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EMPLOYMENT AND UNEMPLOYMENT

REPORT

OF THE

SUBCOMMITTEE ON UNEMPLOYMENT

OF THE

JOINT COMMITTEE ON THE ECONOMIC REPORT

CONGRESS OF THE UNITED STATES

PURSUANT TO

S. Con. Res. 26

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SENATE RESOLUTION NO 226

[Submitted by Mr. O'MAHONEY]

SENATE OF THE UNITED STATES,
February 22, 1950.

Resolved, That the committee print entitled "Employment and Unemployment," prepared for the use of the Joint Committee on the Economic Report, be printed as a Senate document.

Attest:

LESLIE L. BIFFLE,
Secretary.

EMERY L. FRAZIER,
Chief Clerk.

JOINT COMMITTEE ON THE ECONOMIC REPORT

(Created pursuant to sec. 5 (a) of Public Law 304, 79th Cong.)

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LETTER OF TRANSMITTAL

FEBRUARY 3, 1950.

Hon. JOSEPH C. O'MAHONEY,
Chairman, Joint Committee on the Economic Report,
United States Senate, Washington, D. C.

DEAR SENATOR O'MAHONEY: Transmitted herewith is the report of the Subcommittee on Unemployment, which was appointed by you on June 20, 1949, under Senate Concurrent Resolution 26 for the purpose of investigating "the problem of unemployment trends and their significance in current economic analysis." At the time the subcommittee was formed, unemployment had been rising for a number of months and the situation bid fair to become serious. This, of course, did not develop and unemployment now is some 17 percent below the July peak. Because of this reversal of trend no hearings were held and the work of the subcommittee was directed to certain aspects of the unemployment problem which were of a less temporary and emergency nature as, for example, the problems of distressed areas, technical problems of measurement, and the like.

Since the subcommittee held no hearings, it has relied heavily on the assistance of the executive agencies in developing information for its study. Technicians of the Bureau of Labor Statistics were particularly helpful in preparing materials appearing in a number of chapters. The assistance of the Bureau of the Census, the Bureau of Agricultural Economics, and the Bureau of Employment Security is also gratefully acknowledged. Chapter VI of this report was prepared at the request of the Subcommittee by Miss E. Eleanor Rings of the Legislative Reference Service.

It will be noted that the introduction serves as a summary of the entire activities of the subcommittee and that all of its findings and recommendations are presented in a separate section entitled "Findings of the Subcommittee on Unemployment." The remainder of the report is essentially a staff document and therefore does not necessarily represent the opinion of the subcommittee or its individual members. The several sections of the report are based on studies of the staff of the subcommittee, on materials prepared by the executive agencies, and on the answers received to a questionnaire sent to both the Departments of Commerce and Labor, and to two leading unions, the American Federation of Labor and the Congress of Industrial Organizations.

In transmitting this report we wish to express our special appreciation to Harris P. Dawson, Jr., the economist for the subcommittee, for his excellent services in connection with all phases of our work.

Sincerely yours,

EDWARD J. HART,
Chairman, Subcommittee on Unemployment.

INTRODUCTION

The rising trend of unemployment as a problem of national significance was brought to the attention of the Congress early in 1949. On May 6, 1949, Congress agreed to Senate Concurrent Resolution 26, instructing the joint committee to study, among other things, "the problem of unemployment trends and their significance in current economic analysis," and to "report to the Senate and the House of Representatives not later than December 31, 1949, the results of its study and investigation, together with such recommendations as it may deem advisable." A subcommittee of the joint committee was formed on June 20, 1949, to carry out these instructions.

The unemployment investigation began against a background of high-level employment and economic activity and with the Federal Government, for the first time, committed by statute (Employment Act of 1946) to a policy of maximum employment, production, and purchasing power. During the period immediately following the end of World War II, reconversion had been accomplished with fewer dislocations than had been originally anticipated and unemployment had remained at exceptionally low levels, averaging approximately 1,000,000 during 1945 and 2,000,000 in 1946 and 1947. However, by the fall of 1948 a large part of the accumulated demand for goods and services which could not be satisfied during the war years had been filled at the existing price levels. As goods became more readily available, forward buying by business was shortened and inventories reduced. This resulted in production cut-backs and declines in employment, particularly manufacturing. Unemployment began its first significant rise during the fall of 1948.

At the time Senate Concurrent Resolution 26 was agreed to, unemployment was approximately 3.3 million, having risen steadily for 7 months from 1.6 million in October 1948. While the increase from 1.6 to 3.3 million was significant, this volume still represented only 5.3 percent of the civilian labor force, and the level of economic activity and employment was still high. Total employment at approximately 59,000,000 was near record levels, being only some 4 percent below the all-time peak of 61.6 established in July 1948. Nonetheless, there was widespread concern first because economic activity had pointed downward, whereas a year previously it was still rising; second, and of even more significance, a large proportion of the unemployment was concentrated in a few industrial areas and regions, particularly New England and the west coast, where the situation was considerably worse than in the rest of the country. Attention was called early in the year to the mounting number of so-called distressed areas (labor market areas where unemployment exceeded 12 percent of the labor force). By midyear, steps had been taken toward the alleviation of conditions in these areas. This program included the placing, where possible, of Government procurement orders and construction in these distressed areas, the acceleration of the placement

of loans by the RFC, and encouragement of local initiative in solving these problems. A more detailed discussion of this program will be found in appendix A of this report.

During the initial stages of investigating the various aspects of the unemployment problem, it became evident that improved business conditions were very likely to reverse the rising unemployment trend.

In its initial report, released early in July 1949, and entitled "Employment and Unemployment," the subcommittee summarized its preliminary findings as follows:

1. Although unemployment in terms of 1948 records has risen, the best estimates show that it is not now at unreasonably high levels for the country as a whole. Employment is higher than in any previous year in history except 1948, and the most recent data show an increase in employment of nearly 1,000,000 in June over May, principally in agriculture.
2. About a million and a half more persons are jobless now, after allowing for seasonal influences, than last fall, when unemployment was at a postwar low.
3. Practically all of the recent down-turn has occurred in one field—manufacturing. Some declines in employment have also occurred in transportation, certain services, and mining. On the other hand, employment in trade, in construction, and in Federal, State, and local governmental services has been holding up.
4. The number of persons who have only part-time work but want to work full time has increased by about a million since last year. Most of the overtime prevalent in recent years has been eliminated.
5. Another factor contributing to the rise in unemployment as reported by executive agencies has been a substantial increase in the labor force—due to natural population growth plus the return of many veterans from school—without corresponding expansion in economic activity during the past year.

In review, it can be seen that unemployment reached its peak in July 1949, when the total rose to nearly 4.1 million. Both August and September showed marked improvement, and all indications suggested a continuation of this recovery trend. Because of this generally improved economic situation, the Unemployment Subcommittee decided tentatively not to hold hearings. The coal strike in mid-September and the steel strike which began October 1, interrupted the recovery trend, and a significant volume of strike-induced unemployment first became evident in the October statistics.[1] By mid-November, however, as a result of the resumption of coal mining and the return of the steel industry to production, a gradual pattern of improvement was forecast. It seemed probable that further business recovery could be anticipated through the remainder of 1949 and that the first real test of the economy's stability would occur during the summer of 1950. In view of these conditions, the Subcommittee on Unemployment decided not to hold hearings in connection with its current study, on which a final report is required by December 31, 1949.

At the very outset of the study there arose certain basic questions concerning the present status of the unemployed, including: What is now being done by Government to aid them and what programs are specifically directed toward improving the status of these individuals? Because the subcommittee studying the characteristics of low-income families was also interested in these questions, a committee print entitled "Selected Government Programs Which Aid the Unemployed

[1] Under normal Census Bureau practice, workers on strike who do not report that they are looking for other work are carried as employed because they actually have a job; in October, however, a large number of workers who were on strike did report that they were seeking employment in other fields, and consequently were reported as unemployed.

and Low-Income Families" was prepared by the staff of the Unemployment Subcommittee and released jointly by both subcommittees on November 9, 1949. This report brought together and briefly described a number of major programs, some of which directly and others indirectly aid low-income families and the unemployed.

The staff of the subcommittee was asked to prepare a list of questions which was sent to the Departments of Labor and Commerce and the American Federation of Labor and the Congress of Industrial Organizations. These questions dealt with such matters as the importance of selected levels of unemployment, the causes for the recent rise in unemployment, the significance of the low unemployment levels of the war years, remedial measures to be adopted in order to prevent declines in employment and rises in unemployment, the implications of the foreign-aid program for current levels of employment, suggested improvements in State unemployment compensation laws, taxes as a factor in the unemployment picture, and regional and area aspects of the unemployment problem. An analysis of the replies to these questions appears in chapter I and the verbatim replies appear in appendix B.

The subcommittee gave particular emphasis in its investigations to the problem of those areas and regions where the incidence of unemployment was largest. Early study revealed that New England was having more difficulty in maintaining a high level of employment than the other regions of the country and as a result warranted immediate and detailed study. The importance of regional studies was evident to the joint committee when it reprinted last July (1949) a study made by the National Planning Association entitled "The Impact of Federal Policies on the Economy of the South." Because of the immediacy of the New England situation, the joint committee requested the National Planning Association to initiate a study of New England and a preliminary meeting of New England legislators, businessmen, labor leaders, and others was recently held in Boston to form a Committee of New England for the purpose of launching this investigation. The joint committee intends to have this report printed when completed. The subcommittee suggests that similar attention be given to the other great areas of the country. With a constantly expanding labor force, greater industrial development for the other major regions becomes increasingly necessary. Basic to such studies is an accurate compilation by regions and States of reliable statistics such as will be provided in the committee print Handbook of Regional Statistics. It will be of considerable value to Members of Congress and to the various regional and State planning and development agencies and should serve as a major stimulus for further regional inquiry.

A part of the investigations of the Unemployment Subcommittee pertains to a study of employment trends of the major groups in American industry between 1929 and 1949. One is immediately impressed by the progress which has been made by American industry during these two decades. Despite the sharp rise in employment over the 20-year period, some American industries have actually lost ground in the interim. Chief among these are mining, transportation, and large segments of the textile group. The concentration of these industries in certain localities and regions, coupled with the

absence of alternative job opportunities, have created severe local unemployment problems. In October 1949 there were 33 labor market areas classified by the Bureau of Employment Security as in the "E" status (e. g., 12 percent or more of the labor force unemployed). Examination of the industrial composition of these areas reveals that in 25 of them the dominant or most important industries were either textiles or coal mining. Fifteen of the thirty-three depressed areas reported heavy concentration in textiles and by far the largest number of these were in New England. The other 10 were dominated by coal mining, primarily in Pennsylvania, Illinois, and Indiana. In chapter IV of this report short reviews of five of the leading problem industries in the country have been included. In every case the decline is chiefly the result of either the exhaustion of a raw material or a technological development.

Distressed areas are not new to the American scene. Among our earliest were the shipping and fishing villages along the New England coast, followed at a later period by the canal towns of the East and Midwest with the advent of the railroads, and even more recently the ghost towns of the West which resulted from the collapse of gold and silver mining booms. Probably because of the rapid expansion which was occurring throughout this period and because of the economic philosophy prevailing at the time, no major significance was attached to these early distressed areas; but with the Nation becoming more mature the question arises whether some Federal policy should not be developed to handle the current group of distressed areas, and those which are bound to develop in the future under the changing conditions of a free society.

