not get lumped into one statistic that gives the wrong impression.

Professor LONG. That is right, Senator. We do have some statistics. The Monthly Report on the Labor Force does distinguish, in a general way, among part-time employed, between those who call themselves regular full-time workers and are working only part time, for economic reasons, and the much larger group of part-time workers who want only part-time employment.

These statistics suggest there is a very substantial number of people, ranging between 1 and 2 million, who are regular, full-time workers, who want full-time work, but are employed only part time for economic reasons.

Senator BUSH. One of the suggestions made occasionally respecting this problem of unemployment is that we ought to have a shorter workweek, that we ought to go back to a 35-hour or 32-hour workweek. Do you care to comment on that proposition at the present time, or not?

Professor LONG. Well, I would be glad to.

In my view, a shorter workweek would not solve our problem. It would often mean that people who are perfectly able to work and to earn income would be arbitrarily cut down to a shorter workweek, and their earnings would be reduced. Let us make no mistake about it. If a person works fewer hours, he is going to earn less money. And therefore as you cut down the supply of labor, by forcing him to work a 32-hour instead of a 40-hour workweek, you are also cutting down his demand for goods and therefore cutting down the demand for labor.

So you do not solve the problem in that way, and you deny yourself a very important supply of labor in the country, which we need. I think our great problem in this country is not the fact that people are working too hard. I do not believe they are. I think there is nothing about a 40-hour workweek, except in some occupations, that anybody can say is uncomfortable or injurious. The great problem in our society is poverty. We have enormous numbers of people who do not live according to what we like to think is the American living standard. And the problem of getting them up to that level is very expensive. And I think it is a shame that while we are trying to get them up to that level we proceed to give large numbers of people enforced holidays.

The CHAIRMAN. Very honest testimony.

(The prepared paper of Clarence D. Long, professor of economics, the Johns Hopkins University, is as follows:)

LABOR FORCE, UNEMPLOYMENT, AND ECONOMIC CHANGE

(By Clarence D. Long, professor of economics, the Johns Hopkins University)

Fluctuation is the normal characteristic of unemployment. It has ranged between 1 and 25 percent of the labor force during the past quarter century and between 2 and 8 percent during the past 3 years. In addition, wide variations have occurred in the kind of people who are out of work—classified by age, sex, occupation, education, industry location, and other characteristics.

This turbulence may derive from two main sources. The first is the demand for labor. Unemployment may increase because employment decreases, as firms go bankrupt, departments are shut down, occupations are displaced by machines, industries lose their markets, or whole towns and regions find themselves bypassed in the march of technology.

The other potential source of change is the supply of labor. Unemployment may change with the number and kind of people who are willing and able to work: the labor force.

In the United States the labor force is currently defined as the sum of all persons reported by the census to be employed or unemployed during a certain specified week. The "employed" category covers all persons 14 and older who have jobs or businesses for pay or profit, including employers and the self-employed, unpaid family workers in a store or on a farm who help produce a salable product or service, and employees of nonprofit enterprises and Government agencies. The "unemployed" category includes persons 14 and older who have no job or business of the above-mentioned sort and are seeking such employment during the survey week.

The Joint Economic Committee has asked me to discuss the way the labor force has behaved under changing conditions, including recession and depression, war and peace, economic expansion and growth. It has also asked me to suggest improvements in the present measures of unemployment and labor force. I turn first to labor force behavior.

As the economy contracts and men and women lose their jobs, do many of them retire from the labor force, thus reducing the unemployment problem? Or is unemployment made worse by the addition of desperation work seekers from the ranks of dependents of unemployed family heads?

As the demand for labor recovers, does the labor force increase so that jobs must be found not only for the disemployed but also for the new labor force additions, thus compounding the difficulties of attaining full employment?

What, too, can we say of the labor force in longrun growth and expansion? As automated industry produces more goods with fewer workers, will the higher real incomes enable families to support themselves with fewer people working, thus retiring many of the workers whose labor has been saved? Or will the labor force increase even faster than population, making it necessary to create new demands for workers and products in order to forestall technological unemployment?

There are obviously large questions which cannot be answered fully in this brief discussion. Some of them have been debated for centuries. A couple of

decades ago Senator Douglas did pioneering work on them in his great treatise on the "Theory of Wages." I myself have devoted much of the last dozen years to a study of labor force behavior for periods ranging up to a hundred years in five countries, as reflected in the data of decennial censuses and monthly sample surveys of households, and administrative records. I shall summarize that behavior very briefly.

First, the labor force in severe depressions:

The overwhelming weight of statistical materials here and abroad suggests that more persons have been forced out of the labor force by the difficulty of finding jobs than have been forced into it by desperate family circumstances created by the unemployment of family heads. (Table 1. All tables and charts are taken from "The Labor Force Under Changing Income and Employment.")[1]

TABLE 1.—*Number of persons by which the labor force of the depression years, 1934–36 differed from that of the April 1930 and 1940 average in relation to population and unemployment, by sex and age group, 4 States*

	Per 1,000 population of same sex and age				Per 100 unemployed men 25–64			
	Massachusetts,[1] 1934	Pennsylvania, 1934	Michigan, 1935	Rhode Island, 1936	Massachusetts,[1] 1934	Pennsylvania, 1934	Michigan, 1935	Rhode Island, 1936
Both sexes 15 and older	−8	−5	−3	−10	−8	−8	−5	−28
Males 15 and older [2]	+1	−28	+1	+2	+1	−42	+2	+6
15–24	−20	−13	−46	+5	−19	−20	−81	+14
25–44	+4	−58	+4	−22	+4	−88	+7	−61
45–64	+8	−18	+25	+16	+8	−27	+44	+44
65 and older	+19	+71	+40	+41	+18	+108	+70	+114
Females 15 and older [2]	−16	+16	−7	−20	−15	+24	−12	−56
15–24	−10	+58	−24	−17	−10	+88	−42	−47
25–44	−15	+2	−12	−9	−14	+3	−21	−25
45–64	−36	−8	+8	−25	−35	−12	+14	−69
65 and older	+17	+36	+34	−41	+16	+55	+60	−114

[1] 14 and older.
[2] Standardized according to sex and age composition of the population of the United States in 1930.

Source: Appendix F, Censuses of the United States: "1930, Unemployment," vol. I, pp. 455, 499, 837, 881, and "Population," vol. III, pt. 1, pp. 1111, 1123, vol. IV, pp. 797, 800, 802, 819, 1455; "1940 Population," vol. III, "The Labor Force," pt. 3, pp. 453, 588, pt. 5, p. 14, vol. IV, pt. 3, pp. 191, 238–239, pt. 4, p. 338. "1934 Report on the Census of Unemployment in Massachusetts," Massachusetts Labor Bulletin No. 171, pp. 5–8. "Census of Employable Workers in Urban and Rural Nonfarm Areas, Pennsylvania, 1934," State Emergency Relief Administration, Division of Research and Statistics, 1936, p. 1. "Michigan Census of Population and Unemployment," 1st series, No. 1, 1935, pp. 3, 4, 9. "Rhode Island Decennial Population Census of 1936; Story of the 680, 712," Rhode Island Department of Labor, 1937, pp. 10, 23, 26.

[1] Clarence D. Long, "The Labor Force Under Changing Income and Employment" (National Bureau of Economic Research, Princeton University Press, 1958). "The Labor Force in Wartime America" (National Bureau of Economic Research Occasional Paper 14, 1944), "The Labor Force in War and Transition: Four Countries" (National Bureau of Economic Research Occasional Paper 36, 1952). "Impact of Federal Income Tax on Labor Force Participation," papers submitted by panelists appearing before the Subcommittee on Tax Policy, Joint Committee on the Economic Report, 84th Cong., 1st sess., Nov. 9, 1955, pp. 153–156. "Impact of Effective Demand on the Labor Supply," American Economic Review, May 1953, pp. 408–467.

The tendency of labor force participation to decline in time of great unemployment has extended also to rural areas, urban areas, large cities, and the 48 States in 1940 compared to 1930 and 1950 (table 2).

TABLE 2.—*Number of persons by which the labor force during the severe unemployment of April 1940 differed from the average of the moderately high-employment census dates, April 1930 and 1950, in relation to population and unemployment by sex and age group, United States and its urban and rural areas*

	Per 1,000 population of same sex and age			Per 100 unemployed men 25–64
	United States [1]	Urban areas [2]	Rural areas [2]	United States [1]
Both sexes 14 and older	−13	−9	−23	−19
Males 14 and older	−22	−18	−26	−32
14–24	−30	−35	−35	−43
25–44	−2	+3	−10	−3
45–64	−22	−24	−19	−32
65 and older	−85	−101	−68	−123
Females 14 and older	−7	+1	−19	−10
14–24	−5	−4	−11	−7
25–44	+14	+28	−11	+20
45–64	−35	−34	−39	−51
65 and older	−18	−18	−105	−26

[1] Labor force was standardized according to the rural-urban composition of population of the United States in 1940; totals were standardized for age or age-sex.

[2] Labor force was standardized for age or age-sex, according to the composition of population of the United States in 1940.

Source: Apps. A, C, F, and supp. app. H. "Censuses of the United States: 1930, Unemployment," vol. II, p. 250; "1940, Population," vol. IV, pt. I, pp. 90–93; "1950, Preliminary Reports," PC–7, No. 2, pp. 21–23.

It has not been confined to the overall labor force of both sexes but has characterized most male and female age groups. There was no consistent tendency for any age-sex group to have higher labor-force participation rates in depression than in prosperity.

Second, the labor force in recessions and booms, including wartime variations:

Large wartime fluctuations in labor force participation have occurred since 1940 when the monthly record begins, creating a popular impression that the labor force is very elastic with respect to peacetime booms and recessions. I shall say something first about these wartime changes.

In the 5 years of World War II up to April 1945, the American labor force, excluding population growth, rose 8.5 millions, a rise of 8.2 percent of the population 14 and older, compared with 6.8 in Canada and 4.7 percent in Great Britain.

Germany made the poorest record for wartime additions. Its labor force lost native Germans, even if war deaths are not deducted from labor force; if foreigners are counted in its labor force, the expansion was still much less than that in the United States (table 3).

TABLE 3.—*Germany, including the Saar, Austria, and the Sudetenland—Population and labor force, by sex, 1939–44*

May	1939	1940	1941	1942	1943	1944
POPULATION 14 AND OLDER (MILLIONS) [1]						
Germans, including armed forces before losses:						
Males	30.1	30.4	30.6	30.8	31.0	31.2
Females	32.2	32.4	32.6	32.8	33.0	33.1
Both sexes	62.3	62.8	63.2	63.6	64.0	64.3
Armed forces (assumed to be entirely males):						
Before losses	1.4	5.7	7.4	9.4	11.2	12.4
Losses	0	.1	.2	.8	1.7	3.3
Active	1.4	5.6	7.2	8.6	9.5	9.1
LABOR FORCE (MILLIONS) [1]						
Germans, including armed forces before losses:						
Males	25.9	26.1	26.4	26.3	26.7	26.6
Females	14.6	14.4	14.2	14.4	14.8	14.8
Both sexes	40.5	40.5	40.6	40.7	41.5	41.4
Foreigners [2] and prisoners in labor force:						
Males	.2	1.0	2.6	3.5	4.8	5.4
Females	.1	.2	.4	.7	1.5	1.7
Both sexes	.3	1.2	3.0	4.2	6.3	7.1
PERCENT OF POPULATION IN LABOR FORCE [1]						
German labor force as percent of German population of same sex, including armed forces before losses:						
Males	85.9	86.0	86.2	85.4	86.1	85.1
Females	45.3	44.4	43.5	44.1	44.9	44.7
Both sexes	64.9	64.5	64.2	64.1	64.9	64.3
German and foreign [2] labor force as percent of German and foreign [2] population of same sex, including active armed forces:						
Males	86.0	86.4	87.3	86.6	87.4	86.0
Females	45.4	44.7	44.1	45.2	47.3	47.4
Both sexes	65.1	65.1	65.7	65.9	67.2	66.3

[1] Totals and percentages were computed before data on population and labor force were rounded.
[2] Belgians, Dutch, Poles, and others in Germany on contract, compulsory, or semicompulsory labor services.

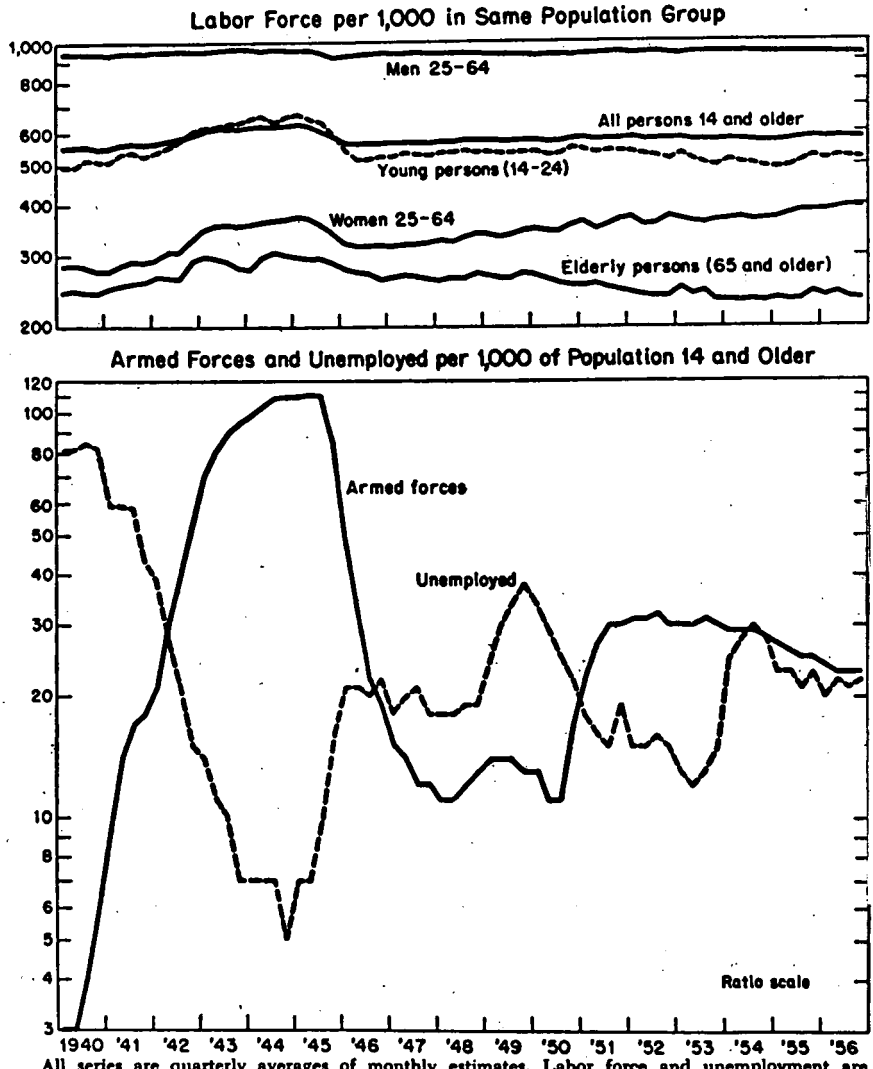
Source: Data and discussion on labor force, ch. 3 and app. F. The population in 1939 by sex was derived from the census of that year. Statistical Year Book of the League of Nations, 1941–42, Geneva, 1943, table 3, p. 26. For 1940–44 the population represented the interpolation of data for 1940 and 1945, estimated by Frank Notestein in Future Population of Europe and the Soviet Union, Geneva, League of Nations, 1944, pp. 256–257 and 264–265. The Notestein data, which excluded the Saar and the Sudetenland, were not used directly but served as indexes for extrapolating the population reported by the 1939 census.

Most additions to the wartime labor force came when the enemy was hitting hardest. In Britain, 6 in 10 of the labor force additions were made before the U.S.S.R. entered the war; in this country, 2 in 3 of the additions came during the 2 years up to the Italian surrender in mid-1943.

Aside from the increase due to population growth, the great bulk of the war's additions were temporary. The inflows to the labor force in the various countries during World War II were dominated by the military draft (chart 1).

CHART 1

Labor Force Compared with Armed Forces and the Unemployed, United States, 1940–1956



All series are quarterly averages of monthly estimates. Labor force and unemployment are seasonally adjusted.

Source and description of adjustments: Appendix Tables B-1 and B-2, and related text.

Until the Armed Forces were enlarged, the labor force expanded negligibly. With the demobilization of nine-tenths of the peak armed strength, the U.S. labor force shrank eight-tenths of its excess over prewar (disregarding the population growth). In America the postwar labor force participation did not go all the way back to its 1940 level, but that level had been somewhat depressed, probably by the widespread unemployment.

In the Korean conflict, the labor force rose as the Armed Forces expanded. However, its ratio to armed force recruitments was much less than half that in 1941–43. And with the approaching end of the conflict the labor force proportion returned to near peacetime proportions.

In none of the countries was direct compulsion a major factor. The United States never required civilians to work. Germany had universal conscription on paper but did not thoroughly enforce it until after the Allied landing, when it was too late to use the extra labor effectively. Half of Britain's additions were made before the National Service Act. Even after that, its policy was still persuasion.