The subcommittee felt that particular study should be made of the official unemployment figures. When unemployment was at the 4,000,000 level last July there was considerable discussion, and some confusion, concerning the meaning of this figure and particularly its significance when compared with the size of our working population. There arose such questions as: Were all who were looking for employment actually being included? And conversely, did the official estimates include among the unemployed some who properly should not be classified as job hunters? Clearing up confusion concerning the meaning of the official unemployment figures is particularly important in view of the increasing attention which is being given to this figure as an economic indicator. At a hearing before the Joint Committee on the Economic Report on September 23, 1949, 15 leading economists submitted a statement entitled "Fiscal Policy in the Near Future,"[2] from which the following two paragraphs are extracted:

> Although no major change in fiscal program is indicated for the immediate future, the country should have positive assurance that the Government will be prepared to act promptly either if prices should display a sharp and continuous upward swing, or if unemployment should increase substantially. Congress should plan ahead and announce the actions to be taken in either contingency. It should enact preliminary legislation to be effective when needed.
>
> Congress should act in case of a decline in activity involving a genuine increase in unemployment of more than 1,500,000 persons above present levels. This would mean total unemployment of about 5,000,000 according to present methods of computation. The extent, combination, and sequence of its actions should depend upon the severity of the recession.

[2] Federal Expenditure and Revenue Policies, hearings before the Joint Committee on the Economic Report, 81st Cong., 1st sess.

The subcommittee felt that because of the growing importance of the unemployment count, a more thorough explanation should be made available not only of the techniques used but also of the philosophy involved. A detailed discussion of this problem will be found in chapter V.

Another question of vital importance is that of determining the point at which unemployment becomes critical; that is, so large that through contraction of buying power it brings about further unemployment. With the full realization that no exact answer can be given to this question, the subcommittee still felt this type of theoretical investigation was warranted, particularly in view of the wide differences of opinion that exist as to what constitutes a serious volume of unemployment and what amount of unemployment may prevail in a period of maximum, or full, employment. The Legislative Reference Service of the Library of Congress was asked to gather materials on this subject and its report entitled "Determination of the Critical Ratio of Unemployment to the Total Labor Force at Full Employment" appears as chapter VI of this report. This document is not intended as an expression of the views of the subcommittee or its individual members and is being included in this report only because it does represent a valuable contribution to the thinking on this important subject.

This treatise discusses a number of fundamental problems pertinent to an understanding of the relationship of unemployment and full employment, including factors affecting the size and composition of the labor force and those changes which have resulted during the war and postwar period. In discussing labor mobility the report points out that unemployed workers have a high degree of geographic loyalty. This fact is of major importance in attacking the "distressed area" problem. It suggests that of the two alternatives, one of taking people to jobs or, two, of bringing the jobs to people, the latter is generally the most effective. Even with high subsidization only the more adventurous workers are likely to move to another geographic area and it is probable that as a result, the area may become even more depressed than formerly, with only the very young and the very old remaining behind. The final sections of this report treat the relation of frictional unemployment to full employment and discuss a number of definitions of full employment. While it presents no new theoretical knowledge on the subject, it does bring together and discuss a number of important facets of the over-all full employment problem which should be reviewed by those dealing with this subject.

EXPLANATORY NOTE.—Senate Concurrent Resolution 26 also authorized a study of the low-income families and a subcommittee was appointed to make this investigation. The fact that nearly 10,000,000 families in the United States in 1948, a year of relatively high prosperity, received total money incomes of less than $2,000 suggested that the problems of these families deserved immediate study in order to expand the production and consumption of this segment of the American population. Obviously within these low-income families are found a majority of the unemployed and throughout the two investigations it was found that much of the information developed in one study was of equal significance to the other. More-

over, recommendations concerning these families and individuals in many cases can properly be made in either of the two studies. Therefore, this report and the report of the low-income families should be treated as companion documents. For purposes of convenience, this report is restricted to the economic aspects of the problem of unemployment, to certain technical and theoretical questions of measurement and in the social field, to a discussion of unemployment insurance. In the low-income study one will find treatment of such broad social problems as old-age, medical, education, and health problems, disabled workers, etc.

Employment and Unemployment

FINDINGS OF THE SUBCOMMITTEE ON UNEMPLOYMENT

The subcommittee began its investigations at a time when the economic situation appeared serious and unemployment was mounting. The foremost question was "What immediate emergency action should be taken to reverse the rising trend?" As the investigations progressed, however, the economic situation improved and the need for emergency measures passed. No hearings on unemployment were held. Nevertheless, this period of relative stability, but of unknown duration, provided an opportune period for reviewing the fundamental causes underlying unemployment, causes which, if not treated, may again produce a rising unemployment trend.

In summary, the subcommittee noted three areas in which action is needed (1) Additional information is needed about the problem of unemployment itself. (2) Revisions should be made in a number of the stabilizing programs, including unemployment insurance and public works programs. (3) Actions should be taken of a broad economic nature, including regional and area development programs, modification of restrictive excise taxes, expanding investment opportunities, and so forth.

Probably the most significant need established by the subcommittee's investigations was the lack of information on the location, number, and characteristics of the unemployed workers and their families. Who are these unemployed persons? Do they have families? How old are they? What skills and aptitudes do they have? And, where are they? Since the Nation has recognized its responsibility for high levels of employment, production and purchasing power (in the Employment Act of 1946), there should be available the necessary statistical measures to implement this responsibility. Consequently, the subcommittee recommends that study be given immediately to the problem of providing, on a regular basis, regional and area information on the volume of total unemployment.

While the subcommittee anticipates no serious economic downturn in the near future, it is convinced of the wisdom of always having available, as a precautionary measure, a shelf of public works blueprinted for immediate action, such as is now being undertaken under the advance planning and public works program. Over and above this program, study should be given to the problem of developing useful projects for nonconstruction workers. The only sound solution is continuous full employment similar to that of the 1946–49 period, to be brought about by expansion of consumption, private investment, and production.

Similarly, the only real remedy for regional or "spot" unemployment is a dynamic expanding national economy which will either provide attractive job opportunities outside the distressed areas or hold out the prospects for such business profits as will encourage new

industry to come in. If the coal and textile industries were not currently "problem" industries, there would have been, as of October 1949, only 8 distressed or "E" areas, instead of 33. Many of these areas are chronically distressed areas. Witness the findings of numerous Federal, State, and local investigations. Only during the tight labor market years of the war and postwar period did they get out of the distressed area classification.

Temporary programs for alleviating conditions in these areas, including the President's program for channeling Federal procurement into the areas,[1] should be continued. Plans should be stepped up to induce new industries to be located in such communities and to revive those industries which are lagging. In addition, unemployed workers should be encouraged, through vocational training and other means, to seek jobs elsewhere. Needed local public improvements should be made. In some communities and States, as, for example, Michigan, full-employment committees have been established and have accomplished much in improving local conditions—in others, development corporations with lending powers have been effective in attracting new businesses.

All of these endeavors, while excellent, are limited in their effectiveness by the general economic health of the Nation. Only through a general expansion of consumer purchasing power on the one hand and increased job opportunities on the other can the basic causes for unemployment in distressed areas be eliminated, and further formation of new ones be prevented. Thus the programs considered by the Subcommittee on Unemployment should be dovetailed not only with the work of the Subcommittee on Low-Income Families, which is seeking ways and means to expand the consumption and production of the 9.6 million families with incomes under $2,000, but with that of the Investment Subcommittee, which is studying means of stimulating private capital formation, plant expansion, and attendant job opportunities.

In order to promote continued economic growth the subcommittee recommends that serious attention be given the possibility of further study in the field of regional development. One great region of the Nation, New England, is currently examining such factors as may be hindering its rate of development. Of importance to the country as a whole, however, is the further development of the other great regions, particularly those which are predominantly agricultural. Opportunities for additional river-basin agencies for multiple-purpose river development, for flood control and reclamation, should not be overlooked.

In the field of social security the subcommittee concerned itself only with the provisions of unemployment insurance and left the other segments of the social security field to the work of the Subcommittee on Low-Income Families. The subcommittee found that over the past 15 years, since the passage of the Social Security Act in 1935, most States had made considerable improvement in their laws, raising minimums, maximums, and average weekly payments; increasing durations of payment, cutting waiting periods, and broadening coverage. Yet because of the major economic changes which have occurred during the war and prewar years, particularly in wages and

[1] See appendix A for a detailed discussion of this program.

prices, serious deficiencies exist in many of the State and Territorial statutes. These deficiencies can be classified broadly as (1) inadequate coverage: 3 out of 10 employees are not now covered by unemployment insurance; (2) inadequate benefit provisions: The average weekly benefit in fiscal year 1949 was $19.89, almost double the $10.56 average payment in 1940. But because wages have risen even more sharply in this period, the proportion of the wage loss which is replaced by the benefit has fallen. In May 1949, when average weekly benefits of $20.08 were exactly one-third of wages in covered employment, benefits were less than 30 percent of wages in 18 States and were over 40 percent in only 4 States. (3) Experience ratings tend to make contribution rates fluctuate inversely with the volume of employment; (4) administrative weaknesses, including provisions for determining eligibility and benefit amount in interstate claims, payment procedures, etc.

In general the subcommittee believes that unemployment insurance payments should be as high a proportion of wage loss caused by unemployment as is practicable without inducing people to prefer idleness to work. Moreover, the higher the ratio of unemployment benefits to wage loss caused by unemployment, the more effectively unemployment insurance limits the tendency for the reduced purchasing power of unemployed persons to create more unemployment.

In view of the fact that there are 51 separate State and Territorial unemployment insurance statutes and that the subcommittee could not, and did not, make a detailed study of these statutes, it is not in a position to make specific recommendations. Nevertheless the subcommittee does feel that, in terms of general economic policy, consideration should be given to liberalizing the several provisions of this important stabilizing factor in the economy. National economic stability requires worker participation not only as producer but also as consumer.

Much attention has been given the fact that the trend of unemployment has been improving. Less has been said concerning the nature and extent to which the working population is still underemployed. Yet in the business of earning a living, underemployment can be perilously close to no employment and only the dynamics of an expanding economy provide the impetus necessary to reduce both unemployment and underemployment to a minimum. Under conditions of today's war of ideologies, the subcommittee views anything notably short of full employment, and of a more than temporary duration, as serious.

(Signed) EDWARD J. HART,
Chairman.

FRANCIS J. MYERS.
ARTHUR V. WATKINS.
WALTER B. HUBER.
CHRISTIAN A. HERTER.

CHAPTER I

SUMMARY OF REPLIES TO SUBCOMMITTEE'S QUESTIONNAIRE

Seeking facts and competent opinions to guide its appraisal of the current situation, the subcommittee in September addressed a series of questions to certain agencies and groups immediately concerned with unemployment, and presumably well-informed. These included the Department of Commerce, the Department of Labor, the American Federation of Labor, and the Congress of Industrial Organizations. The questions and the responses are reproduced in full in the appendix to this report. Following is a digest of the responses, intended to bring out those statements and conclusions which appear most helpful in the committee's immediate work.

When these questions were phrased by the subcommittee in September, the most recent estimate of the number of unemployed in the whole country (August) showed only a slight decrease from the July peak of 4.1 million. Many people were seriously concerned over the possibility that conditions might become worse during the fall and winter. Since then, however, the situation has improved until the November reports showed 3.4 million unemployed and most of the experts seem to feel that the situation will not get any worse during the winter.

The reactions of the respondents to this recent experience of ups and downs are very illuminating. They reflect significant differences in the approach to the problem, but they also reflect thoughtful and serious efforts to think it through and come up with definite conclusions that should be most helpful to the committee in considering possible alternatives for administrative and legislative action, if any.

In the first place, agreement is both general and definite that unemployment must not be considered separately from the general problem of national economic health and strength. The respondents are unanimous in emphasizing the wisdom and even the necessity of heading off a serious unemployment situation, rather than waiting until it becomes "alarming" and then trying to soften its impact by emergency action which might well be too late to avoid a real disaster.

In the second place, all the respondents agree that national totals or averages are not enough to tell what is really going on and what to do about it, if anything. Repeated warnings are stressed that totals or averages may conceal the situations that exist in particular areas, or industries, or age groups, or racial groups; that such situations may be serious in themselves, and may be the warning signals of "alarming" developments to come if the local troubles are concealed and therefore neglected. For these and other reasons, each of the respondents urgently recommends measures to obtain better knowledge and understanding of what kind of people are unemployed, how long they have been out of jobs, what they can do, and where they are.

In the third place the statements submitted reveal strikingly different attitudes toward the fact of unemployment amid otherwise prosperous conditions. The respondents take quite different positions on the first question asked—the question whether the current level of about 4 million unemployed is "alarming", and what level would be considered "normal", and what level would be considered "serious". Reactions to this question range from that of the Secretary of Commerce who viewed the November figure of 3.4 million as "certainly not abnormal", to that of the Congress of Industrial Organizations who held that anything approaching 4 million unemployment is alarming.

The present inquiry has been unusually fruitful, however, in getting definite recommendations on what can and should be done. The area of agreement here is larger than would be suggested by the somewhat divergent attitudes toward the meaning of the immediate situation. This encouraging degree of unanimity on specific measures extends to the related problems of social insurance, the impact of international programs, and the responsibility of the Federal Government for unequal levels of prosperity and opportunity among various parts of the country.

The following paragraphs will summarize the responses to the questions asked and the recommendations of the respondents for substantive action.

Question 1. Unemployment is currently reported at approximately 4,000,000, or about 6 percent of the civilian labor force. Do you consider this an alarming level? If you do consider this an alarming level, what level of unemployment would you consider as normal in relation to the current labor force? If you do not consider 4,000,000 as alarming, at what level of unemployment would you consider the situation serious?

The Secretary of Commerce viewed the situation with equanimity as of December 16, 1949. His complete statement on the above question is as follows:

> In view of the fact that unemployment has dropped approximately 500,000 since the June peak, it is clear that there is no present cause for alarm. The November figure of 3,400,000 is certainly not abnormal unemployment.

The Secretary of Labor takes issue with the question itself. He feels that emphasis should be placed, not so much on the actual "level" of unemployment, but rather on the tendency for the level to rise or fall. He rejects the idea that a reserve of unemployed is necessary for economic health, over and above what is ordinarily meant by frictional unemployment. He notes, in effect, that frictional unemployment is not desirable in and of itself.

Secretary Tobin in his statement outlines an analysis of the ordinary concepts of unemployment and also the theoretical concepts. It is a thoughtful analysis that should be helpful to the subcommittee and to the full committee in considering the problem of unemployment and the inseparable problems of economic and social health. He points out that insofar as the concepts of normal or frictional unemployment are valid at all, these concepts must be directly related to a time and place. How many people—individual human beings—are looking for jobs? What kind of people? What kind of jobs, when, and where? No general quantity or percentage can picture the actual conditions that exist well enough to indicate what ought to be done.

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Changes and adjustments are going on all the time and this is not merely desirable, but necessary in a free society. Such adjustments take place even in wartime.

The Secretary of Labor further provides a useful analysis of what causes unemployment, frictional and otherwise. The idea of frictional unemployment, he points out, generally does not include the people who are displaced by economic or technological change with respect to markets or products. It should include only those unemployed who cannot be absorbed by improvement in the demand for the product of their labor. If unemployment is only frictional, therefore, a job is open somewhere for each job seeker. Since this situation is hardly capable of measurement by statistical methods, it is not possible to define normal unemployment in terms that can be measured statistically.

This analysis, observes the Secretary of Labor, suggests that the problem of reducing unemployment (not simply mitigating its hardships) can be approached from two directions: (1) organizing the labor market more efficiently to bring worker and job together more quickly, thus reducing the immobility of labor and facilitating the adjustment of labor to requirements; and (2) increasing the effective demand for goods and services. Both approaches demand detailed studies and economic analyses of employment and unemployment developments in specific areas. The labor market is local, not national. Unemployment in various parts of the country may be far above the danger point, while the national average figure indicates a relatively good or normal situation. Appropriate measures must be taken to combat unemployment and to minimize its effects whenever and wherever necessary, whether or not the trend of national unemployment totals appears alarming.

The American Federation of Labor agrees with Secretary Tobin that the direction and rate of the trend are more significant, for action, than the absolute level of unemployment at any particular time; and that the term "normal" is too ambiguous to be helpful in this context. The federation also agrees that the present level of unemployment is not alarming nor dangerous to the general stability of the economy, as long as it is improving. The level nevertheless represents a lot of people; it is definitely higher than that toward which national policy, public and private should aim. It is suggested that any involuntary unemployment is alarming to the individual and the family concerned.

Even though the situation is not now as alarming as it was a few months ago, the federation urges that measures be prepared now so that if the adverse trend is resumed and some new danger level is reached, prompt, timely, and appropriate action can be taken on a broad front. Otherwise the situation might deteriorate to the point where such measures would prove inadequate, and costly and drastic emergency expedients would be required.

The Congress of Industrial Organizations is brief and explicit on this question. Their employment committee states that in terms of accepted national policy, anything approaching 4,000,000 unemployed is alarming in the sense that we, as a nation, are not living up to our responsibilities. They go on to say, as did both the Department of Labor and the American Federation of Labor, that the plight of those

affected by unemployment in local distressed areas during the past year has been much more difficult than national totals would suggest. In certain areas the workers are rapidly exhausting their unemployment compensation benefits on a large scale. The only real answer to such local but acute problems, it is observed by the CIO, is a national economy that is expanding rapidly enough and broadly enough to meet the needs of the growing population and its members who are able and willing to work—in other words, the labor force.

Question 2. To what basic economic factor do you attribute the rise in unemployment which has occurred during the last 9 months? Do you believe that this trend will continue into next spring?

All four of the organizations questioned apparently agree with the interpretation of the Department of Commerce that the growth in unemployment from the end of 1948 to mid–1949 can be attributed to a concurrence of two closely related developments: (1) decreases in demand and therefore in production orders for a variety of manufactured commodities as postwar backlogs of demand were worked down; and (2) building up of inventories in the hands of producers, wholesalers, retailers, and consumers to the point where sales were made out of stock and were not entirely replaced by new orders, as businessmen became more concerned with the possibility of price declines or of a recession in total demand.

The Department of Labor goes on to say that the economic developments of the coming year depend upon what happens to the volume of business expenditures for industrial expansion, which is described as the usual carrier of prosperity. In a more fundamental way, however, continued improvement in employment is thought to depend on the whole process of price adjustment which may permit higher real demand on the part of consumers.

The American Federation of Labor observes that the decline in employment and production, which has been termed an "inventory," recession, is due in reality to ineffective demand for the products at the prevailing market prices, for the surplus stocks would not have accumulated at all if production had not been in excess of purchasing demand. There must be enough effective consumers' demand to take the goods off the market. This can only be accomplished, says the federation, through lower prices or through higher incomes for those who have been priced out of the market, or both.

Furthermore, says the federation, even if we succeed in regaining our past peak of production, this will probably involve a lower level of employment than before because of increases in output per man-hour. It will, therefore, not provide enough additional employment opportunities for the new members who graduate from school and enter the labor force every year. This means that we must continue to surpass our peacetime records of production if cumulative unemployment is to be avoided.

The Congress of Industrial Organizations, agreeing in general with these analyses, adds that the recent drop in economic activity was due in part to the earlier and premature lifting of economic controls.

Question 3. It has been suggested that neither labor nor management had the necessary freedom of movement or choice during the tight labor markets of the war period and that national efficiency suffered as a result. Please give your reasons for agreeing or disagreeing with this statement.

Responses to this question have apparently been guided largely by the interpretation placed upon the terms of the question The Department of Commerce observes:

> Of course neither labor nor management had complete freedom of movement during the war and it is impossible to state whether this resulted in an impairment of national efficiency. The probabilities are that we did as well as could be done under the circumstances.

The Department of Labor remarks that the cooperative efforts of management, labor, and government, after a rather slow start, resulted in an amazingly high degree of national efficiency for the prosecution of the war. Naturally there was a tight labor market, reflecting success in the effort to mobilize all our resources. Productivity in war industries nevertheless showed a spectacular rise. Peacetime industries suffered because they had to take what was left. This wartime experience has few if any implications for a peacetime labor market.

The American Federation of Labor states that the efficiency realized depends upon the efficiency exercised—efficiency in the organization and use of the available resources for the desired purpose—and not by the manner in which nonexistent resources might have been used had they been available.

The federation goes on to say that a tight labor market, where business is faced with competitive conditions, should actually place a premium on efficiency and encourage improvements in the productive processes and in the organization and use of the labor force. Wider adoption of employment stabilization measures in seasonal industries, for example, could reduce seasonal fluctuations. A tight labor market would encourage this.

The Congress of Industrial Organizations agrees that a tight labor market is advantageous to working people without being undesirable, in balance, to the society as a whole. They go on to say that even if a slight gain in productivity resulted from the pressure of frictional unemployment, it would be more than offset by the loss of production resulting from the unemployment and the need for drawing off goods and services to care for such unemployed workers and their families.

Question 4. When unemployment reaches a level which you consider alarming, what specific measures would you advocate to cope with it?

With a single voice and resounding emphasis all the respondents reply in effect that it would be folly to let unemployment ever reach alarming proportions.

> The time to take action to prevent serious unemployment is long before the situation arises. If unemployment ever reaches an alarming level, it will be exceedingly difficult to do anything about it. (Commerce)
>
> We cannot wait until unemployment becomes alarming before moving against it. (Labor)
>
> The Employment Act of 1946 does not seem to envisage a state of affairs in which things are allowed to drift until employment becomes alarming * * * assuming that national economic policy remains imperfect, our approach should still shy away from waiting for unemployment to reach an alarming level. (CIO)

In terms of practical action the respondents all urge that the time to become alarmed and to corrective action is before unemployment reaches proportions large enough to be seriously damaging. Steps must be taken while this condition is still but a threat.

But there is considerable divergence of opinion as to the point at which it would be wise and prudent to take protective steps. The Secretary of Commerce feels that "3,400,000 is certainly not abnormal unemployment," and that—

> There are many factors in the current situation which render such a disaster an alarming level highly improbable unless some basic error of program should be made and there is no apparent reason to fear this at this time.

The Secretary of Labor states that "any upward trend in unemployment is serious and needs careful attention." The AFL observes that the present level of unemployment is "greater than that toward which national policy, public and private, should aim over the long run." The CIO warns:

> It would be only too easy to say that 4,000,000 unemployed is not alarming and then, by the same token, one could go on next year and say that 6,000,000 unemployed is not alarming because, after all, 4,000,000 unemployed was normal and 6,000,000 is only 2,000,000 more than 4,000,000, etc.

If the question and the responses are interpreted on this basis, there would appear to be substantial agreement in principle on the following kinds of measures to counteract a threatening rise in unemployment before it becomes seriously damaging.

(1) Provide, in advance, measures to minimize the hardship and the impact of unemployment wherever and whenever it occurs. Various detailed recommendations are given, mainly aimed at improving the present unemployment insurance system to make it a more effective program for combatting unemployment as well as for softening its impact.

(2) Measures in fiscal policy and fiscal operations designed to stabilize, so far as possible, the total volume of income and expenditures in the economy.

> The great merit of compensatory fiscal policy—

says the Secretary of Labor—

> is that it can be used to minimize recessions and thus prevent unemployment without resort to more costly or less desirable programs for dealing with the problem of unemployment.

(3) Advance planning of public works, an existing policy of the Congress, is again endorsed.