The wartime movements to the labor force may have been influenced by four factors: The reserves of potential workers among students, housewives, and the elderly; the burdens of housework preventing girls and women from taking gainful work; the liberality of Government to dependents of fighting men; and the strength of enemy blows. The United States had more females outside its peacetime labor force than the British or Germans, so that more women could go into industry in wartime despite a higher burden of child cares among American women. It was relatively less openhanded than Germany or Canada in caring for dependents of fighting men, though by no means niggardly. And it avoided the German and Canadian practice of reducing dependents' allowances if they worked for pay.

Since 1946, the whole range of peacetime fluctuation in participation between quarterly data, seasonably adjusted, has been 2.4 percent of the working-age population. The labor force data are based on interviews conducted each month with a representative sample of the Nation's households and a good part of the range of fluctuation—perhaps all of it—could have been the result of errors in sampling or interviewing[2] (table 4).

TABLE 4.—*Variation in the proportion of the labor force to population and the corresponding range of error in the labor force sample estimates, United States and Canada, 1946–52*

[Per 1,000 population of same sex and age]

	Maximum range of labor force variation		Range owing to sampling variability $2(2\sigma)$
	Mid-1946–mid-1950	Mid-1946–mid-1952	
United States:			
Labor force 14 and older	11	20	6
Males 14 and older	14	13	14
Females 14 and older	24	35	10
Young people, 14 to 24	25	37	20
Men, 25 to 64	13	14	20
Women, 25 to 64	33	56	10
Elderly people 65 and older	11	31	20
Canada:			
Labor force 14 and older	14	18	6
Males 14 and older	20	30	12
Females 14 and older	13	26	8
Young people, 14 to 24	32	32	20
Men, 25 to 64	21	21	20
Women, 25 to 64	12	32	10
Elderly people 65 and older	37	60	20

Source of estimates of sampling variability: Current Population Reports; Series P–57, No. 118, p. 12: The Labor Force, November 1945–March 1952, Reference Paper No. 35, pp. 5–6. See also the author's comments in "Statistical Standards and the Census," in the American Statistician, February 1952, and Supplamentary Appendix I.

[2] The Labor Force Under Changing Income and Employment," supp. app. I (on file at the National Bureau of Economic Research, 261 Madison Ave., New York, N.Y.

What information we have on gross changes in the labor force (the sum of people who enter or leave in any month) suggests that they have occurred at a regular rate and have not been responsive to changes in income and employment. Neither the total labor force nor the major age-sex groups behaved in the recessions of 1948–50, 1953–54, or 1957–58 in a manner to confirm any theory that unemployment drives a net number of persons into or out of the labor force.

Third, the labor force over longrun periods of rising income:

The overall proportion of the working age population in the labor force has been rather impressively stable from one high employment census year to another: The stability has held for the United States as a whole since 1890 and possibly since 1820, for Great Britain since 1911 and possibly since 1841; for Canada since 1911; for New Zealand during 1896–1951; and in a lesser degree for Germany during 1895–1939 (chart 2).

In the United States during 1890–1950 the maximum fluctuation between successive high employment census dates was less than the normal seasonal variation from January to July in any given year.

The stability of labor force participation in the United States has been due to the overall labor force and to the native whites, for both the colored and foreign born have reduced their labor force participation by impressive amounts; in the case of Negroes nearly all of the reduction has occurred since 1930 (chart 3).

However, the foreign born, the native-born children of the foreign born, and the colored, have all tended in recent decades to aline their labor force behavior with that of native whites.

The overall labor force participation rate has remained rather stable in spite of marked changes in the participation of major age and sex groups. In all five countries every male age group has manifested some decline in its labor force participation and most female groups some rise (chart 4).

The net change in the overall labor force has generally been only a small percentage of the gross change. This fact raises the question whether there has been some systematic tendency for the changes in these component labor force groups to offset each other.

It is our hypothesis that the women may have pushed and pulled young and elderly males from the labor force and at the same time have been drawn into the labor force by the vacuum left by the exodus of males for other reasons.

The source of the influx of females could be explained by the growing redundancy of females in the home, as the result of the developing technology for the home, the reduction in the number of children to be cared for, and the increasing survival of women who formerly died from childbirth and other diseases. The demand for the influx could be explained by the expansion of the clerical occupations, occurring along with the great increase in educational attainment of the average female which enabled her to take advantage of the new job opportunities and in a sense to create them. The timing of the influx could be explained by the reduction in the normal workweek in industry which made it further possible for many females to enter the labor force and still have time after work to carry out the household responsibilities which most of them must always have.

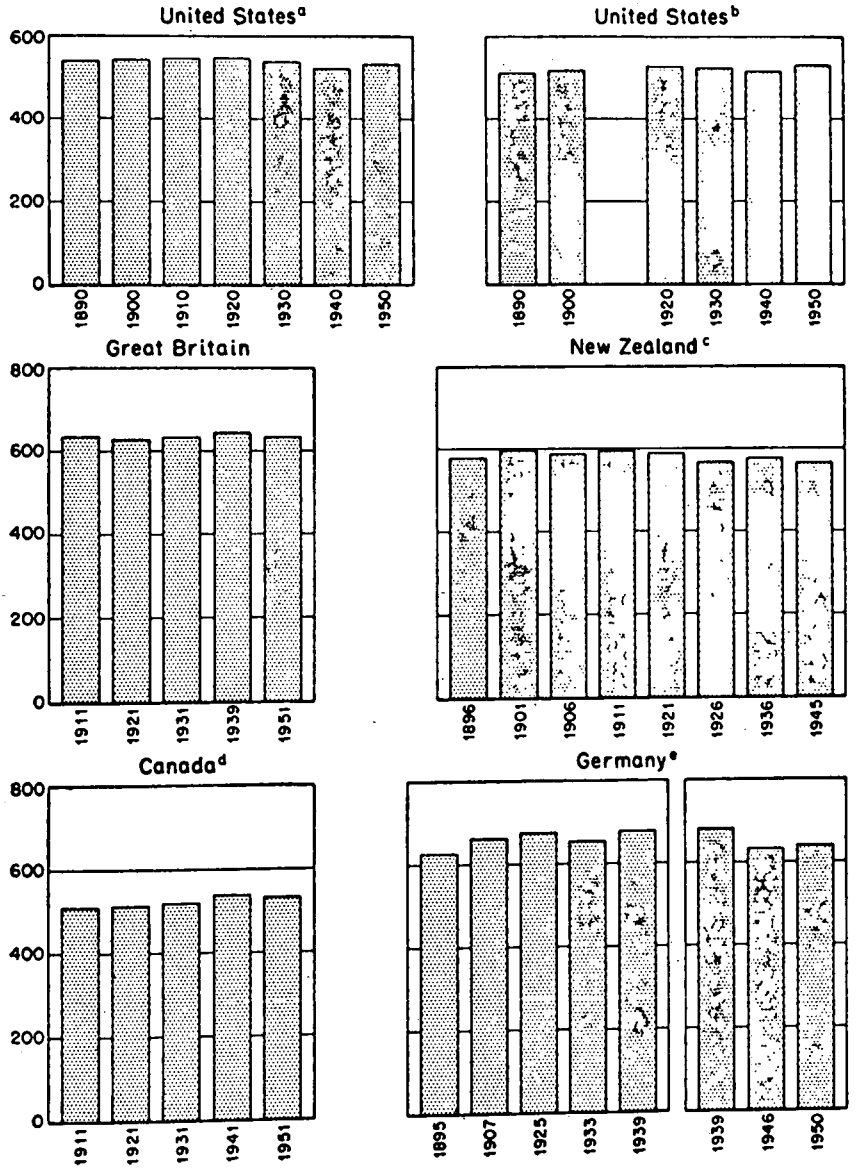
The decline in labor force participation of older men—45 to 64 and 65 and older—has been less easy to explain. No evidence could be found, that the decline has been immediately owing to increases in real income, to extensions of pensions and social security, to physical deterioration, to changes in the pace of industry, or in the level of employment or self-employment. Even if a tightening of company practices against older workers has been primarily responsible (there was no lack of such discrimination a half century ago), it is doubtful that firms could have afforded to part with this supply of labor had there not been a new and better source to take its place, namely, women.

It would seem plausible that the women displaced the elderly men from the labor force because they were better trained for many clerical, personal, and professional jobs in relation to their relative wages. Financial aid from working daughter or wife—even their ability to support themselves without help—doubtless also enabled many elderly men who became sick or unemployed to advance the date of their retirement.

CHART 2

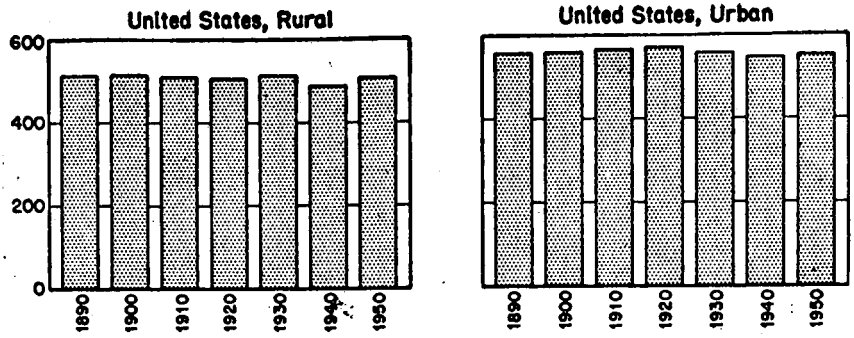
Persons 14 and Older in the Labor Force per 1,000 in Same Population Group: 5 Countries, Various Years, 1890–1951

Standardized for age and sex, and for other differences as noted, on basis of United States population in 1940.



(chart continues on next page)

CHART 2 (continued)

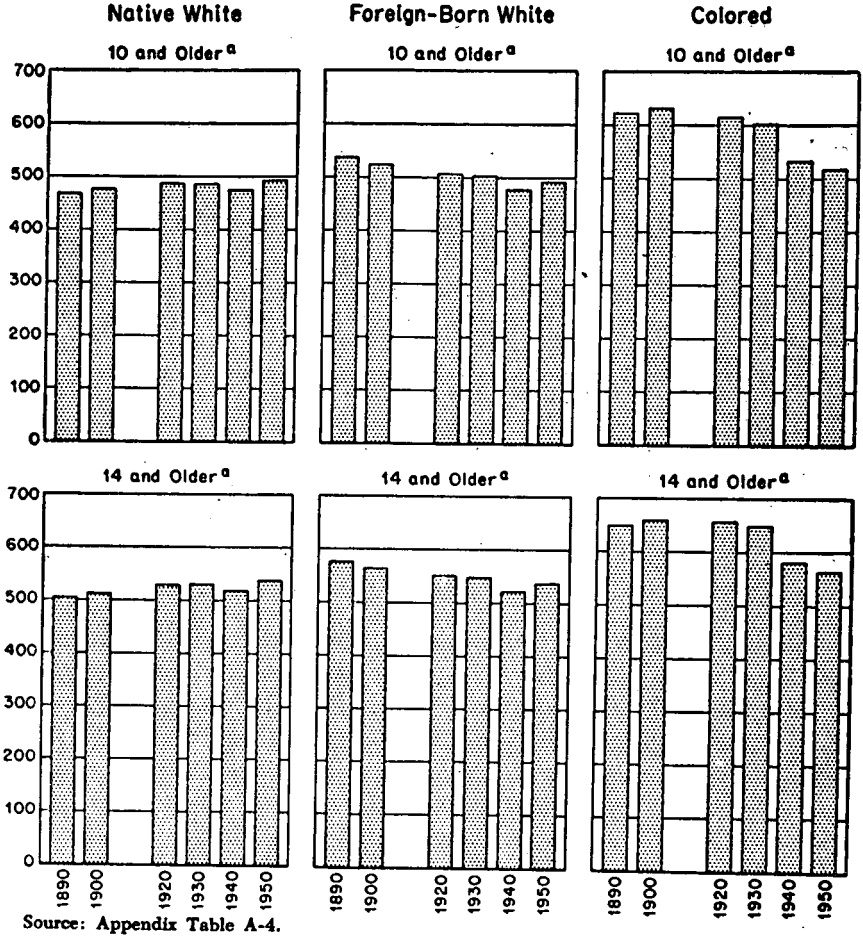


[a] Standardized for rural-urban composition as well as for age and sex.
[b] Standardized for rural-urban composition, color, and native-foreign composition, as well as for age and sex.
[c] Aged 15 and older.
[d] Partially standardized for rural-urban composition on the assumption that the effect of migration to urban areas would be the same in Canada as in the United States (in addition to standardization for age and sex).
[e] For 1895–1939, boundaries after World War I, without the Saar; 1939–1950, Federal Republic of Germany, without Berlin.
Source: Appendix A.

CHART 3

Labor Force of Native White, Foreign-Born White, and Colored Persons: United States, Census Dates, 1890–1950

Persons in the labor force per 1,000 in same population group. Standardized for age and sex (but not for rural-urban composition) on basis of United States population in 1940.



Source: Appendix Table A-4.

CHART 4

Association between Labor Force Participation Rates of Females and Males: 5 Countries, Various Years, 1890–1951

Number in labor force per 1,000 in same population group.
Standardized for age on basis of United States population in 1940, except as noted.

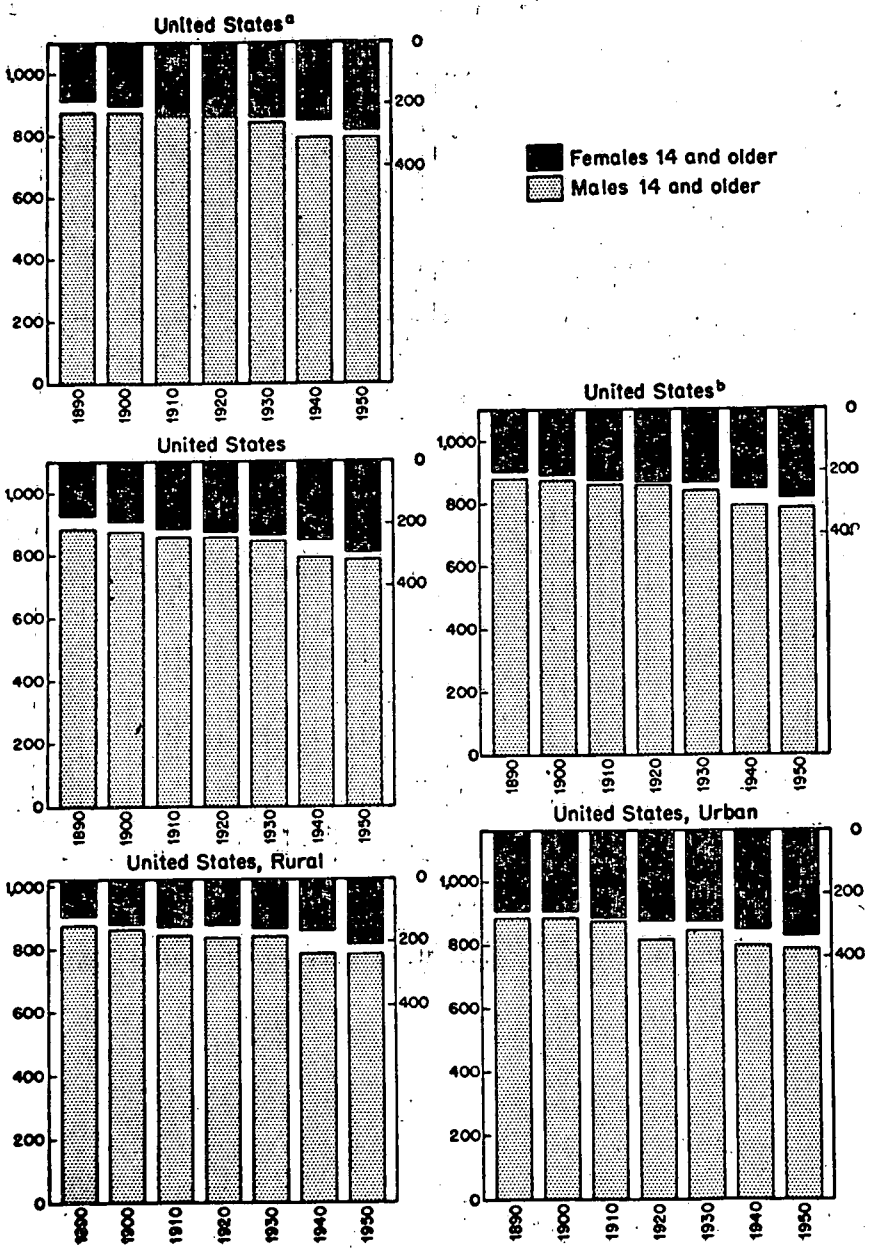
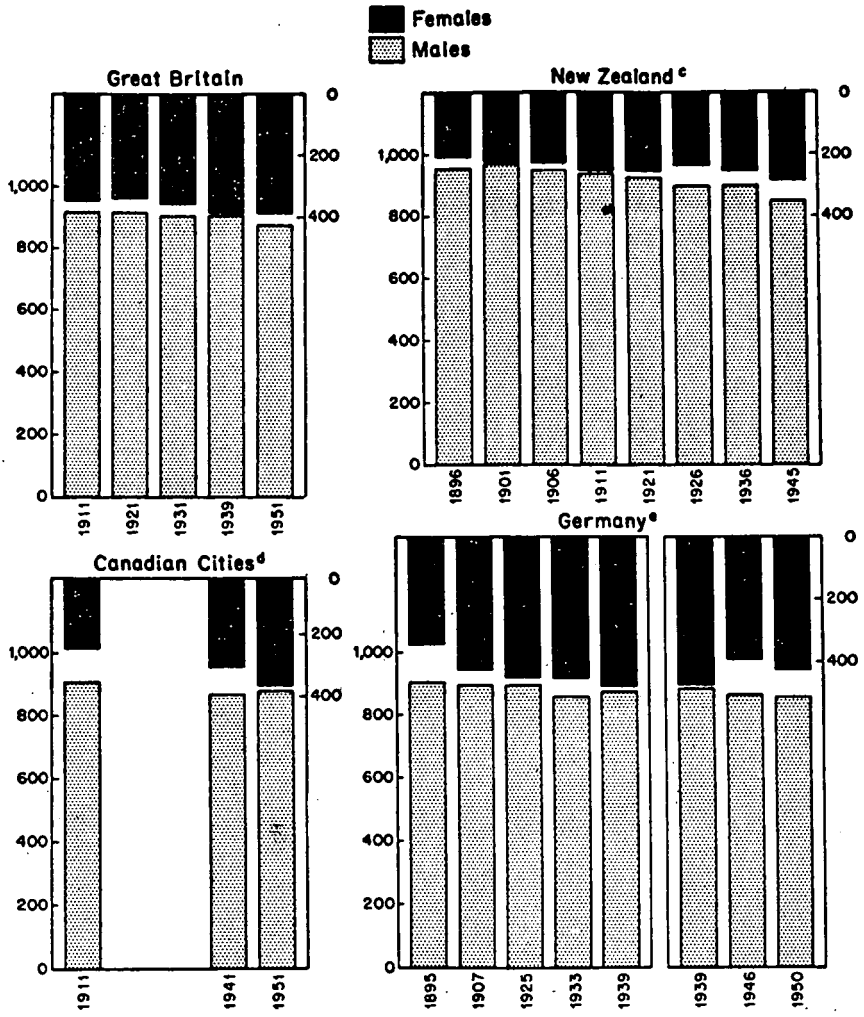