(4) Precautionary advance preparation of works projects for the useful employment of nonconstruction workers, in case other measures prove insufficient and emergency action in particular areas and among particular groups become necessary.

(5) Precautionary measures to assist hard-hit communities in helping themselves. Projects should be carefully designed in advance, to meet the requirements of the community and of its unemployed labor force; closely tied in with locally developed long-term plans for economic recovery of the areas. Such local projects would provide immediate relief, and would also provide a means of testing and perfecting the more comprehensive Nation-wide programs contemplated in 3 and 4 above.

Other kinds of measures recommended or suggested for consideration by the American Federation of Labor, and quite possibly acceptable in principle to others, include:

(*a*) The promotion and encouragement of employment-creating cooperative undertakings.

(*b*) Reduction in the standard workweek and workday without loss of earnings.

(*c*) Special measures to make surplus food products available to unemployed and low-income families.

Question 5. Do you consider our foreign-trade policy a factor in the recent rise of unemployment? How significant do you believe the Marshall plan has been in bolstering our domestic economy?

The respondents are in agreement that foreign-trade policy and the Marshall plan have not been major factors in domestic employment during the postwar years; that their direct impact has probably been favorable, on balance; and that the significance of international policy to national economic health and strength far outweighs any detailed effect, favorable or unfavorable, on employment in particular industries and areas.

Question 6. What do you believe would be the effect of a fourth round of wage increases on the level of employment?

This question naturally evokes quite different answers from the several respondents. Most of the detailed replies, however, bear evidence of serious effort to penetrate below the surface of immediate group interest and weigh the impact of wage increases on the general and long-run interests of the Nation. Following is a brief digest of the four responses, but attention is strongly invited to the complete statements reproduced in the appendix to this report.

The Secretary of Commerce states definitely that "the over-all effect of a general fourth round of wage increases would be to reduce employment" by shutting down many small businesses, now operating so close to the break-even point that they could not absorb wage increases and are unable to pass them on in higher prices because of buyer resistance.

The Secretary of Labor, after outlining the relative movements of wages and prices in the postwar years, concludes that "any simple generalization with respect to the effect of a fourth round of wage increases on the level of employment would appear inappropriate." He remarks that the term "round," in the sense of a broadly uniform wage movement throughout the economy, is a dangerously misleading concept. There have been too many divergencies from any general "pattern" of wage increases, even in manufacturing. Wage adjustments in particular industries and establishments have been and are taking place more or less continuously, through collective bargaining or employer personnel administration.

> By and large, these adjustments should not have an adverse effect on the general level of employment. On the contrary, the net effect of these selective adjustments should be to increase the effective demand for goods and services, on the assumption that, for the most part, the increases can be absorbed within existing cost structures because of increasing productivity."

The AFL also notes that—

> there is a large element of fallacy in the whole popular concept of "rounds" as applied to wage negotiations * * *. Wage negotiations are a continuous and decentralized process, and their results are determined by a complex of factors that vary from situation to situation, from time to time, and from industry to industry * * *. Wage negotiations and settlements have been taking place all year, practically every day in the year, and the great majority of settlements have involved well-earned and justified wage increases, with no adverse effects on employment or the soundness of the economy.

In a further striking comment, the AFL continues:

It should also be noted that sustained upward pressure on the part of wages, where downward competitive pressure on prices exists, places a premium on efficiency, and stimulates and encourages improvements in technology and technique. Industrial and technical progress has never been sustained where these pressures were absent and labor was cheap and weak in bargaining power. In a very real sense, increases in productivity are as much a product of, as they are the occasion for, high wages over the long run. The intrusion of wage levels on profit margins in competitive industries is a strong factor in inducing industry to invest in more efficient and productive facilities to protect its margin, and it assures an expanding market for the increased output. Industry tends to stagnate where wage levels are static and margins are guaranteed.

The CIO does not express any particular disagreement with the term "round" of wage increases, and feels definitely that they can be absorbed in most industries and that the result would be favorable.

A fourth round of wage increases in those industries which are capable of paying them (and in spite of the slight recession which has occurred in 1949, this would take in most industries in the United States) would, we believe, have a salutary effect upon the economy and on the general level of employment. This would be particularly true if, as seems possible in the light of existing market conditions, such a round of increases were accomplished without any subsequent price increases, with the net result of effecting a redistribution of income toward the middle and lower ends of the income ladder.

Question 7. What specific changes would you recommend in the existing unemployment and relief programs?

In answer to this question, the Department of Commerce states:

The specific changes which should be made have already been proposed to Congress in the President's program with regard to such changes.

The Department of Labor amplifies its statement by observing that since Federal legislation was passed because of the concern of the National Government with the problem of unemployment, it is of national concern that the State unemployment insurance laws not only exist but adequately and efficiently provide a basic income to individuals who are involuntarily unemployed. It is therefore suggested that there be improvements in the benefit amounts and duration, and eligibility and disqualification provisions for the benefits now existing in the State laws, and that there be enacted additional minimum standards in the Federal law which the States must meet in order to merit the approval of their laws. For the increases in insurance should keep pace with standard wage increases and the rise in the cost of living.

More specific suggestions by the Secretary of Labor are summarized as follows:

(1) Concerning inadequate coverage: Only about 7 out of 10 employees are now covered by unemployment insurance. The coverage system should, therefore, be greatly extended if it is to protect all workers. It should cover employees of small firms. All but four of the States which place any limitations on the size of the firms covered have legal provisions for covering all firms, regardless of size, if and when the Federal unemployment coverage is extended to employees of small firms.

Unemployment benefits should also be provided for Federal employees. In the immediate future, benefits should be extended to those groups to whom coverage was extended under old-age and survivors insurance in H. R. 6000. Coverage of State and local employees will have to be left to the initiative of the States because of the lack of Federal power to tax State and local governments.

(2) Concerning duration of time: A Federal standard requiring the State to pay benefits for a minimum duration of time is also necessary if the benefits are to last long enough. The Secretary of Labor suggests that a potential duration of 26 weeks would seem to be sufficiently long to compensate individuals for the duration of their unemployment except in special cases. (The Congress of Industrial Organizations, however, feels that the period should be 52 weeks.) The Department of Labor suggests that the Federal standard should require that the maximum duration should be available to all unemployed individuals who meet the minimum qualification requirements. Federal legislation should set the minimum standard and should also safeguard the maximum requirements beyond which the State cannot go in testing unemployed persons' eligibility for benefits by past earnings or employment.

It has also been stated that if the Federal Government is going to require minimum benefits, it should be prepared to underwrite the State fund even if only a few States would need Federal aid in meeting their benefit costs.

(3) Administrative deficiencies: It appears necessary for authority to be given to the Federal administration to see that the States where Federal funds are to be used have methods of administration which will result in the effective prevention, detection, and punishment of fraud and willful misrepresentation so that the benefits will be paid only to persons entitled thereto.

(4) Question of dependents: It would also be desirable that all States pay minimum additional allowances for dependents. By graduating the allowances for persons with one, two, or three dependents, the benefits are kept below an incentive-weakening level without putting it below a subsistence level of wage earners with families of different sizes. Dependent allowances are also an economical way of providing adequate benefits, since they are to be paid only to a portion of the claimants.

(5) Relief of the unemployed: The Secretary of Labor recommends that Congress extend its system of grants-in-aid for public assistance to the unemployed to include a grant-in-aid program for general assistance as contained in legislation already proposed (H. R. 2893). Such a program is necessary because of the fact that unemployment insurance cannot be expected to compensate all unemployed persons for all unemployment. Even with universal coverage, some persons will not be able to meet the qualification requirements and some may require supplementary assistance in addition to the insurance benefits. Also there are limits to the length of time that unemployment benefits can be paid if they are directly related to previous earnings and employment. A residual program of public assistance is therefore necessary for the unemployed, as it is necessary for the aged, to supplement the insurance program.

The problem of grant-in-aid programs is discussed in detail in the report of the subcommittee on low-income families.

The American Federation of Labor is particularly in favor of the establishment of a national system of unemployment insurance. Unemployment is essentially a national matter. The federation also favors a national system of free employment offices which would be under the unified direction of a national employment bureau, not cut up into separate State agencies. It would be financed by adequate

Federal appropriation and guided by the Federal civil-service standards as regards wages, working conditions, and tenure for its employees.

Question 8. Do you believe that the repeal of the excise and luxury taxes concurrently in effect would contribute to a reduction in unemployment? In what industries, and to what degree would you expect such a repeal to be most effective?

All four respondents agree that the repeal of the wartime excise taxes would have a beneficial effect upon sales and production in the industries affected by such taxes and therefore would help reduce unemployment in these industries.

The Department of Commerce states that the repeal of excise and luxury taxes, if passed on to the consumer, would have the same effect as reductions in price and therefore would increase the demand.

The American Federation of Labor suggests in addition to excise tax relief, a complete revision of the entire tax structure to make it conform more closely to equitable tax principles:

> For a healthy economy, taxes must be levied according to the ability-to-pay concept, with chief reliance for governmental revenues placed upon the progressive income tax.

The federation takes occasion to observe that the burden of sales and excise taxes is added at some level to nearly all goods that move in commerce and is ultimately reflected in virtually all prices to the consumer, even where there is no direct tax on the particular item in the final transaction. Multiple taxation and cumulative additions to the final price result from pyramiding of sales and exise taxes in different stages of production and distribution, and in the combination of Federal, State, and local taxes. Taxes of this type should be reduced and eliminated wherever possible. Among the Federal taxes that are suggested for immediate repeal are those on oleomargarine, the transportation of persons and property, toilet preparations, electric light bulbs, electric energy, matches, tires and inner tubes, and handbags, and other luggage. The excise taxes to be reduced or eliminated should be selected on the basis of their impact on the lower-income family budgets and the extent of their effect on price levels generally. Those taxes which fall upon everyday necessities of the lower-income groups should be the first to be abandoned. Studies for a complete revision of the tax structure, says the federation, would show how any resulting loss of revenue could be made up by more equitable methods of taxation.

Question 9. Unemployment is much more severe in some areas than in others. Are there any Federal policies which are contributing to this situation? For example, the effect of wage determination under the Walsh-Healey Act? What changes would you recommend in any such Federal policies?

Question 10. Unemployment is much more severe in some areas than in others. Would you advocate Federal policies, for example, strengthening USES to aid and encourage labor to move to more promising areas? If so, what particular policies would you favor?

Question 11. Do you believe that the Federal Government has a special responsibility to those areas which are now suffering a major degree of unemployment due to wartime expansion which occurred there and which was necessary to the prosecution of the war effort?

What policy would you recommend the Federal Government to take toward such areas?

In response to these questions, the Department of Commerce observes that the Federal Government is primarily responsible for national rather than local conditions, that the areas more recently affected by unemployment are for the most part those where manufacturing is predominant, and where the decline in manufacturing production is associated with the shift from inventory accumulation to inventory liquidation; and, therefore, Federal policies do not appear to be responsible for the local unemployment situation. "In its effort to promote the general welfare," however, "the Federal Government should certainly give attention to areas where unemployment is severe."

The Department of Labor states that "there is a very wide range of Federal policies which contribute to the increase or decrease of total employment in some areas as compared with others." Among these are the Federal policies relative to the amount and character of purchases; the location, the kind, and the amount of public works and of Federal loans; the location and nature of national defense establishments and strategic industries; and the nature and level of Federal economic subsidy payments.

The American Federation of Labor, agreeing on the general responsibility of the Federal Government for national conditions that may produce local dislocations, recommends among other things that "minimum wages under the Walsh-Healey Public Contracts Act should be revised as soon as possible. The Federal Government should not allow its purchases to be used as a means for subsidizing the employer who pays substandard wages." They also state that Government policy regarding labor standards needs to be strengthened, not weakened, and that new legislation is now needed to include more workers under the Fair Labor Standards Act, particularly employees of department stores, hotels, workers in agricultural processing and those engaged in large-scale farming.

The respondents seem to agree that strengthening the national employment service is desirable and necessary for the specially critical unemployment areas as well as for the general welfare. Special efforts are also recommended toward encouraging and stimulating private enterprise through liberalized loans, through better distribution of Federal and State loans, and through better timing of public works.

In connection with local difficulties the question is raised whether to encourage labor to move, or to bring in new industries. The concensus apparently is that it is better economically and socially to move industries rather than workers. If workers are to be encouraged to move, traveling allowances and special housing assistance should be considered. An adequate program of vocational retraining should be offered, appropriate to the areas where employment opportunities exist.

CHAPTER II

CURRENT STATUS OF UNEMPLOYMENT AND EMPLOYMENT

RECENT NONAGRICULTURAL EMPLOYMENT DEVELOPMENTS

Employment falls in first half of 1949.—Industrial and commercial employment turned upward in the second half of 1949 following an almost uninterrupted series of declines since the close of the previous year. In December 1948, the number at work reached an all-time high of 45.3 million. By July 1949, it had fallen to 42.6 million, the lowest point in 2½ years.

The first half of 1949 witnessed a period of adjustment characterized by inventory liquidation in wholesale and retail trade. As goods backed up at the manufacturers' door, factory employment was cut by 1.9 million in less than a year to the level of 13.8 million. The extent to which this development dominated the over-all trend is revealed by the fact that the decline in manufacturing comprised four-fifths of the total nonagricultural reduction over the period. The bulk of the decline occurred in the hard-goods industries although nondurable goods also dropped substantially.

Rebound in second half.—As the second half of 1949 began, industrial and commercial employment started upward, reaching 43.5 million in September. October employment, however, declined primarily because of the coal and steel strikes. Despite the return of some one-half million strikers by mid-November, an estimated 400,000 workers were still unemployed due to the primary and secondary effects of the work stoppages. All the gains achieved since July were largely dissipated and employment once again approximated the yearly low. In December, the return of strike-affected workers together with seasonal increases in trade and Government lifted nonfarm employment to 43.7 million, a peak for the year. Total employment, nevertheless, was 1.6 million below December a year ago.

Virtually all the manufacturing industries joined in the uptrend but the most conspicuous were textiles, apparel, and electrical machinery. The trend turned down by year end, however, as both the durable and nondurable groups declined. It appeared that manufacturing had resumed its seasonal pattern of the previous year but at a level some 1.1 million below 1948. The strikes temporarily widened the disparity but this part of the gap closed again by December.

Durable-goods employment proved most vulnerable both to the early-year decline and the late-season work stoppages. Heavy drops in the metals groups, exclusive of automobiles, and nonelectrical machinery contributed to making the decline for this group coincide closely with the total drop in manufacturing. Similarly, nearly all the secondary effects of the strikes were felt by the hard-goods industries. Employment in mid-November was 400,000 less than in the

prestrike period. In addition to the steelworkers, among the large groups affected by the strike were some 100,000 in automobile plants and other thousands scattered in the fabricated metal and machinery industries.

The impact of the readjustment on nondurable goods was relatively light and a noticeable recovery in the second half of 1949 regained a significant proportion of the employment loss of the first 7 months of the year. Textile mills and apparel sparked the uptrend by adding a total of one-quarter of a million workers. Seasonal declines through December, particularly in food processing, dropped employment 200,000, or 3 percent below last year.

Nonmanufacturing trends mixed.—Among the nonmanufacturing industries, construction showed considerable late-season strength and was a major factor in maintaining economic activity at its current level. Employment for the year, at 2,162,000, was virtually identical to the all-time highs reached in 1942 and 1948.

Trade also maintained relatively high levels throughout 1949, supported by near record-breaking levels of national income. Employment in December reached 10.1 million, only 2 percent under the same month a year ago.

Mining and transportation and public utilities declined in the second half of the year and both were under the 1948 level.

Finance and service showed minor changes over the year and from the level of the previous year. Despite a November decline due to employment reductions in defense establishments, Government employment in 1949 actually increased about 200,000 over 1948.

HOURS AND EARNINGS

Seasonality and strikes affect hours.—Seasonal influences and work stoppages have been reflected in the workweek for manufacturing and mining during the last half of 1949. Weekly hours for factory workers averaged 39.7 in October—a gain of over an hour from the May low. By November a seasonal drop in activity and the steel strike had reduced the workweek to 39.2 hours—about one-half hour below the year-ago figure. In December, hours rose to 39.8 as the effects of the strikes were overcome.

The workweek in the durable-goods group during October was 39.8 hours—almost an hour above May. However, material shortages arising out of the steel strike and seasonal reductions brought curtailment of the workweek in November to 39.2 hours. The December recovery brought hours up sharply to 40.1. In the nondurable goods group, seasonal activity lengthened weekly hours to 39.6 in October, but by November the average workweek was reduced to 39.2 hours. In December, there was a rise to 39.6 hours.

The workweek in metal mining sagged from the 40.6 hours in June as demand eased, and by November had fallen to 35.2 hours as a result of the steel strike. In coal mining the institution of the 3-day week brought hours down sharply.

Earnings set near record.—Weekly earnings for factory workers increased for five consecutive months from the 1949 low of $53.80 in April to $55.72 in September—the second highest month on record. The subsequent decline in the workweek as a result of the steel strike and seasonal downturn reduced weekly earnings to $54.45 in Novem-

ber. However, the December upturn set earnings at the record level of $56.20.

Earnings in both the durable- and non-durable-goods groups followed a similar pattern. However, the decline in the former brought earnings down to $56.85 in November—the lowest month in 1949 and more than $2 below the comparable month in 1948. Part of the drop is accounted for by exclusion from the averages of the higher-paid steelworkers. Their inclusion after the strike lifted earnings to $59.31. In the non-durable-goods group the December figure was a record high of $53.02.

Weekly earnings in metal mining in November were $51.78—well below the $64.02 for the same month a year ago. In bituminous coal mining, earnings were $70.67 in November.

THE TREND OF UNEMPLOYMENT, JUNE TO DECEMBER 1949

The trend of unemployment since mid-1949 has been gradually but indecisively downward, influenced more by seasonal factors than by any marked improvement in the basic employment situation. With the entrance of temporary student and women job seekers, unemployment rose to 4.1 million in July, a postwar peak. One-third of the increase between June and July was among college-age people. If the number of persons entering the labor market had been as large as in the summer of 1948, unemployment would probably have been even greater.

Since July unemployment has decreased each month (except October) with the exit of young job seekers from the labor force and with the seasonal pick-up in nonfarm employment. Many young people apparently left the labor market early in the summer and hence were not counted among the unemployed in August and September.

The contraseasonal increase in unemployment in October reflected the early effects of the coal and steel work stoppages. Many miners and steelworkers were reported as seeking substitute work while away from their regular jobs and hence were counted as unemployed. Their return to work resulted in a reduction of about 200,000 in the unemployed groups between October and November. There was, however, evidence that an increase in the number of seasonal workers looking for jobs kept the net decline in total unemployment fairly small.

In November the number of unemployed persons was about 3.4 million, compared to a total of 1.8 million in November 1948. The total represented about 5.4 percent of all persons in the civilian labor force in November 1949. While this unemployment rate marked an improvement over the July peak (when 6 percent of the labor force was jobless), it was still substantially above the rate for November 1948.

Unemployment remained stable between November and December in accordance with the usual seasonal pattern. Estimated at 3½ million in December, unemployment still exceeded last year's level by about 1½ million. With the volume of unemployment declining slowly, the size and importance of the group unemployed for relatively large periods of time have been increasing. Hence, in December, about 820,000 persons, that is, about 23 percent of all unemployed, had been out of work for 15 weeks or more, compared to about one-fourth of that number in December 1948.

RECENT CHANGES IN THE LABOR FORCE, JUNE TO DECEMBER 1949

Partly because of unfavorable job prospects, fewer persons entered the labor force during the summer months of 1949 than in 1948. The midyear seasonal increase in the labor force was not as great as in the previous year. Fewer young people and housewives sought or found summer jobs. Despite an increase in the population 14 years and over, the labor force in June and July was at about the same level as in 1948.

The scarcity of job openings apparently encouraged many young persons to enter or return to school in the fall. With the opening of schools in September about 1¼ million young persons largely teenagers, withdrew from the labor force to resume their studies. According to the Office of Education, college enrollment totaled 2,450,000 at the beginning of the fall school term. This was about 40,000 more than a year ago. About 850,000 veterans were enrolled in colleges and universities. Comments of educators on the "remarkably sustained enrollment" of veteran students underline the importance of expanding job openings for college graduates.

Between October and November the seasonal upturn in nonfarm employment and a late harvest (especially of tobacco and cotton) produced a slight expansion of the labor force. The civilian labor force in November 1949 was about 1.2 million larger than in November 1948. This was somewhat greater than the expected over-the-year growth in the labor force and is partly explained by a temporary rise in the labor force participation of women. Also, revision of the census monthly survey sample in August 1949 to include residents of transient hotels, trailer camps, hospitals, institutions, and similar dwelling places accounted for part of the apparent increase in the size of the labor force since 1948.

The decline of about 900,000 in the number of persons in the labor force between November and December is attributable almost entirely to the withdrawal of farm workers from the labor force at the end of the crop season. As compared with December 1948, the total labor force at the end of 1949 was about 650,000 larger, a change consistent with the expected annual increase due to population growth and entrance of veterans into the labor force.

RECENT LABOR MARKET DEVELOPMENTS IN MAJOR AREAS BY REGIONS

New England.[1]—There was a moderate improvement in labor market conditions in the 10 major New England areas between July and September, reflecting the combined effect of the start of a business recovery and regular seasonal influences. Nonagricultural employment, which began to pick up between May and July, rose in seven areas in the following 2 months. Moderate increases, ranging from 1 to 3 percent, occurred in Waterbury, Providence, and Bridgeport, while New Haven, Hartford, Boston, and Worcester achieved slight.

[1] Includes Maine, New Hampshire, Vermont Massachusetts, Rhode Island, and Connecticut.

gains. Three Massachusetts areas—Lynn-Salem, Springfield, and New Bedford—sustained slight losses in nonagricultural employment.

Changes in manufacturing employment contributed largely to uptrends in nonagricultural employment. Factory pay rolls rose in all of the areas where total nonagricultural employment gained. Substantial manufacturing increases were reported for Providence and Worcester. In other areas showing an uptrend, the rise was slight to moderate. The largest set-back in manufacturing employment—2.4 percent—occurred in New Bedford where three textile mills were laying off workers preparatory to shutting down permanently. Seasonal factors were an important favorable influence. Thus, apparel moved up in New Bedford and Bridgeport, shoes in Lynn-Salem, and both industries in Boston and Worcester. Textiles which failed to rise seasonally last year made brisk gains in all areas except New Bedford where three mills were closing and in Worcester where there was an unexpected reduction in worsted and carpet mills. Brass mills in Waterbury, which had suffered heavy losses, led the employment gains in that area. Electrical equipment, down in Boston and Lynn-Salem, and fabricated metal products, down in Springfield, rose elsewhere partly because of increased production of items for the Christmas trade. Jewelry in Providence and clocks and watches in Bridgeport and Waterbury rose for the same reason. Most of the expansion in these manufacturing industries involved the recall of former workers, with opportunities for factory employment still very limited for workers without recall status.

An encouraging sign was the increase in weekly hours of work in some manufacturing industries. This was particularly significant in Hartford, New Bedford, New Haven, and Waterbury. Many workers in these areas returned to a full-time workweek for the first time since June.