CHART 4 (continued)



a Unstandardized.
b Standardized for rural-urban composition as well as age.
c 15 and older.
d 15 and older. Age standardization on basis of population of Chicago in 1930.
e For 1895–1939, boundaries after World War I, without the Saar; 1939–1950, Federal Republic of Germany, without Berlin.
Source: Appendix A.

The CHAIRMAN. We are very glad to have as a witness now, Mr. Lebergott.

I have been glancing over your paper and find it very scholarly and witty. We want to print it in full. It is quite lengthy. I am wondering if you would be willing to summarize it, with the understanding that the whole paper will be printed.

Mr. Lebergott is on leave from the Bureau of the Budget. He wants to make it clear, though, that these are his own personal views, and in no way represent the views of the Bureau.

STATEMENT OF STANLEY LEBERGOTT, BUREAU OF THE BUDGET (ON LEAVE)

Mr. LEBERGOTT. Thank you, Senator.

I had planned to summarize this. And although this may give some difficulty to the recorder, I think we can pick out at least the main points relevant to the immediate concern of the committee in much shorter order than in the paper.

The introduction, which goes basically to the point that labor mobility, as a phrase, has now achieved a preferred status. Some years ago a humorous book on English history was published, and at the end of almost every chapter a major event was labeled by the authors as "a good thing." We are now talking about labor mobility as "a good thing," whereas some years ago we were talking about labor turnover as "a bad thing."

I will not here attempt to draw the boundary line between the two. I would like to note this change in emphasis, and to say that this paper in its discussion of labor mobility simply defines it as the movement of persons into and out of jobs. Commonly this involves a movement from one employer to another, but it may also involve merely movements into or exits from the labor force. As a single simplified generalization from the historical record, I think we can say essentially this: That the main currents of American economic development over the last century and a half have all tended to reduce labor mobility. There are certain exceptions, which can go into the footnotes.

Anyone who chooses to can make a very plausible case for a particular cause being the cause—seniority systems, social security, pension plans. But if you look to the total pattern of our national growth, I think you will have to conclude that a great many causes are all powerfully working to produce labor mobility. And, I would like to review briefly a few of the main ones, and trust that we can consider them neither as supporters nor as opponents of any of them, including the first, which is the American home.

The CHAIRMAN. Nobody is opposed to the American home. Let that be on the record.

Mr. LEBERGOTT. At the beginning of this century, about 36 percent of the people who live off the farms owned their homes. Today that ratio is about half again as great. There are many causes for this—higher real incomes, improved construction techniques, and a whole set of actions by the Federal Government, both the Congress and the Executive, running from the mortgage moratorium of the 1930's to the VA program in the late 1940's, as well as the FHA insurance program.

The CHAIRMAN. We have the distinguished originator of many of these programs sitting at my left here, the Senator from Alabama.

Mr. LEBERGOTT. Well, that gives particular point to the comment. I do not know whether he would agree with the following point I would propose to make, and that is that converting a tenant to a homeowner inevitably tends to make him less mobile as a worker. A man who has sown his crop of crabgrass wants to stay around until next year to see how it comes out. Homeowners develop neighborhood ties.

A second factor is that of motherhood. Women of childbearing age today have about 37 percent more children than did the equivalent group of women in 1941. But the migration rate for families with children is about half of that for families in the same age group without children.

A moment's reflection indicates how links with the neighborhood, with the PTA, and all of the factors that are associated with children and living in a family, tend to reduce the willingness of the head of the family to move.

A third force that has developed increasingly over the last century is that of education. In 1850, about 55 percent of our children were in schools. Today it runs about 85 percent. A basic additional factor has been the rise in school guidance work. The young men and women who enter today's labor market do so better trained, with a better idea of where they are going. If so, does it not follow that these youngsters are less likely to wander from unskilled job to unskilled job before they find their way? And more likely to begin closer to their occupational limit without as many preliminary jobs? As a result, mobility has decreased among the very group that traditionally has shown the highest mobility.

A fourth factor is the ending of large-scale immigration. In President Jefferson's day about half our labor force was composed of immigrants. Today it stands at about 8 percent.

We know that when the typical immigrant landed, he would move across the country, going from short-time job to short-time job. Some of them built the C. & O. Canal here along the Potomac. Others cut timber in the Wisconsin woods. Others worked on the national road. Each of these were short-lived jobs and added to mobility. Hence the decline of our labor force in this category has also tended to reduce mobility.

A fifth factor is personnel work. Personnel men rather early in their careers discovered the high cost to industry of hiring and firing workers. There is a cost in hiring and there is a cost in training, and there is a cost if workers either prove unsatisfactory or quit. Their natural reaction was to attempt to reduce labor turnover and thereby mobility. A related personnel practice, touching upon the point discussed by Professor Long, is the practice of spreading work. There is nothing like absolutely firing a man to make him more likely to move on.

In 1932, two-thirds of all our employed factory workers were on part-time work, and anyone who watched the monthly census figures during 1949 and 1953 could see how industry sought first to reduce hours before it had to reach to outright firings.

The CHAIRMAN. If I may interrupt, this would seem to be still further argument for including the figure of the full-time equivalent of involuntary part-time unemployment.

Mr. LEBERGOTT. Well, I would not like to associate myself with that position, Senator, at least at this point.

The commonsense of holding onto a trained labor force and the growing feeling for human values have both worked together to reduce the outright firings that in an earlier day would have brought high mobility.

The sixth factor is the family farm program. Our farm program during the 19th century took the form of land sales at low prices. Representative Allison told the House that one homestead bill was "A seductive lure which is well calculated to induce many laborers and mechanics, who are now doing well at their homes in the old States, to leave them and engage in agriculture."

The Federal farm program in the 20th century has been designed to achieve quite other purposes than getting men to move westward and acquire farms. It seeks to assure prices, and thereby incomes, to farmers. By doing so it makes it possible for farmers to remain on the farms on which they are already located. And therefore it tends to reduce mobility, just as our 19th century policies tended to increase it.

A seventh factor is the defense program. As late as 1940, the Federal Government spending in the hard goods industries ran to about a dollar for every $27 spent by consumers and businessmen. By 1953, Federal spending in this area matched private spending, dollar for dollar. This rise from less than $2 billion to more than $44 billion in one sector of the economy, so timed and so concentrated, could hardly fail to bid up the prices of land, labor, and capital.

The basic cause of labor quits, an important component in total labor mobility, is the desire for higher wages. But with the tremendous impact of the spending noted above, it is to be expected that those who sell their labor, just as those who sell raw materials, components, or entrepreneurial ability, could get higher rates in this sector without moving on to other markets.

Economic theory has not yet, I believe, described the phenomenon of the weak monopsonist. But both Congress and the executive have long recognized it. And they realize that neither the Government, nor the enterprises who operate as its relay men in the defense race, drive the tightest of possible bargains in the swift procurement of immense quantities of goods, particularly where these are new and undeveloped. Such recognition has led to setting up procedures for defense contract renegotiation. Should it surprise us, therefore, that in the purchase of factor inputs, whether raw materials, finished components, or labor that a similar flexibility should develop? And if it has, how should it not diminish the mobility of all factors, by diminishing one of the key forces that make men and capital move on in search of higher rewards?

The last factor is an all-encompassing one, best termed "the search for security."

The CHAIRMAN. May I interrupt, Mr. Lebergott?

In this last paragraph, I think you have made an extremely important suggestion. Would you not think it a good idea for this committee, in its study of the causes of inflation, to go into the question as to whether the volume of Government purchases and the technique of Government purchases have not operated to drive up unduly the

prices of materials and of labor, and hence to produce an increase in the general price level?

Mr. LEBERGOTT. I would think it an urgent and valuable matter for investigation in terms of the concern of the committee with price stability, unemployment, and growth. I have insufficient direct information about the procurement practices to know what possibilities may lie in that area, but they are certainly worth investigating. I might add, somewhat gratuitously, that I find it difficult to see how you can spend such an enormous amount of money, even carefully, without having an impact. Whether we do it as well as we can is certainly a subject well worth looking into.

Under the general heading of "Search for Security," almost any of us can think of the major programs adopted by the Congress in the last 10 or 15 years. And these are programs which have very wide support among the population and in the Congress. They range from the programs for farm parity, resale price maintenance, minimum wages, unemployment insurance, deposit insurance on through to the broad principle of stability adopted in the Employment Act of 1946.

We need take no position on the merits of these programs, to note that one by one they have tended to slow down the mobility of labor.

Let me summarize the above in two sentences. First, big numbers are not better than small ones, even those measuring labor mobility. Second, the main currents of American economic development in the last century, powerfully aided by an impressive number of Federal programs, have worked to reduce labor mobility, because other goals, such as economic stability and an educated labor force, more homeowners, and so on, were felt worthy of national support.

For the record, I have added an estimate of the amount of labor mobility in a recent year to indicate that while the trend has been downward—and that is the subject which the committee has asked me to discuss—we should nonetheless recognize that we have an enormous volume of movements from job to job and in and out of the labor force, a volume which from all appearances is considerably greater than that of most of the countries in the world.

Senator BUSH. Despite the reduction in mobility, we still are much more mobile than other countries?

Dr. LEBERGOTT. I would believe so, Senator. A recent report by the leading Swedish economist, Bertil Ohlin, and a group of economists from a number of European countries, who worked with him, reported a while back on mobility in Europe. One certainly comes away from that study with an impression of a vastly different labor force mobility.

Turning to the long-term forces that affect unemployment, our first one is seasonal employment. We should realize what a tremendous improvement has been made in this area. Part of it is almost involuntary. It reflects the fact that people are working to an increasing extent indoors in factories and shops. When iron manufacturing was becoming a major industry in the 1830's, it was common for the plants to shut down for 2 months because of frost and snow. I find it hard to imagine any weather on the Great Lakes today which would bring such a consequence.

In terms of magnitude, this may have brought a very substantial reduction in a volume of unemployment, but is ordinarily discussed very little.

The second factor is technological unemployment, which is no novelty in human history and no novelty in ours. When the reaper came into prominence in President Buchanan's day it did the work of four to five men cutting grain with hand cradles. This is much better, for example, than the two and one half fold advantage offered by the mechanical corn picker in our own time. And pallet loading of ships raises smaller problems than those brought by the invention of the steamboat. For while broadhorn arks such as Lincoln navigated down river were picturesque they disappeared within a few brief years given the competition of steamboats that could carry 10 times the load in a fifth of the time, with half the men.

These are the kinds of figures one hears of today in automation, and they are the kind that appeared in the last century, as well.

But for every thousand men displaced by technical advances does more and longer unemployment result today than in the 19th century? We have very little basis for knowing. However, factors that come in mind suggest the resultant unemployment may, in proportion, have been shorter in the 19th century. For one thing a continent is settled only once. The proportion of job opportunities to disemployment then must have been quite high as millions of migrants were drawn successfully further and further west. For another, the proportion of the labor force at risk of technological displacement was so much smaller. In 1800 about 10 percent of the labor force were employees; in 1860, about 40 percent were; while today about 90 percent work for others. Moreover, the proportion employed in agriculture fell from 90 percent in Jefferson's day to say 10 percent in our own.

There may be a further factor, although I say it with considerable diffidence, in the fact that the proportion of skilled workers with links to particular plants and industries may be greater today than then.

When the window glass union dissolved in 1927 forever and when carpet weavers, machinists and semi-skilled workers lost their jobs during the 1930's, they may well have found it more difficult to find work of equal pay and status than the average displaced worker in the past century. On these points, however, your hearings with industry and labor representatives will undoubtedly produce useful and authoritative information.

I would like to summarize very briefly the third major area, and that is cyclical swings, by suggesting some conclusions based on a review of our historical experience. There are two attached tables, which the committee may wish to examine later on.

The second table reports what was pretty well set out some years ago in Paul Douglas's landmark study on Real Wages in the United States.

I would like to summarize them into three conclusions that I think are relevant to the committee's concern.

First, no decade has passed without severe unemployment—over 7 percent of the labor force—occurring at least once, and none, except for that in the 1930's, has passed without seeing at least one year of what we may call minimum unemployment, 3 percent or less.

Secondly, more than 1 year in every 4, a rate of 3 percent or less was achieved. A rate of 5 percent or less was achieved in one-half the time in the 20th century. It is true that one executive, for

example, has asserted that full employment at high wages in a private enterprise economically is undesirable and self-destroying. But I think the outstanding American record shows that such full employment has not been at all self-destroying, except in the irrelevant sense that all economic and human affairs change.

Senator SPARKMAN. May I ask you something about that first sentence? More than 1 year in every 4, a rate of 3 percent or less was achieved.

Now, was that true during the 1930's? Or are you just lifting that decade out all together?

Mr. LEBERGOTT. No. Taking the entire span from 1900 to date, we have averaged this low level of unemployment, more than 25 percent of the time.

Senator SPARKMAN. Oh, you do not mean one out of every consecutive 4 years?

Mr. LEBERGOTT. No; just trying to get a broad picture of our total experience. Actually, in any sequence of years we may have done very well. For example, since 1942, we have had, by and large, a much better record than this.

The third inference, and perhaps the most important one, suggests a paradox. The proportion of the labor force that is exposed to unemployment has risen notably since 1800, but the proportion actually unemployed has shown no trend whatever. We know that little unemployment occurs in farming and among the self-employed, partly because there is disguised unemployment of the kind Professor Long indicated. But it is these groups that have dwindled in numbers. At the same time, the share of factory employment has risen enormously, from less than about 2 percent of our labor force in 1800 to 26 percent today. That the Marxist conclusion did not follow is obvious, perhaps even to those across the airspace.

Unemployment over the 19th century ran from a minimum of 1 percent to such peaks as a 4 percent figure, which I have surmised for 1819 and 1857, and the 7½-percent figure estimated by the Commissioner of Labor for 1886.

We may infer—we cannot conclude, but we may infer—a close similarity between the average prevailing in the 19th century and that prevailing in the 20th century—excepting the years of the great depression. What produced this happy result? No higher law of economic stability, we may be sure. The major factors are embedded in the causes of our own economic growth that are associated with our history.

Beyond the forces of growth, I would note two factors peculiar to the labor markets. One is the increasing role of women in the labor force. In 1830 about 1 in every 12 white women was gainfully occupied. The proportion doubled by 1890, and from 1900 to today women's share of our labor force rose from 18 percent to 33 percent.

The characteristic aspect of female employment in today's market is that it generally tends to supplement family income rather than provide the very means of existence as it did in earlier decades. Women's lower seniority, often lower skills, makes them disproportionately present among those disemployed. But instead of entering the ranks of the unemployed, they tend to move directly out of the labor force, hardly affecting the unemployment totals. As an ex-

ample, our experience from December 1948 to 1949 may be mentioned. Millions of people lost their jobs during that period. Half the men became unemployed, but only 18 percent of the women did. This distinction is a major element in explaining our experience after World War II, when I think for the first time in our history a massive decline in employment occurred without an equally massive rise in unemployment.