Among the nonmanufacturing activities, trade began to rise seasonally in five areas, while service activities declined everywhere but in Providence. Construction employment, holding up relatively well with the good weather, gained in four areas and dropped in four.

Unemployment declined in each of the major areas with the exception of Lynn-Salem, where it remained almost constant. Rising employment as well as the withdrawal of students from the labor market accounted for the drop in the number of job seekers. The reduction in the number of unemployed, however, was not enough to alter significantly the relative degree of labor surplus except in Boston where the classification shifted from D (substantial labor surplus) in July to C (moderate labor surplus) in September. Among the major New England areas, very substantial unemployment continued to exist in New Bedford, Worcester, Providence, Bridgeport, and Waterbury.

According to employers' plans, the outlook was for further slight improvements in labor-market conditions at least until the first of the year. Employment in wholesale and retail trade establishments was expected to rise seasonally as was employment in apparel plants and in firms manufacturing articles such as household electrical equipment for the Christmas trade. Textile employment was expected to increase in three areas—Boston, Worcester, and Providence—

and to decline in New Bedford and Springfield. Other industries anticipate relatively little change except for transportation and government in which employment was expected to decline slightly.

Middle Atlantic.[2]—Increases in manufacturing employment in three of the five major areas in the Middle Atlantic region reversed the downtrend which had been in effect for more than half a year. Increases were from slight to moderate (under 3 percent) in most of the areas but were substantial in Paterson, Syracuse, and Utica-Rome. In the remaining areas in the region manufacturing employment went down, although the decline was marked only in Erie, where machinery workers were furloughed, and in Johnstown where losses in the dominant primary metals industry contributed largely to the employment set-back.

Chiefly because of the increases in manufacturing industries, nonagricultural employment went up in the majority of the region's areas, with a substantial rise noted in Utica-Rome. There was no change in Binghamton and nonfarm employment declined in Rochester, Erie, Harrisburg, Johnstown, Pittsburgh, and Scranton.

In only a few industries did employment trends in these Middle Atlantic areas follow consistent patterns. Most notable was the general rise in textiles which exerted an upward influence on pay rolls in virtually every area and contributed largely to the substantial manufacturing gains in Paterson and Utica-Rome. Seasonal gains in apparel were fairly widespread although a few Pennsylvania areas reported declines in this industry. The metal and machinery industries showed the greatest diversity in employment changes. The primary metals industry was conspicuously down in such important centers as Johnstown, Pittsburgh, Allentown-Bethlehem-Easton, and Buffalo, and some of the areas where the industry is generally of lesser importance. Most New York and New Jersey areas reported gains in fabricated metal products but in Pennsylvania areas declines were more common. The employment rise in Syracuse was largely attributable to the pick-up in electrical and nonelectrical machinery and increases of lesser significance occurred in several other areas, but one or both of these industries dropped in Albany, Newark, Allentown, Erie, Johnstown, Philadelphia, Pittsburgh, and Reading. Transportation equipment employment similarly changed without any consistent pattern. Among the important changes in this industry were gains in Buffalo and Philadelphia and declines in Newark and Pittsburgh. The full-time workweek came back in Binghamton, Rochester, Philadelphia, Utica-Rome, and Wilkes-Barre. Short workweeks, however, continued in effect for some establishments in all areas.

Among nonmanufacturing industries, significant developments included a gain in construction employment in more than half the areas—in the others, the industry held stable; an early pick-up in trade in just under half the areas; and a decline in service activities in the majority of the areas.

Unemployment declined in all but four areas between July and September. Increases in unemployment occurred in Rochester, Pittsburgh, and Scranton, while the number of job seekers remained unchanged in Philadelphia. The declines in unemployment were of modest proportions in most areas, although they averaged about 20

[2] Includes New York, New Jersey, and Pennsylvania.

percent in Syracuse, Utica-Rome, and Paterson. Recent labor market developments significantly altered the degree of labor surplus in two areas. Albany-Schenectady-Troy changed from an area of substantial unemployment to one of moderate labor surplus. The reopening of a textile mill and a clothing factory, which had been closed for vacation in July, accounted for the largest increases in this area. Johnstown moved into a looser labor classification and became an area with a very substantial labor surplus.

The outlook for the region was colored by the prospective coal and steel strikes. Employers were fairly optimistic as to the possibility for gains in manufacturing activities if the disputes were not prolonged. Employment was expected to increase in textiles and apparel in most areas. Less certain was the outlook in machinery and metals; gains and losses were variously anticipated by employers for these industries. Seasonal rises in trade were forecast in every area except Pittsburgh. On the whole, little change was anticipated in other industries.

North Central.[3]—Reversing the trend of previous months, nonagricultural employment rose in a majority of the principal labor market areas in the North Central States between July and September. Sixteen of twenty-eight major industrial centers reported bimonthly employment increases as compared to last year's total of 12 for the similar period. These gains also constituted a marked improvement over the May-July period of this year when only 10 areas experienced rising employment. Substantial pick-ups between July and September were noted in Minneapolis-St. Paul following the settlement of an important strike in construction and in Flint as the auto industry reported considerable hiring activity. Moderate increases in employment were registered in Fort Wayne, Indianapolis, South Bend, Pontiac, and Detroit. No substantial nonagricultural employment declines occurred; slight losses were sustained by eight areas and three indicated moderate drops.

Continuing to show improvement over the May-July period when nine areas reported increases in manufacturing employment, factory pay rolls also rose in 16 major areas in this region between July and September. In all industrial centers except Flint, which had sizable gains, employment increases ranged from slight to moderate proportions. Only two areas had substantial reductions in factory employment: Columbus, with lay-offs in primary and fabricated metals plants, machinery, and transportation equipment; and Wichita, with declines in the aircraft industry and machinery. Employment gains occurred generally in the textile, apparel, stone, clay, and glass, fabricated metals, and electrical machinery industries, while losses were usual in primary metals. Mixed trends prevailed in food processing, nonelectrical machinery, and transportation equipment and in such nonmanufacturing activities as construction, trade, service, transportation, communications, and utilities.

Unemployment declined significantly under the influence of heavy withdrawals of students from the labor market as well as general employment gains. Only five areas—Akron, Columbus, Fort Wayne, Omaha, and Wichita—reported increases in the number of jobless workers between July and September. In no case did the increase exceed 11 percent. In Canton, unemployment was unchanged. The

[3] Includes Ohio, Michigan, Indiana, Illinois, Wisconsin, Missouri, Iowa, Minnesota, North Dakota, South Dakota, Nebraska, and Kansas.

remaining 22 important areas in this region experienced reductions in the number of job seekers, with the decline in 14 of these areas exceeding 10 percent and ranging as high as 50 percent (in South Bend).

Despite the generally improved trends in employment and unemployment, the ratio of the unemployed to the labor force was not sufficiently altered to warrant many changes in classification. Only 4 areas moved to classifications reflecting smaller labor surpluses. South Bend, with a slight labor surplus in July, became a balanced area in September. Labor surpluses in Detroit, Lansing, and Pontiac changed from substantial to moderate as a result of improved labor-market conditions.

Many employers were uncertain regarding their labor requirements to the end of the year, partly because of the effects of the coal and steel strikes. About half of the areas expected some increases in employment by January. Industries in which gains were anticipated include textiles, apparel, furniture, paper, stone, clay and glass, electrical, and nonelectrical machinery. The number of areas expecting increases in primary and fabricated metals slightly exceeded the number in which declines are likely. Temporary rises to meet holiday needs were scheduled in trade and service. Losses were generally anticipated in construction, government, transportation, communications, and other utilities.

South Atlantic.[4]—No substantial changes in nonagricultural employment took place in any of the major South Atlantic areas between July and September. Slight-to-moderate increases occurred in 7 of the 13 areas, while nonfarm employment dropped in 6. Losses were generally very small—under 1 percent—except in Hampton Roads where the decline was a bit higher due to lay-offs in a number of manufacturing industries, particularly shipbuilding. Despite declines in almost half of the areas, nonagricultural employment changes were the most favorable since the beginning of 1949.

Manufacturing employment fared even better as increases occurred in nine of the areas. Gains of 3 percent or more occurred in Richmond where the seasonal upswing in tobacco was a great influence and in Charlotte where the gains in textiles and food processing were important. Slight-to-moderate losses were sustained in three areas—Wilmington, Charleston, S. C., and Jacksonville—while factory payrolls in Hampton Roads dropped more than 5 percent. The textile industry moved up consistently, rising in every area where this industry is significant. A seasonal upswing in apparel occurred in Baltimore, Hampton Roads, and Atlanta, but the industry declined in a number of other areas. Food processing was generally down although some gains were registered in Charleston, W. Va., Richmond, and Charlotte. Employment in furniture and paper industries generally improved in the region while lumber and wood products held even or dropped in most areas. Chemicals remained unchanged in Wilmington and Charleston, two important centers of production for this industry; in other areas, both increases and decreases occurred. The metal industries gained in a number of areas with primary metals up notably in Wheeling. Losses in shipbuilding were quite common and of particular significance in Hampton Roads and Charleston, S. C.

[4] Includes Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida.

Although markets had not strengthened sufficiently for recent trends to equal manufacturing employment gains from July to September of 1948, when only Charleston and Atlanta lost ground, they were considerably more favorable than developments earlier this year.

Among nonmanufacturing activities, construction employment, which had moved up generally as the season opened, fell below July levels in two-thirds of the areas. Wilmington, Richmond, and Charleston, W. Va., were the only ones with increases, while Charlotte held steady. Extra trade workers were employed in three-fourths of the areas. Florida's general off-season increases in service employment were particularly noteworthy. Gains in transportation, communications, and other public utilities were more common than losses.

Unemployment declined in every area except Jacksonville, where no change occurred, and Hampton Roads, where the number of job seekers rose. As a result of the increase, the area's labor surplus increased from moderate proportions in July to substantial in September. A drop in unemployment, ranging from a little over 3 percent in Atlanta to just over 25 percent in Richmond, reflected expanded employment primarily but also the return to school of students. The reduction in unemployment in Richmond moved it from a slight labor surplus area to one of balanced labor supply. A reduction of nearly 22 percent in unemployment in Tampa was sufficient to reclassify it from an area of moderate to one of slight labor surplus.

The outlook for nonagricultural employment was generally favorable to the end of the year, chiefly because of usual seasonal gains in trade. Substantial increases were expected in Atlanta, and in the Florida areas where employment normally expands briskly in the winter months. Most areas anticipated relatively little change in manufacturing employment. Sizable drops might occur in Hampton Roads and Charleston, S. C., if contemplated cuts in the shipyards actually take place.

South Central.[5]—Nonagricultural employment increased moderately in 7 of the 16 major labor market areas between July and September. Three other areas experienced smaller gains. In five of the six areas where a decline occurred, the drop was less than 1 percent below the July level. Even in Mobile, the decrease did not exceed 3 percent.

Manufacturing gains were substantial in five areas. With a few exceptions, all major industry groups combined to accomplish the rise in Memphis, Little Rock, Nashville, and Louisville. In Fort Worth the advance was the result of a sizable gain in aircraft employment and, to a much smaller extent, a seasonal upswing in apparel. Large-scale lay-offs in shipbuilding were responsible for the sharp drop in Mobile. Almost all major industries shared in a decline which took place at Tulsa. In the other 5 areas surveyed, decreases were minor. Most areas showed seasonal gains in food processing, apparel, paper, chemicals, and stone, clay, and glass.

In the nonmanufacturing fields, most areas added workers in construction and trade activities began to pick up seasonally. No marked changes occurred in other nonmanufacturing activities.

[5] Includes Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas.