A second force has been the increasing role of the Government's insuring stability of production and thereby employment. While George Washington's unprecedented policies on tariffs and land bounties were steps in that direction, certainly something new and potent was added in the 1930's as in the Employment Act of 1946.

Where do we go from here? The long-term trend forces have tended to reduce labor mobility. But of course we do not need labor mobility. We desire it as a means to reach one or more of our conflicting goals for technological advance, price stability, neighborhood property values, and so on. The economist can say little on those values. The time is overdue for a research on the amount of mobility that may be expected under differing Government policies.

What about unemployment? Even a thoroughgoing pessimist must admit the enormity of the advance, within the lifetime of a man, from almost total Government inaction to the immediate concern and swift action in the 1948–49 and 1953–54 recessions. The Nation has switched to what one may call "the visible hand" policy.

But in a dynamic economy the best is not good enough for long. We will continue to spill men out of jobs in consequence. And, in Schumpeter's words, "technological unemployment * * * linking up as it does with innovation, is cyclical by nature." How much such unemployment we will put up with turns on many conflicting goals—for unemployment, real wages, price stability, income redistribution, defense expenditure. Resolving these imponderables is one of the jobs ahead for American citizens and their Government, and in particular this committee.

The CHAIRMAN. Thank you very much.

Senator Bush has to leave. I am going to call on him first.

Senator BUSH. Thank you very much.

I congratulate the gentleman on a very interesting paper indeed.

I just wanted to ask you one question. You have given three reasons for unemployment, which you call seasonal unemployment, technological unemployment, and cyclical trends. Now, there seems to be growing comment among the people studying this current unemployment situation that brings forth the same statement that I mentioned in connection with Dr. Long's testimony, to wit, that we are pricing ourselves out of markets at home and abroad. This is a particularly delicate subject and an interesting subject for many, many reasons. One, of course, is in connection with our foreign economic policy, our trade and tariff policy, and so forth. And certainly we are beginning to feel, as we have not felt for a great many years, the impact of foreign made manufactured goods into this country, as for instance in the automobile market, where it is a very big factor in our whole economy.

Now, do you care to comment on that general subject in connection with this unemployment problem that we are dealing with? Do you think, for instance, that it is fair for people to say that we have been

pricing ourselves gradually out of our markets at home and abroad; that constant increases in costs, including labor costs, have been too much, have been separating us too much from the costs of other great nations, whose competition we are beginning to feel both at home and in world markets? Do you care to comment on that specific issue?

Mr. LEBERGOTT. I might make two comments, Senator Bush. One is that as one looks back to our own economic development, there is persistently this combination of rising prices, and in some areas rising wage rates, but at the same time a development of efficiency, which is perhaps unparalleled in the world. It certainly has enabled us to produce at an unprecedented level and to compete internationally at an unprecedented level.

The second comment is that the most surprising thing that I have found in looking at our export data—and it is a point which has been made by a number of people—is that if you look to our exports over many years, they did not come from our low-wage industries but from the industries that paid the highest wages in the country.

Senator BUSH. That is right.

Mr. LEBERGOTT. The key, obviously, is that this labor was used very efficiently.

Senator BUSH. The automobile industry would be an illustration of that, would it not?

Mr. LEBERGOTT. Yes. It has been for many years. The industries where we had great difficulty exporting tended to be our lower-wage industries, and some people may have impressions about their efficiency, too. The broader question you asked is one that I trust the committee will resolve, as a result of at least a year's arduous effort in your forthcoming study.

There is some point at which for a particular commodity or a particular item somebody is pricing themselves out of the market. What that point is, is a very delicate one to decide, and I am frankly not in a position to do so. It is very much like Micawber's statement as to what poverty is, "20 pounds, ought and six pence," and so on.

Senator BUSH. Just get that one in the record, won't you, about happiness? I ask that the correct quotation be put in the record.

The CHAIRMAN. That will be done.

Senator BUSH. That is one of my favorites.

(The quotation referred to is as follows:)

Annual income 20 pounds, annual expenditure nineteen six; result, happiness. Annual income 20 pounds, annual expenditure 20 pounds ought and six; result, misery.

The CHAIRMAN. If I may introduce a sort of a flute obligato to the questions of the Senator from Connecticut. I think we sometimes err in believing that the price level of European countries has been stable. It is true that I think the increases in Switzerland, West Germany, and Holland have been less than ours, but on the other hand, in France, Great Britain, and Italy, the increases have been appreciably greater than ours.

Senator BUSH. That is right. I agree with the Senator. The point I am thinking about all the time, in back of these questions, if I may add a comment, is illustrated by the automobile industry. Now, for many, many years, the American automobile industry supplied the world with automobiles. I mean, you could go any place, and you

would see American automobiles, but not others. Now that has all changed, and it is changing still. And wherever you go abroad now, you hardly find an American automobile, and when you do, they stand out like sore thumbs. They are different from the other automobiles, because they are big. They take up a lot of room, and so forth.

The automobile industry, among American industries, has been the great advocate of freer trade. And I think that their position on that has been a sound one. The thing I am afraid of is that the way this situation is developing, they have been outwitted, or outmaneuvered, by the automobile industry of other countries, in one way or another, including lower costs and lower priced cars, to the effect, to the result, that we are now faced with a substantial amount of unemployment in the automobile industry, which is our biggest industry, at the very time when everything else is going with open throttle, and we have a new high in gross national product and national income, and so forth.

Now, that is the problem, or one of the major problems, that I think we have got to think about. And that is why I asked you if you had any comment to make about it.

I thank you for what you did say.

Mr. LEBERGOTT. I would add a general comment of a kind that really I imagine we would all make. And that is that generally, in the free world, perhaps a growingly freer world, with a reasonable volume of international trade, and people in other countries with whom we were either formally allied or with whom we have ties of friendship and understanding, one would expect a volume of interchange so great that it would not be possible for any industry or any country merely to stand still doing what it had been doing for many centuries in a traditional way. It is not possible if it is also desired to increase markets or increase real incomes. Perhaps our greatest achievement over a century and a half since 1800 has been that we have not stood still in very many industries. And if we continue at that rate, we stand a reasonable chance. But it is not because we own a particular market. As long as the world is open for a volume of trade, we have to continue to advance at the same rate, at least, as we have in the past.

The CHAIRMAN. Is not part of the trouble with the automobile industry, if I may interject, due to the fact that after a period of time their imagination and analysis of the market failed to keep pace with realities, and they were led astray by the motivational researchers, who emphasized that what people wanted was status, and that the way to get status was to have longer, bigger, more expensive, gaudier, less useful cars, as examples of conspicuous consumption, and that this turned out not to be the case. Then the small functional West German and British car came upon the scene, and in turn took a good part of the market and stimulated Studebaker and American Motors to come in, so that the Big Three have virtually suffered from intellectual retardation and imaginative obsolescence?

Senator BUSH. Mr. Chairman, I think that I could subscribe to that statement, if I only understood some of those words.

That is a good analysis, but there are also more things to consider that are very important and pressing at the moment, to wit, that in the last 10 years there has been a tremendous resurgence in industrial

activity among the free powers, and this is presenting us with a new degree of competition that perhaps we never had before. And the thing I am wondering about is just what the effect of this is going to be on our markets, and particularly in big industries, like the automobile industry, who have suffered from the bad judgment, I believe, that our distinguished chairman has just pointed out.

The CHAIRMAN. Mr. Long, did you have some comments?

Professor LONG. Senator Bush's point is, I think, very well taken, that many countries hard hit by the war have been getting their industries in shape and are now giving us a run for our money. The point I want to make in addition is that we make a mistake in projecting trends of productivity of industry on the basis of developments in the last couple of years. One of the most interesting things about productivity, output per man-hour, is that it is subject to very great fluctuations. These fluctuations occur in short cycles and in long swings of around 18 to 20 years in length. There are periods in which productivity may move ahead at a very great rate. And there are other times when it moves ahead at a slower rate or actually declines. In the last couple of years productivity has slowed down, but this change of pace is intimately tied up with the business cycle and productivity may come back with a rush during the recovery and early boom periods.

I would hesitate forming judgments covering the efficiency of the American economy on the basis of its productivity in the last couple of years, relative to that of Europe in the last couple of years. Sometimes we move ahead more rapidly and at others less rapidly. A longer period of time is required before the trend becomes clear.

All the evidence seems to be that the productivity of the American economy is not slowing its rate of development. If anything, it is accelerating—in the sense that it has been rising at a more rapid compound rate since, say, 1930, than it was before, and since World War II compared with before World War II. My guess is that when the returns are all in, we will find that we are actually in a very dynamic period, although perhaps 1957 and 1958 will not show up so well.

Senator BUSH. I think that is a very encouraging point of view.

The CHAIRMAN. Congressman Bolling?

Representative BOLLING. Mr. Lebergott, you talk about the phenomenon about the weak monopsonist. How much actual work has been done, that you know of, in trying to understand this phenomenon, which is of recent vintage in this country?

Mr. LEBERGOTT. I am not myself acquainted with any substantial job. There has been a great deal of study given to contracting procedures—to what a contract procedure might be, what the legalities are, and what the implications are. There have been studies of expenditure programs in particular areas. I am not acquainted with one, but I might refer you to Professor Long, who is perhaps in a better position, coming from the academic community, to comment on that.

Professor LONG. I did not quite catch the point.

Representative BOLLING. The question I had is in reference to his comment on the phenomenon of the weak monopsonist and the enormously larger share of hard goods that is bought by the Government today, by the Federal Government, as compared to a relatively few

years ago. And what I was inquiring was if there had been a study made of this whole phenomenon, I am well aware of the many, many studies that have been made of certain parts of the vast program; but I wondered if the phenomenon had been studied at all. It seems to me it is an enormously important point, and I wanted to get some reading material.

Professor LONG. Not to my knowledge, Mr. Bolling.

Representative BOLLING. Thank you very much.

The CHAIRMAN. I have no more questions.

I want to thank both of you for taking the trouble to prepare these very excellent papers, which I think are of an extraordinarily high quality, and giving us the benefit of your long study of this subject.

(The prepared paper of Stanley Lebergott, Bureau of the Budget on leave, is as follows:)

LONG TERM FACTORS IN LABOR MOBILITY AND UNEMPLOYMENT

(By Stanley Lebergott*, Lexington, Mass.)

A few years ago a book on English history appeared in which the writers rambled through the decades, labeling the events that were "a good thing" and those that were not. It is clear that current discussions generally treat labor mobility as "a good thing"—not to be confused with labor turnover, which is "a bad thing." Without attempting to draw the delicate boundary lines that separates those two, I shall simply define labor mobility as the movement of persons into and out of jobs. Such changes commonly involve a shift from one employer to another, but they may only take the form of entrances into the labor force or exits from it.[1]

What can we say about the American historical record? Essentially this—that the main currents of American life have tended, with some vital exceptions, to reduce labor mobility over the past century. Of course, we may single out one of these forces and make a plausible case, say, for seniority systems, or pension plans, or social security being "the" major cause. But if we look to the broad pattern of our national growth we will find, I think a great many causes powerfully working to reduce labor mobility. Let us review some of the main ones, not as opponents or supporters of any of them, including even the first, which is:

1. The American home: At the beginning of this century about 36 percent of our nonfarm families owned their homes.[2] Today the ratio is half again as great.[3] Higher real incomes and improved construction techniques have played a part. And a significant factor was agreement by the Congress and the Executive in that long line of actions from the mortgage moratorium of the early 1930's, the FHA insurance program of the late 1930's, to the VA loan program of the late 1940's.

However, converting a tenant into a homeowner inevitably reduces his mobility. A man who has sown his crop of crabgrass wants to be around next year to see how it made out. Men who become homeowners develop neighborhood ties, other commitments, that keep them from picking up as readily as a renter and heading for areas where alternative opportunities may beckon.

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*The opinions expressed are purely personal and have no connection with the work of any organization.

[1] In recent years basic research has been done, almost for the first time, in labor mobility. Among the ablest studies have been Gladys L. Palmer, "Labor Mobility in Six Cities" (1954); Wight Bakke et al., "Labor Mobility and Economic Opportunity" (1954); Charles Myers and George Shultz, "Dynamics of a Labor Market" (1951); Lloyd Reynolds and Joseph Shister, "Job Horizons" (1949). Two perceptive shorter works are an essay by Myers in John Dunlop, "The Theory of Wage Determination" (1957), and Arthur M. Ross, "Do We Have a New Industrial Feudalism," American Economic Review (December 1958). The latter looks to long-run factors in quit rates. The penumbra of union rules have been covered in two outstanding studies, Sumner Slichter's "Union Policies and Industrial Management" (1941), and John Dunlop's "Wage Determination Under Trade Unions" (1944).

[2] "Historical Statistics of the United States, 1789–1945," p. 174.

[3] "The 1957 Statistical Abstract," p. 771, gives a rate of 53.4 for 1960, which we extrapolate by the trend for dwelling units inside standard metropolitan areas (ibid., p. 769).

2. A second factor is motherhood. Women in the child-bearing years today have borne 37 percent more children than women of the same age group in 1941.[4] From data in the 1950 census we may make a crude estimate of migration rates among families with children, an estimate which indicates that the rate for this group is less than half that for families in comparable age groups without children.[5] A moment's reflection indicates how the links that children and family develop with their school, neighbors, and even the PTA tend to reduce geographic mobility. In turn this reduces the willingness of the head of the family to seek work in new areas when the pattern of labor opportunities changes.

3. A third force is that of education. The proportion of our children (aged 5–14) attending public school a century ago was 55 percent.[6] Today it is nearer 85 percent.[7] No less important has been the rise in school guidance work—local school systems providing counselors, and Department of Labor materials helping to tell the counselors how the outlook for different occupations shapes up. What do these factors imply for mobility? Well, they suggest that young men and women enter today's labor market better trained, with a better idea of both their own abilities and the prospects in different occupations than did their grandparents. If so, does it not follow that these youngsters are less likely to wander from unskilled job to unskilled job before they find their way? And more likely to begin closer to their occupational limit without as many preliminary jobs? As a result mobility has decreased among the very group that traditionally has shown the highest mobility.

4. Ending of large scale immigration: In Jefferson's day about half our labor force was composed of immigrants.[8] By President Harding's time the ratio had fallen to 20 percent and today it stands at about 8 percent.[9] Now the very name we use for this group—immigrant—emphasizes its high mobility. When the typical immigrant landed he would first find temporary work where the ship docked—Philadelphia, New York, New Orleans. He would then move across the land from job to job. Whether it was building the Chesapeake & Ohio Canal here along the Potomac, cutting timber in the Wisconsin woods, or breaking stone for the national road to the West, his jobs tended to be short-lived. Each move, and each advance up the occupational ladder, added to mobility. Hence the declining share of our labor force in this category in turn brought a reduction in labor mobility.

5. Personnel work: Personnel men early discovered the high cost to industry of hiring and training new workers, only to have them quit, or prove unsatisfactory. What was more natural than for them to try to reduce labor turnover (and thereby mobility) by entrance and exit interviews, by changes in working conditions?

A now widespread personnel practice when employment has to be cut is to spread the work. During the great depression a survey of many thousand manufacturing firms found that 64 percent of their employees were on part-time work.[10] And anyone who watched the monthly census figures during the recessions of 1949 and 1953 could discern how industry sought first to reduce hours, to spread the work, rather than initially adjusting by outright firings. The com-

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[4] Bureau of the Census, Current Population Reports, Series P–20, No. 84, "Fertility of the Population: March 1957," table A.

[5] From the 1950 census report, "Population Mobility, Characteristics of Migrants," we can estimate migration rates of 7 percent for the youngest children, and lower rates, down to 4 percent for those aged 14 to 19. If we compute the percentage for married males aged 20–24 it runs to 13 percent with 10 percent for those aged 25–29, 7 percent for those 30–34, and 5 percent for age 35–44. From the census, Current Population Reports, Series P–20, No. 83, "Social and Economic Characteristics of Households and Families, March 1957," table 4, we can estimate 2.5 children per family in the 20–44 age interval. Assuming 2.5 children under 18 to families with children, attributing the migration rates for the children to families with children, and subtracting them from the figures for all married males, we derive figures for married males without children. The resultant migration rate is enormously greater than that implied above for families with children. Because of the lack of direct measures, however, the only conclusion drawn here is that the rate for those without children must be at least double that for those with children. It must be realized that the above data are in no way standardized out for color, rural, urban, etc., differences, and doing so would presumably affect the influence on mobility of children per se.

[6] "The Seventh Census of the United States: 1850" (1954), p. lx, xlii–xliv.

[7] 1950 census, vol. II, "Characteristics of the Population," pt. 1, tables 38, 111.

[8] The derivation of these estimates is described in the writer's chapter, "The Pattern of Employment Since 1800," to appear in a forthcoming volume on American economic history, edited by S. E. Harris.

[9] Idem.

[10] William J. Barrett, "Extent and Methods of Spreading Work," Monthly Labor Review, September 1932, p. 490.

monsense of holding on to a trained labor force, and the growing feeling for human values, have tended to reduce the outright firings that in an earlier day would have meant high mobility.

6. The family farm program: The Government's farm program in the 19th century took the form of land sales at low prices. Differences of opinion turned on whether land should be given away or should merely be sold at low prices. Its entire purpose led to the encouragement of labor mobility. Representative Allison of Pennsylvania called one homestead bill "a seductive lure which is well calculated to induce many laborers and mechanics, who are now doing well at their home in the old States, to leave them and engage in agriculture." [11]

The Federal farm program in the 20th century has been designed to achieve quite other purposes than getting men to move westward and acquire farms. It seeks to assure prices, and thereby incomes, to farmers. By doing so it makes it possible for farmers to remain on the farms on which they are already located. So far as it affects mobility, therefore, it tends to reduce it—just as our 19th century policies tended to encourage it.

7. The defense program: Although the Congressional Record in the days of President Adams and Jackson was filled with bitter debate on the amount of Government spending, the total amount spent could hardly have had a sizable impact on the economy. Even as late as 1940 the Federal Government's spending in the hard goods industries only ran to $1 for every $27 spent by consumers and businessmen.[12] By 1953, however, Federal spending matched private spending in this area dollar for dollar, the ratio declining mildly since then. We are not looking here to total Federal spending—but to the rise of Federal spending from less than $2 billion to more than $44 billion in one sector of the economy. A rise of this magnitude, timing, and local concentration could hardly fail to bid up prices of land, labor, and capital in that sector. In a free market economy this in turn meant pressures transmitted to the other sectors of the economy, which likewise require the use of these factors.

Now the basic cause of labor quits, an important component of total labor mobility, is the desire for higher wages.[13] But with the tremendous impact of the spending noted above it was to be expected that those who sell their labor just as those who sell raw materials, components, or entrepreneurial ability, could get higher rates in this sector without moving to other markets.

Economic theory has not yet, I believe, described the phenomenon of the weak monopsonist. But both the Congress and the executive have long since recognized that neither the Government, nor the enterprises who operate as its relay men in the defense race, drive the tightest of possible bargains in the swift procurement of immense quantities of goods, particularly where these are new and undeveloped. Such recognition has led to setting up procedures for defense contract renegotiation. Should it surprise us, therefore, that in the purchase of factor inputs, whether raw materials, finished components, or labor that a similar flexibility should develop? And if it has, how should it not diminish the mobility of all factors, by diminishing one of the key forces that make men and capital move on in search of higher rewards?

8. The last factor I shall mention is an encompassing one, probably best termed "The Search for Security." Roller coaster changes in economic activity have been a traditional source of profits, bankruptcies, ulcers—and heavy labor mobility. Like flash floods the panics of the 19th century threw hundreds of thousands of men onto the labor market, and firings in the 20th century's major depression threw millions out of work. Mobility was also high when prosperity returned, turnover among new employees normally being high in the process of shaking down to a mutually suited employer-employee relationship.

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[11] Quoted in Helen S. Zahler, "Eastern Workingmen and National Land Policy," 1829–1962 (1941), p. 149.

[12] Office of Business Economics, "U.S. Income and Output, 1958 Supplement to the Survey of Current Business," table I–1. The private expenditure figure used here is the sum of the figures for personal consumption expenditures on durable goods plus producers durable equipment. The Federal national defense purchases figure shown in this table includes pay of the Armed Forces, excludes unilateral transfers under the aid programs. For 1940 the $2.223 billion figure was reduced to $2 billion as an approximate method of excluding military pay. For 1957 the reported figure was used on the assumption that the military pay inclusion would roughly offset the exclusion of durables bought by aid transfers.

More important, a substantial volume of producers durables purchased for the production of defense goods with Government funds are included under the private heading whereas for present purposes they should be shifted to the Government category.

[13] A variety of other factors, under the head of working conditions, are usually mentioned in studies of labor mobility. But it is interesting how often field surveys that report other causes show that on their new jobs workers report higher wages than on their old.

Today, most groups in the economy are more insistent upon security than were their predecessors in the 19th century. We have noted above the interest that the personnel man has in a stabler workforce. But the comptroller has found no endearing qualities in irregular demands for cash, in unpredictable ups and downs in requirements for financing inventories or new plant. And the company president has discovered that evening out the seasonal pattern of production, spreading out product lines to stabilize long-run production is an endeavor worthy of his best talents. Every step taken toward such goals reduces hirings, firings—and mobility. It is unnecessary to labor the major point that seniority systems, pension plans and other measures that preceded the massive growth of union membership in recent decades have, in general, been warmly supported and pressed for by the labor unions.

Towering above all this has been the endeavor of many groups to have the Federal Government help to create greater economic stability. In the 19th century the tariff program was the only one of consequence (and then not great by today's standards) that tended to immobilize capital and labor. In our day we have seen an enormous battery of programs that work to that end, whatever their primary purposes—I refer to the programs for farm parity, resale price maintenance, minimum wages, unemployment insurance, deposit insurance on through to the broad principle of stability adopted in the Employment Act of 1946. We need pass judgment on the merits of none of these widely supported programs to note that one by one they have tended to slow down the mobility of labor, whether self-employed or employee.

9. Summary: Let me summarize the above in two sentences. First, big numbers are not better than small ones, even those measuring labor mobility. Second, the main currents of American economic development in the past century, powerfully aided by an impressive number of Federal programs, have worked to reduce labor mobility because other goals, such as economic stability, an educated labor force, more homeowners, etc., were felt to be worthy of national support.

Two observations might be added. (1) We have been dealing with the long-term trends. It may be useful to consider the absolute amount of labor mobility today, adding up all the shifts from job to job, all the entrances into and exits from the labor force. Making such an estimate for 1955 we arrive at the crudely accurate, if fairly sensational figure of 170 million job changes in that year.[14] The ratio of this figure to our 69 million labor force may well indicate that despite a long-term decline, U.S. mobility rates are the highest of any nation, free or otherwise. A recent report by the leading Swedish economist, Bertil Ohlin, and experts from five other European countries states flatly that—

"the extent to which the objective of full employment is interpreted (in Europe) as implying security of employment in the same job and in the same place has sometimes amazed outside observers." [15]

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[14] The derivation of this estimate, based on BLS data for manufacturing turnover, and census data for nonmanufacturing shifts and for entrances into and exits from the labor force is outlined in the writer's "On the Shape of the Income Distribution," to appear in the May 1959, American Economic Review.

[15] The entire paragraph reads as follows: "Most Western European workers appear to be reluctant to change their occupation or place of employment. They consequently view with some apprehension the possibility that schemes for higher productivity or freer trade may lead to changes in the overall pattern of employment and may thus make it necessary for some workers to change their jobs. The extent to which the objective of full employment is interpreted as implying security of employment in the same job and in the same place has sometimes amazed outside observers. For example, an American author was struck by the fact that it is not unheard of for European employers to refuse lucrative new business on the ground that it would require adding to the workforce new workers for whose continued employment the employer would then be legally or morally responsible. Conversely, unemployment tends to mean patient waiting for a new job in the same occupation and area without consideration of the possibility of moving to an occupation or area of more active demand." International Labour Office, "Social Aspects of European Economic Cooperation, Report by a Group of Experts" (1956), p. 99, ch. VI, on "International Movements of Labor and Capital" (and indeed the entire report) is a brilliantly lucid review of problem of factor mobility as it appears in Europe, but in terms that cast a revealing light on American problems as well.

(2) In specific instances where workers and industries have been left behind by the retreating economic tide, community organizations and government will presumbaly still continue to take action to assist mobility. One may refer to such programs as that proposed by the administration in 1956 to assist in the training of farm families in new skills; to the proposals made by the Steel Workers to the Randall Committee; to suggestions of various economists in the fine symposium on foreign trade policy issued by the Boggs subcommittee.

Let us turn now to the long-term forces affecting unemployment. I. Seasonal unemployment gets relatively little attention in our day but in the last century it was a major factor, the Nation's dependence on nature then being so much greater. The declining role of farming alone, occupying 83 percent of the gainful workers in 1800, but only a little more than 10 percent today, would tend to a marked moderation in seasonal employment.[16] When iron was becoming a major industry in the 1830's, it was common for ironworks to shut down for 2 months of frost and snow. It is difficult to imagine blast furnaces today shutting down for winter however unforeseen the weather on the Great Lakes may be. II. Technological unemployment is, of course, no novelty in human history. The engineers and master mechanics of the 19th century had their own brilliant accomplishments. When the reaper came into prominence in President Buchanan's day, it did the work of 4 to 5 men cutting grain with hand cradles.[17] This is much better, for example, than the 2½-fold advantage offered by the mechanical cornpicker in our own time.[18] And pallet loading of ships raises smaller problems than those brought by the invention of the steamboat. For while broadhorn arks such as Lincoln navigated downriver were picturesque, they disappeared within a few brief years, given the competition of steamboats that could carry 10 times the load in a fifth of the time.[19]

But for every 1,000 men displaced by technical advance does more and longer unemployment result today than in the 19th century? We have very little basis for knowing. However, factors that come to mind suggest the resultant unemployment may, in proportion, have been shorter in the 19th century. For one thing, a continent is settled only once. The proportion of job opportunities to disemployment then must have been quite high as millions of migrants were drawn successively further and further west. For another, the proportion of the labor force at risk of technological displacement was so much smaller. In 1800 about 10 percent of the labor force were employees; in 1860, about 40 percent were; while today about 90 percent work for others.[20] Moreover, the proportion employed in agriculture fell from 90 percent in Jefferson's day to say 10 percent in our own.[21] Since technological displacement affects employees more promptly than the self-employed, and those in nonfarm pursuits more substantially than those in farming, such changing proportions would imply an increase in the amount of unemployment produced by technical advance. Thirdly, and most speculatively, the proportion of skilled workers with links to particular plants and industries may be greater today than then. A 19th century canal grubber, cotton mill hand, or farm laborer who lost his job could find work requiring roughly equal ability without great difficulty—in years of normal production. But when the window glass union dissolved in 1927, when carpet-weavers, machinists, and semiskilled workers lost their jobs during the 1930's, they may well have found it more difficult to find work of equal pay and status than the average displaced worker in the past century.[22] On these points, however, your hearings with industry and labor representatives will undoubtedly produce useful and authoritative information.

I turn now to the third major factor in bringing unemployment—cyclical swings. These are, of course, no novelty. As President John Adams wrote

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[16] Cf. footnote 8.
[17] Leo Rogin, "The Introduction of Farm Machinery" (1931), pp. 133, 135.
[18] U.S. Department of Agriculture, Agricultural Research Service, "Labor Used for Field Crops," Statistical Bulletin No. 144 (June 1954).
[19] James Hall, "Sketches of the History, Life, and Manners in the West" (Philadelphia, 1935), 11 : 72.
[20] See note 8.
[21] Idem.
[22] "The Passing of the National Window Glass Workers," Monthly Labor Review (October 1929). Gladys L. Palmer, "Union Tactics and Economic Change" (1932), is one of the classic studies in the field.

many years ago, "I am old enough to remember the war of 1745 and its end, the war of 1755 and its close, the war of 1775 and its termination, the War of 1812 and its pacification. Every one of those wars has been followed by a general distress, embarrassments of commerce, destruction of manufactures, fall of the price of produce and lands." [23] Let us pick three typical depressions of the last century.

A. The first peacetime economic crisis of this Nation is that of 1819. A fraternal order of the time described it in passionate terms: "A deep shadow has passed over our land: a commercial and individual gloom has created a universal stillness. In our remotest villages the hammer is not heard." [24] Can we convert such comments into prosaic statistics? Not at this distance. But detailed contemporary figures for what were then our major manufacturing centers—Philadelphia, Pittsburgh, the State of Rhode Island—may help us make a usable guess.[25] For the number one industry, cotton textiles, they lead to an estimate of a 75-percent employment decline. (To put this alongside a standard of our own time we may note that auto manufacturing employment fell about 25 percent, from 1929 to 1930 and about 37 percent from 1937 to 1938.)[26] What of other contemporary industries? Bricklaying employment in Philadelphia, then our biggest city, fell by 50 percent. Brewery employment in Pittsburgh (and presumably elsewhere) fell by only a third. Taking into account these and other figures, I estimate that manufacturing employment for the Nation as a whole might have fallen by nearly two-thirds. The 20th century cannot match this record, fortunately. But we also cannot match the fact that manufacturing then accounted for less than 5 percent of the labor force.[27] And by reckoning in declines for other industries, based on contemporary reports, we come up with an estimate for this crisis year of not more than 4-percent unemployment of the free labor force.

The crisis of 1857 was one of the worst in the nineteenth century. For the 1857–61 period, according to a speech to the Congress made in 1869 by Representative William Kelley, "not one out of five skilled workmen of the country was steadily employed." [28] Furthermore, he added as symptomatic, that when a Philadelphia contractor advertised for 250 hands at 60 cents a day "more than 5,000 offered, a majority of whom were skilled artisans." [29] (A 60-cent rate was about half that paid in Pennsylvania just before the crisis.) Some figures we have for employment trends in the important manufacturing State of Rhode Island in 1857 indicate cotton textile employment falling by 68 percent in a year, jewelry by 78 percent, iron works employment by 43 percent.[30] All in all a decline of two-thirds in jobs in this key State seems a possible estimate. However, the relief figures for Massachusetts, the leading manufacturing State, rose only a third, and pig iron output, the key product of our third major factory State in that period, fell by only a tenth. [31] In 1857 only about 10 percent of our labor force was in factory work—while farming, ocean shipping, and construction were responding to different demands.[32] Hence an unemployment rate greater than say 5 percent or 6 percent would have been most unlikely.

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[23] John Adams, "Works," X, p. 384, quoted V. S. Clark, "History of American Manufactures," vol. 1.

[24] "Address of the Society of Tammany or Columbian Order to Its Absent Members" (New York: George L. Buch & Co., 1819), p. 1.

[25] See note 8.

[26] Office of Business Economics, "National Income," 1954 ed., table 26.

[27] See note 8.

[28] William D. Kelley, "Speeches, Addresses, and Letters on Industrial and Financial Questions" (1872), p. 257.

[29] Idem.

[30] "Transactions of the Rhode Island Society for the Encouragement of Domestic Industries in the Year 1857" (1958), p. 77, quoting the Providence Daily Journal, I am indebted to Prof. Clarence Danhof of Tulane for this reference.

[31] Data from Benjamin F. French, "History of the Rise and Progress of the Iron Trade of the United States (1858). Data summarized in K. D. Lumpkin and D. W. Douglas, "Child Workers in America" (1937), app. II.

[32] The total for free, gainfully ooccupied, aged 16 and over, in 1860 appears in the 1860 census, "Population," p. 680. From this total the number of students (p. 677) were deducted. The number of gainfully occupied slaves was added. estimated for each State as the same proportion of males plus females, aged 10 and over, as were shown in the separate State data for 1850, for white males 15 and over. Analysis of the 1840 census data indicates that virtually all slaves, aged 10 and over, worked and this procedure was not unreasonable. Minor adjustments were made for certain States. For white and free colored children 10 to 15 it was assumed that the labor force participation rates from the 1900 census for native whites would apply, with adjustment for the 10–15, 10–14 age differences. The total for factory employment is that reported in the Manufactures Census of that year, reprinted in the 1870 census, "Industry and Wealth," p. 893.

And finally the major extended depression of the last century, that of the 1880's. For 1886 we have a contemporary estimate by the Commissioner of Labor, of 7½ percent of gainful workers unemployed.[33]

Other crises appear in other years. Lingering depression in the 1840's; 1861 a grim precursor of the priorities unemployment of 1941; a long labored period of depression through the middle 1870's, and shorter runs following 1893, etc. To give an indication of these up and downs, table I shows year to year percent changes in relief loads, in manufacturing production, and in key price series.[34]

What of our 20th century record? Table II shows the trend, and is based on some laborious but still rough estimates that I have prepared for the years prior to the initiation of the outstandingly reliable and meaningful census series on which we have all relied since 1940.[35] What the table reports is what was pretty well set out years ago in Paul Douglas' landmark study on Real Wages in the United States, 1890 to 1926.

Can we summarize this mass of lives into conclusions relevant to the committee's concern? I believe so, and would suggest three.

1. No decade has passed without severe unemployment (over 7 percent of the labor force) occurring at least once. And none, except for that of the 1930's, has passed without seeing at least one year of what we may call minimum unemployment (3 percent or less.)

2. More than 1 year in every four, a rate of 3 percent (or less) was achieved, a rate of 5 percent or less was achieved more than half the time. True, one executive has asserted that "full employment at high wages in a private enterprise economy is undesirable and self-destroying."[36] But I think the outstanding American record shows that such full employment has not been at all self-destroying—except in the irrelevant sense that all economic and human affairs change.

3. Perhaps the most important inference, however, appears when we consider both the 19th century indications and the 20th century figures. For they suggest a paradox: the proportion of the labor force that is exposed to unemployment has risen notably since 1800, but the proportion actually has shown no trend whatever.