Unemployment dropped rather sharply in all but 2 areas. Displaced shipyard workers swelled the labor surplus considerably in Mobile and to a much smaller extent in New Orleans. Most significant declines among the jobless occurred in Memphis, Dallas, Fort Worth, and Birmingham where from one-third to one-sixth of the job seekers either found employment, returned to school, or withdrew from the labor force.

Primarily as a result of employment gains and unemployment losses, Memphis and Tulsa were reclassified—from areas of moderate labor surplus to those of slight surplus. Only one major area in the region—Knoxville—has a very substantial labor surplus.

The outlook for the region as a whole is for continued slight expansion through the end of the year. Strikes in Knoxville and a lack of ship-building and/or repair contracts in Mobile make predictions uncertain in these two areas. In other major centers, food processing, apparel, furniture, chemicals, and stone, clay and glass establishments expect to add to their pay rolls in those places where these industries are of significance. Retail trade will rise seasonally to handle expanded Christmas business. A majority of the areas look for declines in construction and government after the first of the year. Post-holiday cuts in trade will also take place.

The West.[6]—Labor-market conditions continued generally to improve in the important western areas, largely because of the impact of seasonal food processing. Nonagricultural employment was up between July and September in 8 of the 11 large areas, with substantial increases of 6 and 13 percent reported for Sacramento and San Jose, respectively.

Manufacturing employment, which was up in all but two areas, was responsible for most of the over-all gains. Moderate declines occurred in Seattle where aircraft was cut back and in Spokane, where a sizable lay-off in primary metals (following the completion of force-account construction) and the release of vacation workers more than offset gains in other industries. By far, the most important influence in the uptrend was seasonal food processing which, in September, had receded somewhat from August peaks but was still way above July levels. This industry gained in every area and was mostly responsible for the very substantial rise in manufacturing employment in Sacramento, San Jose, and Portland-Vancouver. Textiles and apparel rose seasonally in virtually all areas where the industries are important, while logging and lumbering began to move down seasonally in Tacoma. No marked changes were apparent in the metals and machinery industries except for the release of force account construction workers in Spokane but some losses were sustained in electrical machinery, due to lack of orders in San Jose, and cuts in oil-field machinery in Los Angeles. Shipbuilding was down in Portland-Vancouver, Los Angeles, San Diego, and San Francisco as repair work fell off. Aircraft employment dropped in Seattle, but rose in San Diego and Los Angeles.

Among the nonmanufacturing industries, trade was up in almost all areas, while service activities reported employment gains in about half of them. In San Jose, construction held even, but elsewhere it rose. Employment changes in transportation-communication utili-

[6] Includes Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, and California.

ties were not very marked. Small net increases occurred in six areas and partly seasonal declines in five.

Unemployment declined in all areas except Salt Lake City, Seattle, and Spokane where rather small increases occurred.

The outlook reported by employers contacted by local employment offices points to declining employment, particularly in manufacturing industries. The seasonal drop in food processing will be marked and will affect all areas. Logging and lumbering will also drop seasonally and influence the downtrend in Seattle, Portland, and San Jose. Textiles were expected to drop in most areas, while the apparel industry looked forward to stable or rising employment except in San Francisco. Denver, Seattle, Portland-Vancouver, and Los Angeles were scheduled for cuts in the metal industries, and further losses were foreseen for shipbuilding in most areas and aircraft in Seattle. In nonmanufacturing, construction will decline seasonally and after the first of the year, temporary pre-Christmas hires for trade will be released. Seasonal cuts in transportation-communications-utilities can also be expected.

Western areas usually experience rising unemployment in the winter months. Therefore, labor surpluses may be expected to rise in most areas in this region after the first of the year.

RECENT DEVELOPMENTS IN AREAS OF SUBSTANTIAL UNEMPLOYMENT

One area removed from E list.—According to labor market reports received last month by the Bureau of Employment Security, 32 areas were characterized by very substantial labor surpluses and classified in the E group as of November 30. This represents one deletion from the previous E list; no areas were added. Areas of very substantial unemployment, as before, are concentrated in the Northeastern States; nearly two-thirds are located in three States—Connecticut, Massachusetts, and Pennsylvania.

The seasonal upswing in cotton picking in southern Illinois and southeast Missouri provided jobs for a large number of the unemployed in the Cairo, Ill., area and at the same time absorbed a sizable portion of industrial lay-offs. As a result of this general improvement in its labor-market conditions between September and October, the Cairo area was removed from the E list as of November 30.

Labor-market conditions improved in nearly half the areas surveyed but changes in employment and unemployment did not reduce local labor surpluses sufficiently to warrant removal from the E list of any area except Cairo. Developments might have been favorable in a larger number of areas had it not been for the impact of the coal and steel strikes.

Coal and steel strikes major influence in employment declines.—Between September and October, nonagricultural employment dropped in 18 of the 32 E areas. In all areas which showed *substantial* downtrends, the steel and/or coal strikes were directly responsible. Elsewhere employment losses generally amounted to less than 1 percent. Two exceptions were Honolulu, where continued Government cuts largely accounted for an employment drop of over 2 percent, and New London-Groton, where small losses in most activities cumulated to a net area decline of 1.6 percent.

In October nearly 73,000 workers in a dozen E areas were idle as a direct result of the Nation-wide coal and steel strikes. Hardest hit was Johnstown where approximately 33,000 workers on strike were about evenly divided between coal and steel. In each of two other areas—Altoona (mostly steel) and Crab Orchard (coal)—about 12,000 workers were involved. Other localities directly affected by the steel dispute were Worcester and Fitchburg; while Greensburg, Wilkes-Barre, Jasper, Terre Haute, Vincennes, Cumberland, and Mount Vernon suffered employment reverses because of the coal controversy.

Besides those persons who were directly participating in either of these strikes, a number of workers were laid off as an indirect result of these disputes. The largest single group so affected was railroad workers; these lay-offs were especially important in Cumberland and Knoxville. Additional lay-offs occurred in supporting industries such as trade, service, and transportation in those areas where relatively large numbers of workers were directly involved in the disputes. Shortages of coal and steel had exercised practically no influence in manufacturing activities in these areas.

Nonagricultural employment up in almost half the E areas.—Nonagricultural employment chalked up gains in 14 of the 32 E areas between September and October; New England claimed 13 of the 14 areas where employment rose. Substantial increases ranging from 4 to 7 percent were registered at Lawrence, Bristol, Meriden, and Providence. Five other New England cities—Bridgeport, New Britain, Waterbury, Fitchburg, and New Bedford—reported encouraging increases of from 1.5 to 2.3 percent. Gains of less than 1 percent were achieved in four other New England communities—Lowell, Fall River, Danielson, Biddeford-Sanford, and in Pottsville in the Middle Atlantic region.

Manufacturing industries played an important part in the improved employment picture. A more-than-seasonal rise in textiles gave a boost to New England areas and was particularly important in Biddeford-Sanford, Fall River, Lawrence, Lowell, New Bedford, and Providence. Apparel was likewise up in most areas but the gains in this industry were of lesser influence in the uptrends. Favorable developments in primary and fabricated metals and machinery (particularly electrical equipment) contributed to employment rises, notably in Connecticut areas and Providence. A seasonal rise in production for the Christmas trade resulted in higher employment levels in jewelry (Providence), silverware (Meriden), and clocks and watches (Bristol and Waterbury).

In nonmanufacturing, construction generally held up pretty well in October because of unusually mild weather. In most areas, trade had just barely begun its pre-Christmas seasonal hires while service continued to decline a bit.

Unemployment drops in most areas.—Between September and October the number of job seekers dropped in 20 of the 32 E areas, remained virtually unchanged in Utica-Rome, and showed some gains in the other areas. In 7 of the 20 areas, the decline ranged from 10 to 20 percent while in Bristol and Meriden the drop amounted to about one-fourth. However, the decline was not substantial enough to warrant reclassification of any areas (other than Cairo). In most cases the unemployment total dropped as a result of withdrawals from the

labor force (chiefly students returning to school but also seasonal workers) and gains in employment.

In only 4 of the 12 areas where unemployment rose—Johnstown, Mount Vernon, Crab Orchard, and Vincennes—did the increase amount to more than 10 percent. Agricultural labor demand tapered off seasonally in Mount Vernon and Crab Orchard. This factor was coupled with a number of small manufacturing losses in Mount Vernon and with railroad lay-offs, increased in-migration, and new entrants to the labor force in Crab Orchard. A drop in seasonal food processing was the cause of quite a number of additions to the unemployed in Vincennes.

Aggregate unemployment in E areas was estimated at 367,000 in October and constituted about 10 percent of total unemployment in the country. The decline of some 3 percent from September levels appeared to go counter to the national trend on unemployment which was close to 7 percent. However, the uncertain status of strikers as job seekers, may have accounted in part for the divergence in trend. The ratio of unemployment to the labor force in E areas averaged 16.2 percent—as compared with 5.7 percent nationally.

No substantial change in labor market conditions anticipated.—Future employment requirements were considerably obscured by the coal and steel strikes. Although stocks of these materials were generally adequate enough to prevent widespread secondary lay-offs in October, employers were often unable to judge what, if any, disruption might affect future supplies. Very sharp drops in employment, such as occurred in Altoona, Johnstown, Crab Orchard, and Jasper, as well as smaller losses in other areas directly affected by the strike, were expected to be recovered as soon as the disputes were settled.

In general, offsetting influences in different industries were anticipated. New England areas were looking forward to continued but smaller gains in textiles except New Bedford where the displacement of workers at three mills scheduled to shut down permanently outweighed likely gains at other establishments. Some seasonal drop in apparel and shoes was likely by the end of the year, followed by a pick-up for spring markets in early 1950. The outlook in the metals and machinery industries was very uncertain because of the steel strike.

Expected changes in nonmanufacturing industries were dominated by seasonal factors. Construction will be dropping to seasonal lows in most areas; trade was expected to follow the usual pattern of a brisk temporary rise before Christmas to be followed by postholiday lay-offs.

There seemed little prospect of any marked improvement in the near future in labor market conditions in these areas of very substantial labor surpluses, on the basis of influences currently at work.

CURRENT STATUS OF AGRICULTURAL EMPLOYMENT

Agricultural employment for the country as a whole does not generally fluctuate greatly from year to year because the number of farms and land in cultivation remains fairly constant from one year to the next. It is only during periods of unusually drastic manpower changes such as were experienced during World War II that total agricultural employment for the country as a whole has changed by

as much as 4 percent in any one year. The year-to-year stability in agricultural employment is also evident during periods of sharply changing business conditions, such as were experienced during the depression of the early thirties and during the sharp recession of 1937–38. This is due to the organization of agricultural production in units that are predominantly family farms, with nearly four-fifths of agricultural employment made up of farm operators and unpaid members of their families and only approximately a fifth of the workers being hired.

Although agricultural employment is relatively stable, a downward trend in agricultural employment has been in operation over the past three decades. Technological advances in mechanization, in the use of higher yielding varieties of plants and animals, and in the control of plant and animal losses occasioned by insects and diseases have been increasing agricultural production and decreasing farm-labor requirements. This trend toward greater aggregate production in agriculture and in greater output of food and fiber per farm worker was markedly accelerated during the past decade. Thus, for example, in 1948 total farm output for human use was 40 percent greater than in 1935–39 and 8.5 percent greater than during 1945, the last year of World War II. This year the prospects are that the volume of farm output will not be much different from the record 1948 level.