The proportion exposed to unemployment has gained can be established without much difficulty. For we know that little unemployment appears in farming, among the self-employed, and it is these groups that have dwindled. Farming occupied 85 percent of our gainful workers in 1800, today accounts for less than 10 percent.[37] An almost parallel change for the self-employed took place. (Most farmers are self-employed, of course, and vice versa.) At the same time the share of factory employment was rising enormously, from less than 2 percent of our labor force in 1800 to 26 percent today.[38] But factory employment, and its associated construction and transport employment, compose the most unemployment sensitive portion of the labor force. (If, for example, one charts the changes in factory employment against those in unemployment for the years since 1900 an extremely close relationship appears.)

That the Marxist conclusion did not follow is obvious—perhaps even to those across the air space. Unemployment over the 19th century ran from a minimum

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[33] First Annual Report of the Commissioner of Labor, "Industrial Depressions" (March 1886), p. 65. The report estimates, on the basis of many field visits and other checks, that of the establishments in the country "such as factories, mines, etc. * * * about 5 percent were absolutely idle during the year ending July 1, 1885, and that perhaps 5 percent were idle a part of the time; or for a just estimate 7½ percent." The estimate is assumed to apply to all gainfully occupied in agriculture, trade, transportation, mining, mechanical trades, and manufactures.

[34] Relief data per 1,000 population: for New York in the earlier years, shown in parentheses, and for Massachusetts, from K. Lumpkin and D. Douglas, op. cit. Production data from Edwin Frickey, "Production in the United States," 1860–1914 (1947), p. 60, using his series adjusted for secular trend. For earlier years the tonnage imports of pig iron, that master material of modern industry, are used as an indication of production sensitivity. Data from French, op. cit., Joseph Swank, "The American Iron Trade in 1876," Annual Report of the American Iron & Steel Association, p. 182.

[35] Unemployment data from the writer's "Annual Estimates of Unemployment in the United States, 1900–54," in Universities-National Bureau of Economic Research, "The Measurement and Behavior of Unemployment," Ed. Clarence Long (1957) production data, 1900–28 from William H. Shaw, "Value of Commodity Outpput Since 1869" (1947), p. 23, production data, 1929–54: U.S. Department of Commerce, "U.S. Output, 1958 National Income Supplement, Deflated GNP. Price data: BLS, from Census, Historical Statistics of the United States and 1958 Statistical Abstract.

[36] R. I. Nowell, Journal of Farm Economics, February 1947, p. 143.

[37] For 1880, note 8. For 1950 the population census figures were used (1957 Statistical Abstract, p. 213). The BLS data for more recent years are not directly comparable but suggest much the same percentage.

[38] Cf. note 8.

of say 1 percent to such peaks as the 4 percent we have surmised for 1819 and 1957, the 7½ percent estimated by the Commissioner of Labor for 1886. We may infer a close similarity between the average prevailing in the 19th century and that prevailing in the 20th century—excepting the years of the great depression. By close similarity I mean that the averages differed by less than did the rates for 1923 and 1924, or 1926 and 1927, or 1953 and 1954. Our conclusion is supported for the years since 1869 by the findings in the massive study by William Shaw on production trends.[39]

What produced this happy result? No higher law of economic stability, we may be sure. The major factors are embedded in the causes of our own economic growth—the settling of the continent, the waves of migration, the steady rise in factor productivity and the competitive influences that poured so much of the gains from productivity back into the Nation's stream of investment and expenditure. (And as an aside, quite irrelevant unless we wish to project the trend of that growth, it is interesting how much study is being given today to economic development in every country in the world but the one with perhaps the most spectacular combination of real increase and free labor markets—namely, our own.)

But beyond the basic forces of growth we may note two that worked only in the labor markets, helping to counteract any rise in unemployment over the decades. One is the increasing role of women in the labor force. In 1830, 1 in every 12 white women was gainfully occupied, the proportion rising to 2 in 12 by 1890.[40] And for the period from 1900 to today we find that the proportion of our labor force that consists of women rose from 18 to 33 percent.[41] But a characteristic aspect of female employment in today's market is that it generally tends to supplement family income, rather than provide the very means of existence. Women's lower seniority, often lower skills, makes them disproportionately present among those disemployed. But instead of entering the ranks of the unemployed, they tend to move directly out of the labor force, hardly affecting the unemployment totals. From December 1948 to 1949, for example, millions of men and women were disemployed. While half the men became unemployed, only 18 percent of the women did.[42] This distinction is a major element in explaining our experience after World War II, when for the first time in our history a massive decline in employment occurred without an almost equally massive rise in unemployment.[43]

A second force has been the increasing role of Government in insuring stability of production and thereby of employment. While George Washington's unprecedented policies on tariffs and land bounties were steps in that direction, certainly something new, and potent, was added in the 1930's as in the Employment Act of 1946.

Where do we go from here? The long term trend has shown major forces that tend to reduce labor mobility. But, of course, we have no need for mobility as such: we desire it to reach one or more of our conflicting goals for technological advance, price stability, neighborhood property values and

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[39] William Howard Shaw, Value of Commodity Output Since 1869 (1947), p. 23. Excluding the 1929–32 contraction no trend appears in the output of finished commodities. Particular value attaches to Shaw's finding of no increase in the severity of contractions, 1929–32 aside, as his is one of the four or five most comprehensive and reliable statistical historical studies ever made of our productive growth.

[40] Cf. the writer's "Population and Labor Force Relationships," p. 15, a paper prepared for the conference on the interrelations of demographic and economic change (1958) for derivation of these estimates. Data for nonwhites involve definition of the labor force under slavery and are irrelevant here.

[41] Cf. David Kaplan and Claire Casey, "Occupational Trends in the United States, 1900 to 1950," table 1, Bureau of the Census Working Paper, No. 5. Figures for a slightly different age interval, plus an extended valuable discussion of long-term trends appear in a major study by Gertrude Bancroft, "The American Labor Force (1958), p. 24 ff. (1957 Current Population Survey data lead to a similar figure).

[42] U.S. Bureau of the Census, Annual Report on the Labor Force, 1949, series P–50, No. 19, table 20. These data relate to gross changes, and while being subject to distinct limitations for other uses the steadiness of the contrast between male and female rates justifies their use here. Unfortunately, we lack gross change data for 1953, and because of the sample revision even the absolute figures on unemployment are in question. However, if one looks to the October–December changes in unemployment by sex (U.S. Bureau of the Census, Annual Report on the Labor Force, 1954, series P–50, No. 59, tables C–1 and D–1) a similar pattern is suggested.

[43] Present definitions of unemployment do not class the receipt of unemployment insurance as evidence of unemployment. Although the writer has opposed this position—Review of Economics and Statistics, November 1954—it is clear that in this particular period some women receiving unemployment compensations were not looking for work with the intensity equal say to that characterizing male unemployed in most years.

so on. The economist can say little on the values, but the time is overdue for research on the amount of mobility that may be expected under differing policies that are recommended to the citizen and Government policymaker for their adoption.

What about unemployment? Despite the appalling roughness of the data the record to date suggests no tendency to an increase in the unemployment rate. And despite the unwisdom of forecasts it hardly looks as though we need anticipate anything like the worst years of the 1930's. Even a thoroughgoing pessimist must admit the enormity of the advance, within the lifetime of a man, from almost total Government inaction to the immediate concern and swift action in the 1948–49 and 1953–54 recessions. The nation has switched to what one may call the visible hand policy.

But in a dynamic economy the best is not good enough for long. We will continue to spill men out of jobs in consequence. And, in Schumpeter's words, "technological unemployment * * * linking up as it does with innovation, is cyclical by nature."[44] How much such unemployment we will put up with turns on many conflicting goals—for unemployment, real wages, price stability, income redistribution, defense expenditure. Resolving these imponderables is one of the jobs ahead for American citizens and their government, and in particular this committee.

TABLE 1.—*Business declines, 1837–1915*

[Ranked by relief load rise]

	Percentage changes in—					
	Rate of relief—		Pig iron		Wholesale prices	
	In Massachusetts	In New York	Production	Imports	Textiles	Metals
1872–76	+143		−24		−22	−39
1837–38		+102		−14	−6	−10
1860–61	−96		−6		+1	+2
1849–50		+60		−29	+5	−5
1892–94	+52		−22		−16	−21
1913–14	+47		−1		−5	−11
1856–57	+30			−16	+7	−1
1843–44		+15		+188	+10	+4
1903–4	+14		−6		0	−11
1907–8	+13		−2		−14	−22
1896–98	+9		0		+4	−7
1840–41		−6		+122	−4	0

TABLE 2.—*Business declines, 1900–54*

[Ranked by unemployment rises]

	Percentage change				
	Rise in percent civilian labor force unemployed	Output of—		Wholesale textile prices	Wholesale metal prices
		Finished commodities	Gross national product		
1929–32	20.3		−28	−37	−20
1920–21	9.6	−6		−43	−21
1907–8	7.7	−11		−14	−22
1913–14	5.3	−5		−5	−11
1937–38	4.7		−5	−13	0
1953–54	2.5		−2	−2	+1
1903–4	2.2	−2		0	−11
1948–49	2.1			−6	−4
1945–46	2.0		−10	+16	+10

[44] Joseph Schumpeter, Business Cycles (1939) II: 515.

The CHAIRMAN. Our next meeting is tomorrow in this same room, where the topic which we will consider will be "Past and Current Personnel Practices Affecting Labor Mobility and Reemploying the Unemployed."

One of the discussants is Mr. Joseph Childs, who is vice president of the United Rubber Workers, and the other, Jerry Morse, who is vice president of the Minneapolis-Honeywell Corp.

Thank you very much.

(Whereupon, at 11:55 a.m., the hearing was adjourned, to reconvene on Tuesday, April 28, 1959.)

EMPLOYMENT, GROWTH, AND PRICE LEVELS

TUESDAY, APRIL 28, 1959

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 226, New Senate Office Building, Representative Richard Bolling presiding.

Present: Representatives Bolling and Reuss; Senator Bush.

Representative BOLLING. The committee will be in order. Our subject today is past and current personnel practices affecting labor mobility and reemployment of the unemployed. Our first witness is Mr. Joseph Childs, vice president of the International Union, United Rubber, Cork, Linoleum, & Plastic Workers of America.

We are glad to have you with us, Mr. Childs. You may proceed as you wish.

STATEMENT OF JOSEPH CHILDS, VICE PRESIDENT, INTERNATIONAL UNION, UNITED RUBBER, CORK, LINOLEUM & PLASTIC WORKERS OF AMERICA, AFL–CIO

Mr. CHILDS. My name is Joseph Childs. I am Vice President of the International Union, United Rubber, Cork, Linoleum, & Plastic Workers of America, AFL–CIO.

It is a pleasure for me to appear before you today to present my views on this particular aspect of the important problem which your committee is studying. I am sure that these hearings will enable the committee, and the general public, to arrive at an improved understanding of the economic problems which our country faces.

Labor mobility and reemployment: The problem posed for today's discussion actually has three parts to it. When considering the question of "labor mobility", we must first consider the willingness of an employee to leave his job to seek other employment.

"Labor mobility" relates secondly to the willingness of a worker to move his family to a new community in order to secure employment when he is unable to find work in his home area.

Thirdly, today's topic is concerned with the question of the reemployment of the unemployed and I take this to mean the reemployment of laid off workers with their original company, or elsewhere.

Willingness of an employee to leave his job: "Labor mobility," in the sense of a worker's willingness to quit his job, is not necessarily a desirable feature of the American economy. There are good reasons why such quits cause concern to company managers and why personnel practices have been adopted to reduce this labor turnover.

Indeed, it is fair to say that one of the basic objectives of modern personnel policies is to reduce labor turnover to a minimum.

This approach to the problem of voluntary quits is not new. In the 1920's, companies developed personnel practices with exactly this same objective to reduce the unnecessary labor turnover which was both expensive and undesirable.

The statistics on voluntary quits indicate that "labor mobility" in this sense of the word has declined from the 1920 levels. Company personnel practices in other words have been largely successful in achieving this particular goal. In addition, however, there are other factors which have caused a reduction in voluntary quits.

I should like to call the committee's attention to a study of this matter recently prepared by the well respected economist, Prof. Arthur Ross of the University of California at Berkeley. His article was entitled, "Do We Have New Industrial Feudalism?" and it appeared in the American Economic Review in December 1958.[1]

Professor Ross analyzed Government and private statistics on persons who voluntarily left their jobs in manufacturing plants. His report covered the period 1910–56.

Numerous studies have shown, Professor Ross writes:

> That a very high proportion of labor turnover is concentrated among youthful workers, and that practically all is concentrated among short-service employees.

This was true in the 1920's, when union organization was weak, and just as true in the 1950's after union organization had developed and fringe benefits had been negotiated.

Professor Ross points out that the younger worker is naturally "shopping around" to find a job in a company where he feels he may be willing to spend his future years. This type of movement between plants is a well-accepted fact on the industrial scene and represents a healthy approach to the job situation. At the same time, it is understandable that as the age and service of the worker increases, there is far less likelihood that he will leave his job voluntarily, whether we speak of conditions in the 1920's or in more recent years.

While the quit rates reported for the 1950's are lower than during the 1920's, much of the decline occurred in the 1920–30 decade, and Professor Ross credits personnel practices with much of this reduction in labor turnover.

He also describes other reasons for the decline. For example, with the growth of union organization, an employee now has a greater opportunity to secure redress for his grievances at work.

Thus, while an employee might have been forced to leave a plant in the 1920's after an argument with his foreman, in 1959 he can take his complaint through the grievance procedure and secure some satisfaction. This means that additional satisfactions are available to the employee at his work place and it is not surprising to find that quit rates have dropped.

Professor Ross points to the stability of the level of total manufacturing employment as another explanation for the declining quit rate of recent years. Further, he notes that the work force in manu-

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[1] Reprinted in Joint Economic Committee, Hearings on Economic Report of President, January 1959, p. 865 ff.

facturing industries is getting relatively older and therefore less likely to be "shopping around" to find permanent employment.

Turning to some commonly advanced explanation for the decline in labor turnover, Professor Ross writes:

> It (is) most unlikely that the reduction in the quit rate can be explained by the attractiveness of seniority protection, group insurance, and industrial pensions.

I recommend Professor Ross' article to this committee because it represents a sober and reasoned analysis of the widespread idea that union-negotiated fringe benefits are somehow tying a man to his job so that he is unwilling to move. Such is not the case. And Professor Ross does a good job of explaining the reasons why it is not.

Worker willingness to move his family: When an employee is without a job, there are those who argue that he should be quickly and readily willing to uproot himself and his family to seek work in another community. But such a position does not make clear how a worker is to know of other job opportunities, nor how he is to finance the shift. Above all, such a position ignores the strong roots which Americans have in their home communities, the family ties which we cherish as part of the American scene.

A recent study of Mount Vernon, Ill., illustrates the reluctance of industrial workers to leave their hometown. The study was made by Prof. Richard Wilcock of the University of Illinois and published in the Monthly Labor Review in September 1947 under the title, "Employment Effects of a Plant Shutdown in a Depressed Area." It was a combined questionnaire and interview study of almost 2,000 workers who lost their jobs when a factory was closed in a small community that already had high unemployment.

Professor Wilcock found that a majority of those persons who had found jobs outside their home community would have preferred returning to their hometown even at lower earnings level. Indeed, almost half of those who took jobs in other labor market areas maintained their homes and families in Mount Vernon and commuted to work or came home over weekends.

There was no question here of personnel practices affecting a man's decision to seek work elsewhere. Instead, the dominant influences lay in the attitude toward his hometown, and wage income was considered secondary to the possibility of finding work in the home community.

Distressed areas: We are faced then with some basic questions to be answered concerning areas of the United States where hundreds of thousands of workers are unemployed. I am referring particularly to distressed areas where unemployment has been over the 6-percent level for many months. I am hopeful that this session of Congress will pass Senate bill 722, the area redevelopment bill, which has as its purpose the relief of these blighted areas of the American scene.

Senator BUSH. I am interested in that, Mr. Childs. I wonder if this heading you are discussing now and what you just said is not in conflict with what you said on the previous page. One of the objectionable features of the so-called depressed area legislation to me is the fact that it rather encourages the transfer of workers from one area to another. Amendments were offered in the Senate, in committee and on the floor, to prevent the use of Federal funds for the transfer of operations from one area to another. These are called

the antipirating clauses. One of the reasons why I favor such clauses is that I think they encourage the very thing that you object to, namely, the mobility of labor. I have argued this way, too, 2 years ago, when Mr. David McDonald and I served on the Randall Commission together, in connection with his argument for freer trade. He had a plan which the union sponsored, which would provide for the transport of workers from an area that was adversely affected by imports. In other words, if Waterbury, Conn., was to be severely unemployed because of added imports, never mind that, we will just move all those people.

I objected to that very strongly. I still do. I don't mean this unkindly, but this is a somewhat callous approach to the thing, because what you say is so true: After people have lived in an area, and their children have been brought up there, they don't want to move. They have emotional and sentimental ties there and they are entitled to have them. Those are important things in life.

So I wonder whether you don't feel that this distressed area legislation should have in it antipirating clauses, so as to prevent the moving of one active industry from one area to another at Federal expense? We can't stop them from moving. That I would not favor. But I don't think the Federal Government should be in the position of having to finance that type of move. What is your view about that antipirating clause?

Mr. CHILDS. I don't object to the mobility of labor if the worker is willing to leave. But I do object to his being pushed around and pushed out when he does not want to leave. My understanding of the area development bill is that it will improve the blighted areas, and will take work into the areas where there is this high unemployment and it will prevent some of this pushing of the worker around.

Senator BUSH. It takes work in, but where does it come from? My objection is not to taking the work into the area, but my objection is to taking it away and creating another distressed area from one that is not distressed.

Mr. CHILDS. That is not the objective of the distressed area bill, as I understand it. It is for plant expansion. It is not for closing down of an already established operation and moving it into a depressed area.

Senator BUSH. That is not the objective of the bill but it is a very likely result of the bill. That is the reason the antipirating clauses I think should go in. I make a point of this because you may have a chance to express your views on this in the House. Where is that bill, incidentally?

Representative BOLLING. It was reported out of subcommittee but has not been acted on by the full committee.

Senator BUSH. I want to call attention to that phase of the bill, and ask that you give it some consideration.

Mr. CHILDS. Certainly we are highly in favor of the antipirating phases of the bill.

Senator BUSH. Thank you very much.

Mr. CHILDS. Thank you, sir.

I do not wish to deal at length with the problem of distressed areas, but reference must be made to the important principle contained in the legislation. I am referring to the concept of the redevelopment

and revitalization of these areas. This bill represents an important and worthwhile fight against the problems faced by industrial communities as well as rural communities in many parts of the United States. Those problems cannot be solved by mass outward migration.

It is gratifying to note that Senator Cooper has joined with your own chairman, Senator Douglas, in sponsoring this legislation. It would be most unfortunate if this bill were to secure congressional approval and then suffer a Presidential veto as did a similar piece of legislation last year.

In Bloomfield, N.J., the General Electric Co. recently closed its plant. In Cadillac, Mich., the B. F. Goodrich Co., largest single employer in the community, is closing its plant. Last year, Ford Motor Co. closed a Memphis, Tenn., assembly plant which had become obsolete. Also in Tennessee, U.S. Rubber Co. has ceased regular operations at its rubber footwear plant in Milan. In California recently, the Ford Motor Co. closed an assembly plant and moved its operations to a new streamlined building some miles distant.

These events are occurring in the North and in the South, in the East and in the West. Unfortunately, they are hastened and intensified by a vigorous campaign on the part of some States and communities to secure new industry by offering unwarranted and unjustified economic inducements which are ultimately paid for by the residents of the area.

The special concessions are designed to attract the employer by adding direct financial advantages to whatever natural advantages already exist. Among the techniques utilized are special tax considerations, construction and outright gift (or low rental) of the factory building, assurance of low utility rates, heavy emphasis on low wages in the area, and an implied promise that no union will be tolerated.

Many of these plants represent a shift in production, and not an expansion move. With the closing of the older facility the company is forcing the displaced workers and their community to take on concentrated social costs which should more properly be spread over many shoulders. While Senate bill 722 addresses itself to this problem, there are parties besides the Government who should recognize their responsibilities in connection with a plant close-down.

Those who urge that the solution to a major plant shutdown lies in a migration of the workers are ignoring the related waste which comes from abandonment of homes and schools and shopping areas, and community services. Mobility of this sort is expensive from several standpoints.

Reemployment of the unemployed. The next question concerns the reemployment of laid-off workers at their places of original employment. Most union-management agreements provide that such recall shall be according to seniority provisions. This introduces a measure of fairness and logic into the rehiring process. Employees have some idea as to the possibilities of recall and they know that they will be treated according to a predetermined procedure rather than according to the whims of the employment officer.

Such an orderly procedure means that experienced employees return to work for the company, bringing with them their skills and knowledge developed over a past period of work experience. This has an obvious effect on such matters as training costs, turnover rates, etc.

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There has been some loose talk that the fringe benefits which have been negotiated by unions tend to reduce the reemployment opportunities of laid-off workers. According to this argument, management prefers to pay overtime than add new employees to the work rolls and thereby take on high fringe costs in addition to the hourly rate. That argument must be buried once and for all.

Average earnings in manufacturing plants in the United States are currently $2.20 per hour. For practical purposes then, the overtime penalty payments are therefore $1.10 per hour.

Recent studies indicate that fringe costs in manufacturing plants represent an average hourly cost of approximately 45 cents. This figure is exclusive of overtime premiums which of course should not be counted since we are considering the alternatives of overtime and additional hiring.

Can it be said that a company would be making a wise economic decision to pay $1.10 per hour in order to avoid paying 45 cents per hour?

In the tire and tube branch of the rubber industry, the industry with which I am most familiar, the present level of earnings is approximately $2.70 per hour and overtime is therefore $1.35. Figures supplied to us from company payroll data indicate that fringe costs, against exclusive of overtime, are approximately 55 cents. Such fringe costs are still far below the level at which it becomes economically justified to substitute overtime for rehiring.

Government figures on employment and hours published in recent months do show that there has been a tendency to resort to overtime work rather than to recall all laid-off workers. It is my firm belief that any company decision on this matter was based more upon an uncertainty about the future than upon any fringe benefit cost.

In that connection, some remarks of a company spokesman quoted in a newspaper column by the well-known economics reporter, Mrs. Sylvia Porter, may be of interest. On March 10, 1959, she wrote as follows:

> The executive in charge of hiring for one of the Nation's giant corporations was speaking freely: "* * * I'll tell you this. I'd rather have our employees work a longer week and pay overtime than add one more man than necessary to the payroll. We got such brickbats thrown at us when we had to lay off men last year that I'm going to do everything I can to avoid taking on new ones whom I might have to lay off later and invite the brickbats all over again. It's cheaper to pay the extra expenses of overtime than to pay the extra expense of a public relations drive to explain a layoff.

Mrs. Porter asked him about the unemployed and the new workers seeking jobs in the area and she received this reply:

> It is not the responsibility of individual corporations to employ more than we need to guarantee full employment at all times. It is my responsibility to my corporation to try for maximum production and for a maximum—although reasonable—profit.

The economics of managing a business and the decisions on employment of the unemployed seem to tie in more closely with the costs of a public relations program than with the costs of a fringe benefit program.

INCREASED JOB OPPORTUNITIES THROUGH UNION PROGRAMS

This committee is interested in problems associated with the current unemployment levels and the possibilities that unemployment for

future years may not decline to reasonably acceptable levels. I think the committee will be interested, in that context, with the effect of various union programs on job opportunities and on labor mobility.

We have, first of all, a long-accepted program of seniority in collective bargaining agreements. This means that labor mobility is forced more upon the younger man than upon the older man and this is in line with the job opportunities which are open to workers in different age categories. But in most cases, unions have encountered the strenuous resistance of management in their drive for a broad seniority base—plantwide seniority. Such a seniority program provides increased opportunity for mobility for the older worker within the plant and provides additional protection to those employees when any labor cutbacks are required.

Union bargaining programs with respect to pensions have consistently urged that vesting features be included. When such agreements can be negotiated, the employee has the opportunity to shift employment without suffering the loss of his pension rights built up over the years of active work for his employer. He takes those rights with him. To the extent that pension benefits are a factor in a man's decision on changing his job, the vesting provisions permit greater labor mobility.

Also in that connection, we have urged areawide and even industry-wide pensions programs so that an employee may transfer pension rights when he changes employment within an area or an industry.

Increased leisure time has long been a foremost goal of the American trade union movement. We have been successful in moving toward that goal on several fronts. Perhaps the most significant is the vacation program that has been negotiated during the postwar years.

Take the rubber industry as an example. Our union contracts provide that an employee with 1 year's service with the company receives 1 week's vacation, an employee with 3 years receives 2 weeks, an employee with 11 years receives 3 weeks, and an employee with 25 years receives 4 weeks. Such vacations, previously restricted only to the managerial group in the corporation, represent deserved periods of leisure and relaxation for the factory worker. It is for that major pupose that our union has negotiated these vacation benefits, and our contracts require time away from the job, in spite of management insistence that the employee should be entitled to pay in lieu of time off.

Along with the leisure time that comes from a vacation program, we must recognize that new job opportunities are created. For example, in a plant with 2,000 employees, if the average employee receives 2 weeks vacation in a year, the total number of weeks of vacation is 4,000 weeks. That in effect provides 50 weeks of work for an additional 80 employees. This could be put in general terms—in a plant with an average of 2 weeks vacation, an additional 4 percent of the work force is required to fill in for such vacation entitlements.

Union programs are basically designed to maintain and improve the living standards of our members. In many respects, this means greater freedom for a worker to seek a better life. Increased wages have been used by many industrial workers for education programs so that they could leave the factory. While union benefit programs

may prove attractive for security, they also permit the active and energetic work to get a start in life, and, of at least equal importance, provide an economic backdrop against which the workers' children can plan for a better future.

MANAGEMENT ATTITUDES ON HIRING POLICIES

From various discussions which I have had with management representatives, it does not seem that hiring policies are particularly affected by fringe costs or outside influences such as the draft law. Rather, management has today the same type of policy which they had 30 or 40 years ago—hire the young worker, the strong worker, the vigorous worker, who can produce the greatest quantity of quality goods.

I should like to refer to a newspaper advertisement which reads as follows:

> Wanted at once several young men to work in bolt factory. Steady work. Falls Hallow Stay Bolt Co., 21 E. Portage St., Cuyahoga Falls, O.

This is not a 1959 advertisement. The ad appeared in the Akron Evening Times on October 18, 1922, and yet it represents the same type of employer approach to hiring new workers as we are today finding so much concern about.

Several employer spokesmen indicated that there was no problem in hiring young men who might be subject to the draft. He indicated that the company wanted to hire workers whose retirement would be spread over a period of years rather than being concentrated in a single year. And for that reason, an employee's birth date was more important than his possible susceptibility to the draft.

Other employer spokesmen mentioned to me that their company's high level of wages and fringe benefits enable it to secure a wide choice among job seekers. They were in a good position, in other words, to hire the young, the vigorous, the skilled, and the adaptable worker.

A decision to hire or not to hire comes from a company's estimate of future demand and depends also on the availability of machinery to which new employees can be assigned. When the need for more workers is established, the company will add to its employment rolls.

Have basic company hiring policies actually changed over the years? I don't think so. Companies are today just as interested in the highest possible profit as they were years ago. They measure their actions in terms of dollars and cents, sometimes seeking a short-run advantage and sometimes seeking a long-run advantage. There is no room in their policymaking for hourly rated employees to consider human needs or relocation problems or community distress—unless forced to by law or by a labor contract.

This means then that company policies may have changed with respect to something like the required level of education for a new man, but are still constant on the basic point of cutting costs.

To meet the challenge of unemployment: Today's unemployment levels are excessive. Workers have been jobless for too long a period of time. We are not making adequate progress in reducing the heavy unemployment.

I understand that this committee is addressing itself to possible long-term unemployment problems, rather than to the current situation. But the two problems would both yield to a vigorous program for economic growth. We have need for the increased goods and services which our labor force and our productive machinery are capable of turning out. Let us set our sights on that level of economic growth which can provide the needed goods and the needed jobs.

Labor mobility and the reemployment of unemployed workers are both far more dependent upon the general health of the American economy than upon any provisions of a labor-management agreement or any company policies related thereto.

Representative BOLLING. Thank you very much, Mr. Childs.

The next witness is Mr. Morse, vice president of industrial relations of the Minneapolis-Honeywell Corp.

You may proceed as you wish.

STATEMENT OF GERRY E. MORSE, VICE PRESIDENT, INDUSTRIAL RELATIONS, MINNEAPOLIS-HONEYWELL CORP.

Mr. MORSE. I am Gerry E. Morse of Edina, Minn. Currently my activities include, among others, service as vice president, personnel division, American Management Association, member of the Columbia University Seminar on Labor, vice president, employee relations, Minneapolis-Honeywell Regulator Co., research affiliate of the industrial relations center, University of Minnesota, and a member of the advisory council to the State of Minnesota Department of Employment Security. I speak today as an individual citizen interested in, and experienced with, personnel practices affecting the mobility of employees and the reemployment of the unemployed. My views are my own. They are not necessarily the same as the views of others in the various organizations with which I am, or have been, associated.

In a free society such as ours, individuals, other than some of those in our institutions, participate in the production of goods and services on a voluntary basis. They are free to move in and out of the labor force as they may choose. They are also free to move within the labor force between employment for hire and self-employment, from one occupation to another, and from one employer to another. Because of this freedom of movement, we are never able to determine with accuracy just who are the unemployed. The true unemployed are only those who are out of work but able and willing to work. The first of these tests has some degree of subjectivity; the second is almost completely subjective. To date, we have found no very reliable means for measuring this second factor.

Although we do not wish to remove the freedom of individuals to choose and change their connection with the labor force, we do wish to avoid subjecting them to involuntary unemployment. From the individual's point of view, the ideal is to be able to make whatever movements he wishes in and out of the labor force and within the labor force with such exact timing that he never lacks employment when he wants it. From the public's point of view, the ideal is to have individuals free to move from contracting operations to expanding operations with such exact timing that we have neither labor shortages nor unemployment. In other words, we want em-

ployees and employers so freely responsive to consumer demand that we can continue to maintain a steadily rising standard of living.

Our goal is not just full employment. That by itself would be very easy to attain. Rather, our goal is to attain full employment in company with these corollary goals, such as freedom of individual movement, freedom to advance to the fullest extent of the individual's ability and determination, responsiveness to consumer demand, and a steadily rising standard of living for all. That is very difficult to attain. It is important in striving to attain full employment in company with our corollary goals that we keep constantly in our mind that our constitutional republican form of government, coupled with our private enterprise, competitive type of economy, has proven very much more successful than any other. In seeking to improve our procedures so that we may more nearly attain full employment, we should, therefore, make certain that our remedies do not run counter to our other goals and produce a net loss rather than a net gain.

Changes in the nature of the economy: A high degree of mobility characterized our American labor force in the earlier days. A study of the speed with which we have advanced our geographical frontiers shows that individuals very readily and willingly followed employment opportunities. Furthermore, our successive waves of immigration were partly responses to better employment opportunities. A gradual change has taken place, however. From an economy characterized by self-employment and small owner-managed farms, factories, stores, and banks, we have come to an economy characterized by employment for hire, even at the top management level, and by the giant corporation. No longer does the typical family have its own garden, pen of chickens, and a cow in the shed. Instead, we buy our food, eggs, and milk and have replaced the shed with a two-car garage. Gaps in employment which formally were easily tided over may now be economic crises. In considering problems of maintaining full employment, therefore, we need to keep in mind that the steady expansion of technology undoubtedly will mean that the individual employee will grow less and less self-sufficient and more and more dependent upon adapting to new kinds, and possibly to new locations, of employment.

Some specific practices: Looking toward the future, it seems that the trends of our scientific, economic, and political developments indicate a need for periodic review of personnel practices to keep them up to date. It does not seem likely that a return to past practices, or the maintenance of a static set of practices, will serve our purpose best. One of the most serious results of detailed legislation, particularly at the Federal level, in employee relations is its tendency to create pressures for a static practice. Our experience with labor legislation, to date, points clearly to the conclusion that the best results are obained when such legislation limits itself to the safeguarding of basic rights of individuals, organizations, and the public but leaves the parties free to work out the details and particularly the changes and adjustments that are necessary to meet the ever-changing requirements of day to day administration.

I should like at this point to consider some specific practices and their relationship to mobility of employees and the problems of reemployment of unemployed persons.

First, seniority: Over a long period of time, the practice of giving increasing weight to length of service in determining which ones among qualified persons are to have particular employment has quite clearly reduced the mobility of employees. We have come a very long distance from the early practice of employing literally by the hour or by the piece. Gradually a concept of the individual's relationship to a particular employer, and indeed to a particular work assignment, has built up to the point where both the employer and the individual tend to think of increasing service as synonymous with an increasing "right" to the job. Although this concept has advantages for both the employer and the employee, assuring continuity of employment and of forming a more predictable basis for the operation of so many of the benefit programs, it does, nevertheless, steadily reduce the willingness of the employee to change employment even during long periods when that particular employer does not have work for him. This increased identification of the individual with a particular job in a particular company has a further effect of reducing the individual's employability when his basic employer has no work for him because other employers anticipate that, even if they hire him, he will leave when the original employer recalls him. This is particularly true in industrial type bargaining units where a new hire into that unit finds himself at the bottom of the seniority list however much service he may have had in the occupation. A test of this effect is given in the building construction industry where journeymen, because of the craft basis of their unions, have tended not to give weight to their seniority with a particular employer. The mobility of individuals in the building construction trades is noticeably higher than that of individuals in most industrial occupations.

Another interesting commentary on the effect of seniority is found in the experience of engineers and scientists. Individuals in those occupations have a high degree of mobility. The "Help Wanted" pages of our metropolitan newspapers, and the experience of our engineering college placement offices show that individuals in these occupations regard the entire country as their potential work area. In fact, in those few units where engineers and scientists have adopted collective bargaining, the contracts seldom contain seniority provisions

It would appear, from an appraisal of our overall experience, the advantages of seniority practices for nonsupervisory, nonprofessional employees outweigh the disadvantages. With the expected future developments in automation, however, new approaches to the application of seniority rights will undoubtedly be necessary if we are to avoid reducing the mobility of many employees below that which may be necessary for them and the public to accommodate to the needs of changing occupations.

Second is pension benefits. Because of the very large amounts of money necessary to afford pensions, this benefit has fairly consistently been geared to length of service. Most plans require 10 or more years service with an employer for an employee to be eligible for the minimum pension when he works through to his retirement date. In addition, most plans increase the amount of the retirement benefit in proportion to the employee's length of service. Powerful incentives are thereby created for an employee to maintain his service connection with a particular employer as his equity in that employer's retirement

plan increases. Even under the Federal social security old-age benefits program, mobility of employees is reduced because of their desire to stay in covered employment at least until they become "fully insured." A partial solution to the immobilizing effect of retirement income equity is the development of vesting provisions. Under the Federal social security old-age benefit program, an employee's participation is uninterrupted as long as he is in covered employment, in spite of whatever changes he may make from one company to another, from one industry to another, or from one geographic location to another. In private pension plans, there is a growing trend toward the inclusion of vested rights in the form of a deferred benefit starting at normal retirement age. An employee who has spent a substantial number of years with an employer who has such a plan does then create for himself some pension income which will be payable when he reaches retirement age. If his movement from employer to employer is not so rapid as to make him ineligible for minimum vested rights with any of them, he can generate a reasonable retirement income from the several partial benefits vested in him by his several employers.

Another aspect of the problem arises after individuals reach normal retirement age. As a means of protection against double cost through the financing of a pension benefit plan, on the one hand, and the permitting of individuals to work beyond the age that they are fully productive, most companies have adopted a practice of compulsory retirement at a particular age. Contrary to expectations, that has not had the effect of increasing resistance to the employment of individuals close to retirement age. In fact, considering the minimum eligibility requirements of the typical private pension plan, it has, rather, increased the willingness to hire high-age individuals because the employer knows that no cost for pension coverage will be involved. This has been particularly helpful to individuals who have generated substantial pension benefits with the U.S. Armed Forces at fairly low ages. There are also an increasing number of policemen and firemen who have completed their pension service with a city or town and then taken employment in industry as guards, safety men, or security personnel. We are learning, therefore, that while the development of private pension plans has some adverse effect on the mobility of employees, in other ways it has actually helped to increase mobility.

Third is welfare plans: The very great developments in private benefit plans in the life insurance, hospital benefit, and medical benefit areas does not seem to have reduced the mobility of employees. In the life insurance area, this is principally true because the typical plan is based upon term insurance coverage for the employee. Inasmuch as no cash values are generated and maximum coverage tends to be reached after a fairly short period of employment, the individual does not regard loss of the coverage with one employer and the need to qualify for it with another employer as a very serious handicap to making a job change. If more permanent forms of life insurance were to become prevalent, we could then expect the equities developed by length of service to have an adverse effect on mobility.

Under the hospital and medical benefits coverages, except for waiting periods for specific items, particularly maternity, full coverage tends to be available after a very short period of employment.

Here, again, the individual does not consider the requirements for establishing himself under the new employer's plan to be sufficiently critical so that they have any observable effect on his willingness to change employment.

No. 4 is vacations and holidays.

Although holiday pay provisions have no appreciable effect on mobility because they are typically available after very short periods of employment, vacation plans do have a noticeable effect. In the past, when vacation plans typically provided only 1 or, at the most 2 weeks of paid vacation time off, they were not generally a barrier to individuals changing jobs. Now, with paid vacation plans being liberalized to provide 3, and in some cases 4 weeks paid time off plus the speed of air travel, we may expect that more and more employees will regard their vacation eligibility as an important factor when considering whether or not they should change jobs.

Fifth is overtime: Overtime provisions are difficult to evaluate in terms of their effect on mobility and upon the reemployment of unemployed persons. For some individuals, the company which affords regular overtime work opportunities is attractive. Such individauls will resist changing to a job which does not afford that opportunity. On the other hand, other individuals dislike a steady diet of overtime work to the point where they will resist taking a job with a company where it is required.

The more important aspect of the overtime practice hawever, is the effect of the employer's choice of working overtime, rather than of increasing the number of his employees on a straight-time basis. This is partly a question of the availability of qualified personnel but more often a question of the relative cost of working short periods of overtime as against the cost of hiring and training additional personnel, then suffering the adverse effect of laying them off and having his unemployment compensation tax rate increased for his entire payroll.

No. 6, unemployment compensation: Because the circumstances vary so widely from State to State, it is dangerous to generalize about the effects of unemployment compensation programs on mobility of employees and the reemployment of the unemployed. As indicated in the observations on overtime, unemployment compensation has a very direct effect on the way an employer will behave when he faces short periods of additional work. Need is indicated for a much more thorough study than has been made in the past of just which individuals are truly unemployed. If a proper differentiation could be made between those who are clearly a part of the regular labor force and those who are only casual or temporary or part-time participants at any particular time, there is hope that local regulations could be developed which would very greatly increase the mobility of such individuals and increase the employer's willingness to give them employment even though their more permanent connection with the labor market might be with some other employer. These problems are so closely interwoven with the customs of employment in a particular industry or area that it seems quite clear no general approach would be workable. Furthermore, when supplemental unemployment plans or guaranteed annual wage plans are also involved, the problem increases in difficulty. At first glance, such plans might

appear to create strong barriers to mobility. Actually, however, we may well find that, just as in the case of private pension plans, they could have the effect of increasing opportunities for reemployment, particularly when integrated with appropriate local regulations relative to State unemployment compensation benefits and taxes.

No. 7, military service: The adverse effects of the draft law have been fairly well removed as a result, on the one hand, of the relatively low rate of induction and the shortened period of active service required of individuals in critical occupations. Although the possibility of being called into military service was a deterrent to employment following World War II, now most employers have adjusted to it on the basis of recognizing that it is better to hire a desirable employee and accommodate to his military service than to limit employment to only those who have completed military service. While, in general, individuals tend to return to the employer they left when they entered military service, the effect of this is no greater than the operation of the typical seniority provisions.

No. 8, training: One of the most encouraging signs in the development of means for maintaining full employment is the steady improvement and expansion of industrial training programs. As more and more companies develop their abilities to train their employees for reassignment from contracting operations into expanding occupations, some of the need for intercompany or interindustry mobility will be offset. Furthermore, the tendency to separate from employment one group of employees while, at the same time, hiring another group will be reduced. This development is illustrative of the broad principle that the best way to avoid problems of unemployment is to develop the best possible chances for full employment. Encouragement of industry and Government appreciation of the problems of employers in affording high levels of steady employment can be most helpful. To be concerned only with unemployment is to limit one's self to treating the effects rather than the cause. Anything which can reasonbly be done to generate and maintain a favorable climate for business will have its rewards in improving the chances for continued full employment.

Representative BOLLING. Thank you very much, Mr. Morse.

Mr. Reuss, do you have some questions?

Representative REUSS. I would like to ask Mr. Morse to refer to what he had to say about seniority on pages 4 and 5 and ask that he spell out if he desires to his last thought under the seniority section where he said that new approaches to the application of seniority rights will undoubtedly be necessary. If you have some specific thoughts on what might be meaningful new approaches, it would be very helpful to have them.

Mr. MORSE. The basic points of view with which seniority has been approached in the past have been two. One is the craft type of seniority, where the employee's rights to employment are measured in terms of his length of experience in the craft. The other is the industrial type of sensiority where his rights have been measured in terms of his length of service for a particular employer. Both of these points of view have been conceived in terms of a fairly stable division of work. If a man has been a carpenter or an electrician or a plumber, the feeling has been that having served the apprentice-

ship for that craft, and having worked in it steadily, his length of service is his protection. In an industrial plant, the concept has been that if a man works in assembly or if he works in punch press or if he works in the machine shop that having established himself far enough up the seniority line so that the ups and downs of seasonal and other minor fluctuations in the work force do not reach him, that he is protected by his seniority.

With the development of our technology now at a more and more rapid pace, the problem is becoming not so much the rise and fall of the number of people required in a particular occupation, but the fact that the way that products are built or services are afforded is changing so drastically that jobs which previously were involved in the production of those goods or the affording of those services are tending to disappear and new ways of doing them, new kinds of jobs, are coming in. So that just the opposite of Mr. Childs' concern is a threat to us, namely, that the older, longer service, more established employee relying on his service becomes in danger of unemployment because he is not equipped by education or training to do the new jobs which by technological advance are replacing or obsoleting the job that he has done most of his work life.

My suggestion is that seniority concepts will have to be geared to taking account of the swap of new jobs and new methods of doing things for the old jobs, and somehow to get away from the craft or the occupational or the departmental or the procedural basis of measuring seniority. I should not say measuring seniority, but of applying what seniority a man has to determining his eligibility for assignment to a particular job.

I see an element here that is an addition to the seasonal and cyclical threats of unemployment. It is a job change threat to employment.

Representative REUSS. Thank you.

Representative BOLLING. I assume that everybody agrees that a certain amount of mobility in labor is essential in this kind of economy. I think this was reasonably well demonstrated by the witnesses yesterday, and I think everybody would probably agree that certain types and causes of labor immobility are not necessarily desirable. But I wonder if either of our witnesses could give us any indication of how much labor mobility, to use a trite phrase, is a good thing as opposed to a bad thing. How much is essential? The indications that we got yesterday from our witnesses were that there had been a decrease in labor mobility over the years. There was no specific indication as to "why," but there has apparently been a decrease in labor mobility. Would either of you care to comment on the present state of labor mobility? Is it enough, too much? Should there be more, and so on? Mr. Childs?

Mr. CHILDS. I would appraise it something like this: I think it is just about normal—normal over a long, long period. I think mobility of labor will fluctuate from period to period. From what I have seen of it, and what I have experienced, I would say that we are experiencing about the normal amount of labor mobility. That is sort of a general answer. There have been times, particularly after or during periods of recessions or periods of good times, that we will find a fluctuation in the amount of mobility. I would say that it is about normal for what we are experiencing.

Representative BOLLING. Do you care to comment on that, Mr. Morse?

Mr. MORSE. Yes. I should differentiate between mobility which is voluntary—the desire of a man to move for any reason, maybe climate, maybe health of himself or someone in his family, maybe desire to go to some new occupation or to some new industry, and so on—and mobility that is forced against the desires of the individual or against the best interests of an industry or a community. It is very difficult to look into a particular situation and separate one of these from the other. In the State of Minnesota, for example, there has been a very remarkable movement of people. About 50 percent of the population is now in three centers: Minneapolis, St. Paul, Duluth. We think of Minnesota essentially as an agricultural or a mining State, and yet I am sure that there has been only two reasons for that mobility. One the changing requirements of successful operation of a farm, and, two, the expansion of industrial employment opportunities in those three cities.

This type of mobility has been most advantageous. It has permitted the State to broaden its base, to balance its agricultural and its mining and its raw materials economy with an industry economy.

Second, it has been helpful in avoiding undue disruption or burdens on the farming communities because it has accommodated or has afforded a way of moving off those individuals who in the present agricultural economy in that State were unemployed or excess individuals. Certainly we would not want to interfere with or prevent that type of mobility. On the other hand, when an industry or an occupation or an activity suddenly and unexpectedly is forced to shut down in a location, there is no question but what then we face a problem of having to decide whether forcing those people to move may not be an undue hardship and that it might be more economic, more advantageous not only to them but to our economy as a whole to increase the mobility of work. In other words, move work into that area rather than to move people out.

These are very difficult judgments to make. One of the points in my presentation is that I fear they do not lend themselves to general legislative approaches in the sense of trying to spell out just what moves are to be made. I think that if we could encourage the maintenance of the voluntary and the desirable type of mobility, and at the same time encourage more effective utilization of available personnel when suddenly work or the need for services has disappeared in a location, we then would be on a better track than trying to go the route of a detailed, planned control of our economy.

Representative BOLLING. Would you be a little more specific in describing your general approach. Let us take as a point of departure the currently discussed area redevelopment bill. What kind of thing should be done in this present circumstance when we have very large pockets of continuing, chronic unemployment in some States, while unemployment nationwide is at a point somewhat beyond mere hardship. What kind of approach does one take to this aspect of involuntary immobility?

Mr. MORSE. I wish I knew the answer to that. Unfortunately, I don't. I do not have a specific suggestion for it.

Representative BOLLING. In effect, while this should be kept very flexible, you would agree that some sort of step needs to be taken, to relieve this type of area hardship at least on a relief basis.

Mr. MORSE. Absolutely. I should go beyond the need for more relief. Our economy suffers when any area of it is in trouble and our productivity as a nation is diminished when any segment of our Nation is unable to be productive. We should be thinking in terms of finding those solutions, which at the moment I don't have ready to describe, which would either permit such people to move to where work was available or to move available work to where those people are.

Representative BOLLING. I heartily agree.

Mr. MORSE. I don't believe we should settle for either one or the other. I think our economy is dynamic enough and our peek through the veil into the future is indicative of a period ahead of us of sufficiently rapid change so that we shall need several approaches to the problem. In a sense we have a problem of balance here. There are areas where labor is tight. At least there are occupations where the availability of qualified personnel is too low.

Representative BOLLING. I think there is only one area in the country today that has a critical labor shortage according to the Department of Labor if their figures are correct. I think your qualification on the occupational shortage is a wise one.

Mr. MORSE. I should like to say I agree completely wih Mr. Childs that attention to the health of our economy and affording work is far sounder than a handout or relief. Not that relief should be denied. We certainly have to alleviate suffering, and we have to make provisions for those failures of our system to adjust as quickly or as completely as we should like. In the long run I think his point of view, giving attention to what makes our economy most healthful, and what expands the opportunity for the production of goods and services, not only in our own country, but throughout the world, is the constructive, the positive approach, rather than the purely defensive approach.

Representative BOLLING. I certainly agree with that. Mr. Childs, do you have some comments?

Mr. CHILDS. I was thinking about one of the examples that I used, Cadillac, Mich., where the Goodrich Co. is presently in the process of closing down their operation. Their plant in Cadillac, Mich., had been operating for better than 20 years. When the company went into that area, there was considerable reluctance to start an operation there because of the geographical location of the plant and its availability to the auto markets. It was so far away from the auto plants and all the material had to be shipped up past the plants that they were going to supply, and then the finished product had to be shipped back. So it was not too desirable for them to go in there in the first instance. But they did go in there, and they operated their plant for something a little better than 20 years. Because of various pressures to their business, they had to close the plant. They found it necessary to close. I have had an opportunity to talk to many of the people that have worked there, some of them up to 20 years. Many of them came from farms in the surrounding areas. They have lived in the industrial life of that community for many years. They want to continue working in industrial plants. Many of them are applying for jobs in other areas. They are doing it reluctantly, though. They don't want to leave. But

they are forced to. So there is a matter of choice as to whether they stay there and compete with the other available workers in that community with only a few jobs, or whether they go back to the farm, or whether they get out of Cadillac, Mich., is a decision they will have to make.

In many instances, the decision is to leave. I think certainly it is the responsibility of the Federal Government to move into an area of this type and to see what it can do to help establish industry or business or enterprises that will make work available for those people that are already there.

There are other situations where workers would not leave. I have seen areas where workers refuse to leave. They would rather stay there. Particularly this is true among the older workers. They just stay there and hang on. These distressed areas sometimes become blighted areas. I think probably more specifically of the coal mines and of the textile areas. I think there it is the responsibility of the Government to go in and help the community.

Representative BOLLING. Thank you. Do either of you have any further comments?

Mr. CHILDS. There is one comment that I would like to make in respect to this matter of seniority. I think it is indicated that I am a strong believer in seniority. I believe that seniority should be applied not only at the time of layoff and recall, but seniority should be applied in periods of job openings, so that the older worker will have the opportunity of bidding on new work that is made available. I think that a practice of seniority in job placements within a plant helps to overcome the conditions that will arise because of technological changes or the advent of automation within a plant. In not all instances are these things sudden. In most instances these changes are gradual. They may occur in one department this year and a few months later or years later occur in another department. If the older workers, the senior employees, are given an opportunity to make the changes gradually, it will offset some of the hardships that occur when a worker finds that he is no longer trained or equipped or prepared to do the type of work that is available by reason of technological changes. I have seen it in quite a few of the plants. Frankly, I don't think it is nearly the problem that it has been made. Certainly it is the sort of problem that can be overcome by a reasonable application of seniority and the rights of employees to learn new jobs gradually.

Representative BOLLING. Thank you, Mr. Childs. The committee is grateful to both of you for giving us your time.

This completes the third set of hearings in connection with the committee's study of economic policies being conducted under the general title of "Employment, Growth and Price Levels."

The next hearing under this study will be held May 25 through May 28, and will examine the classical inflation and deflation caused by increases and decreases in the effective supply of money and credit.

The committee will stand in recess.

(Thereupon at 11:30 a.m., a recess was taken until May 25, 1959, at 10:00 a.m.)

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