Because the use of labor-saving machinery on farms has increased markedly compared with the 1935–39 situation, labor requirements on farms have been decreasing simultaneously with the increase in volume of agricultural production. Illustrative of the trend in farm mechanization is the doubling of the number of tractors on farms between January 1940 and January 1949. By the later date it is estimated that there were 3½ million tractors on farms compared with 1½ million at the beginning of 1940. The use of other farm machines such as combines, corn pickers, tractor moldboard plows, milking machines, etc., has also increased substantially during this period. The number of motortrucks on farms has nearly doubled in the 1940–48 period.

The census and the BAE agricultural employment series followed a similar downward trend from 1940, the first year for which census estimates of agricultural employment are available, to 1945. The movement has not been entirely consistent since 1945, although the estimates for the first 10 months of 1949 are below the corresponding 1945 levels in each series. The major divergence between the two series occurred in 1946 when demobilization was reflected by an increase in the BAE series, while the census series showed a continuation of the wartime decline. Another divergence appeared in the first 7 months of 1949 with the BAE estimates showing a decline from 1948 and the census estimates showing an increase. This divergence, however, has diminished in the succeeding months of 1949 as the census series has shown in the later months of 1949 a decline from 1948 levels. For the entire year 1949 it is probable that agricultural employment as measured by the BAE series will average slightly under 1948 and the census may show virtually no change. It is possible that the difference in movement of the two series, particularly in the first part of 1949, was due to difference in timing of the monthly surveys of the two agencies and partly due to sampling variation in each of the two series.

Available information with respect to the current manpower and production situation in agriculture does not indicate any widespread surpluses or shortages of agricultural labor, although exceptions are to be found in certain relatively localized areas. Compared with the situation a year or two ago, there has been some easing of the supply of farm labor available for hire. This is reflected in the weakening of farm wage rates, which for the first time in a decade have been averaging lower than in the preceding year. (The seasonally adjusted index of farm wage rates as of October 1, 1949, was 403 percent of the 1910–14 average as compared with an index of 427 on October 1, 1948.)

The easing of the farm labor supply was partly the result of progress in mechanization and partly the result of curtailment of nonagricultural employment opportunities to farm and rural residents as a consequence of the rise in unemployment.

In most regions of the country the number of persons working on farms has followed the same general pattern. During the tight manpower situation in World War II, farm employment declined consistently from year to year and reached its lowest level in 1945. In 1946 and 1947 as veterans and war workers returned to their previous homes, farm employment generally moved upward in most parts of the country. However, by 1948 the rise was halted and, in general, the number of persons working on farms declined slightly in 1948 and again in 1949.

Although in most regions farm employment during the war years followed the general pattern, the degree of change differed from region to region. The largest decreases occurred in the South, especially in the two South Central regions. The decline was relatively small in the New England and Mountain regions, while in the Pacific region the trend of farm employment was consistently upward. In the postwar period, increases in farm employment in 1946 and 1947 were small and fairly uniform from region to region as were the decreases in 1948. In 1948 farm employment was still higher than the level reached in 1945 for most regions.

The employment of farm operators and unpaid members of their families on farms has closely followed the trend of total farm employment, since in most regions family employment accounts for 75 percent or more of the total. The trend in 1948 and for the first 5 months of 1949 compared with corresponding periods of the previous year has been consistently downward for most regions. In the Pacific region and in New England, family employment has remained fairly steady since 1945. Decreases in 1948 were generally not large and the slightly larger declines in 1949 were not maintained in a number of the regions by the time the harvest season was completed.

The number of hired workers employed on farms has, in general, increased steadily since 1945 for most regions as labor supplies increased. The decreases shown in 1948 for New England, the Middle Atlantic and the West North Central regions are minor and could easily be accounted for by sample fluctuations, weather, or changes in crop and livestock production. The slight decrease in the West North Central region for the first 10 months in 1949 may be the result of increased mechanization. However, the decline in the West South Central region is partly due to bad weather during several survey weeks in 1949 and the decline in the Pacific region to a difference in the seasonal pattern because of a late season in 1948.

The level of hired employment in 1948 was still 20 to 30 percent under 1940 levels in the North Central regions and the three regions in the South. In the Pacific region, where hired farm employment increased since 1940, the 1948 level was well above that for 1940. In the Mountain region, hired farm employment had about regained its wartime losses by 1948.

The population living on farms constitutes the main source of the farm labor supply. During World War II the number of persons living on farms decreased from January 1940 to January 1945 by 16.8 percent. About half of this loss was regained in the 2 years following the end of the war. After demobilization of the armed forces was largely completed, farm population changes were slight during the next 2 years. In 1947–48 gains through natural increases were almost offset by a resumption of net migration from farms. At the beginning of 1949 there were 27,776,000 people living on farms—10.3 percent more than in January 1945, but still 8.2 percent fewer than in January 1940.

Although the majority of employed persons living on farms are engaged in agriculture, there has been a pronounced increase in the last 15 or 20 years in the number who work at nonagricultural jobs. In 1930 one out of every seven farm resident workers was employed in a nonagricultural occupation; by 1940 the proportion had risen to one in five. The proportion increased during the war and early postwar years and in 1947 and 1948 one out of every three workers living on farms was employed in nonagricultural occupations. Many of these also did substantial amounts of farm work, and such persons account in part for the excess of the BAE farm employment level over that of the census series. There is some evidence of a slight decrease in the number of farm residents employed in nonagricultural industries in the spring of 1949 compared with a year earlier.

CHAPTER III

EMPLOYMENT TRENDS BETWEEN 1929 AND 1949

THE PERIOD IN REVIEW

The period between 1929 and 1949 presents one of the most dramatic chronologies of social and economic change in American history. With the coincidental development of improved techniques for the measurement of these changes, it became possible for the first time to gain a fuller appreciation of the nature of the problems and to provide for effective planning and direction in national economic affairs.

The magnitude and rapidity of the movements as well as the contrast in total change during the 20-year period attest to the resiliency of the American economy. Employment in the second half of the period approximated 60,000,000, a goal considered impractical only a few years earlier. The entire period of the forties was probably the longest sustained approach to full employment since the turn of the century. The record level of employment was achieved by the addition of 11,000,000 workers, a fact which gains perspective when compared to an average gain of only 2,000,000 workers in the two previous decades.

Unemployment, the insoluble problem of the thirties, ceased to be a problem in the forties. One in every four persons was unemployed in the depth of the depression, and the number never fell below 7½ million until 1941. Since then, however, on an annual basis, the number of jobless never exceeded 1 in 20, and was considerably less than that for most of the time.

The trend in weekly earnings has been toward more pay for shorter hours. While factory workers were increasing their real income by 29 percent, the workweek declined from 44 to 39 hours. Weekly earnings, unadjusted for price rises, actually tripled.

A study of trends in the working population and the number of unemployed between 1929 and 1949 illustrates the dynamic nature of the labor force. There are many persons who can be attracted into the labor market when job openings expand, and who are likely to drop out when conditions become less favorable. During the war, for example, patriotic motives, economic necessity, ready job opportunities, and natural growth brought 10,000,000 civilian workers into the labor force. After VJ-day, the incentives of continued employment at high wages and favorable working conditions induced a large number of war workers to continue in gainful employment, while other millions of emergency workers withdrew from the labor force. From the long-range point of view, there is a net addition every year of hundreds of thousands of new workers for whom job opportunities should ideally become available. Thus, the production and employment goals of the Nation must be continually raised to accommodate this natural growth.

VALUE OF WORKER'S OUTPUT ALMOST TRIPLES

The market value of goods and services produced by the Nation's working population (gross national product) increased two-and-one-half-fold between 1929 and 1949. The expansion between the two crests of the 20-year period, however, conceals the extent of the fluctuations in workers' output during the intervening years. In 1932–33, when employment was at its lowest ebb, goods and services produced declined to a low of approximately $56,000,000,000, one-half the 1929 level. By 1949, gross national product had risen to an estimated $260,000,000,000. These figures indicate that there were being produced in 1949 an annual average of $4,400 of goods and services for every employed person in the labor force, compared with $1,500 at the low point of the depression in 1933. While part of this expansion includes a substantial increase in prices, there nevertheless occurred a marked improvement in the standard of living. In addition, the averages obscure an important aspect of national well-being. Not only has the value of the workers' output increased but virtually every worker in the labor force today is sharing in the achievement. In 1933, one out of every four was unemployed, made no contribution and enjoyed relatively little of the Nation's product.

SIXTY MILLION JOBS A REALITY

Employment, one of the most sensitive barometers of business developments, experienced violent fluctuations during the 20-year period. It is doubtful that the severity of the decline—approximately 9,000,000 or 20 percent—between 1929 and 1933 had ever before been equaled. Moreover, the employment level of 38,800,000 in 1933 was several millions lower than at the close of World War I despite the substantial growth in population and labor force since that time. It was not until 1940 when the economy was partially bolstered by military needs that employment even regained the 1929 level of 47,600,000.

While the period of the thirties was characterized by severe depression, the succeeding 10-year interval witnessed an expansion that was without parallel in the country's history. Between 1940 and 1949 civilian employment expanded by 11,000,000 workers. At its high point of 59,400,000 in 1948 the Nation accepted an employment level which only a few years earlier had been regarded as visionary.

The growth is even more impressive when contrasted with preceding decades. Between 1920 and 1930, and 1930 and 1940, the employment increase in each period totaled only about 2,000,000. In the current interval as well as in previous ones, the expansion represented primarily the growth in commercial and industrial employment. Agricultural employment, a relatively small fraction, either held steady or actually declined.

INDUSTRY TRENDS

The two decades covered by the thirties and forties represent a period of extraordinary changes during which the population of working age was called upon to make a series of economic shifts and adjust-

ments which in magnitude and rapidity had never been equaled in the country's history.

These major adjustments, however, did not conceal certain long-term trends which basically affect the industrial structure of the country. Government employment made the largest gains over the 20-year period and it is not unlikely, in view of the present trend, that the future will be marked by more Government employment rather than less. The service industries also made rapid strides and here, too, the future should see a continuation of this trend. The mining industries, on the other hand, declined and there are no developments in the foreseeable future to suggest a reversal in this trend. Activity in construction employment once again confirmed the fact that this industry is extremely sensitive to the economic cycle (tables 1 and 2).

The upward movement of industrial employment, particularly in the last 10 years, obscures the decline in numerous segments of the broad divisions. Some of these industries or portions of them are chronically depressed and the problems created by their decline are frequently out of proportion to their size. Industries like textiles, bituminous coal, and metal mining are concentrated in a few regions of the country and others like cigar and hat manufacturing in a small number of areas.

Industrial maladjustments are due to a variety of reasons. Chief among them are technological change, mineral exhaustion, change in consumer habits and preferences, and inefficient plant and equipment. As such, their plight is to be differentiated from other industries like shipbuilding and ordnance where expansion and contraction are geared to a wartime economy. Similarly, industries like machine tools appear to be in eclipse based on a comparison of war and postwar levels. Actually their employment is considerably higher than before the war and their decline in recent years merely reflects their sensitivity to military procurement.

TABLE 1.—*Employees in nonagricultural establishments, by industry division 1919–49* [1]

[In thousands]

	Total	Mining	Contract construction	Manufacturing	Transportation and public utilities	Trade [2]	Finance	Service [2]	Government
1919	26,829	1,124	1,021	10,534	3,711	4,664	1,050	2,054	2,671
1920	27,088	1,230	848	10,534	3,998	4,623	1,110	2,142	2,603
1921	24,125	953	1,012	8,132	3,459	4,754	1,097	2,187	2,531
1922	25,569	920	1,185	8,986	3,505	5,084	1,079	2,268	2,542
1923	28,128	1,203	1,229	10,155	3,882	5,494	1,123	2,431	2,611
1924	27,770	1,092	1,321	9,523	3,806	5,626	1,163	2,516	2,723
1925	28,505	1,080	1,446	9,786	3,824	5,820	1,166	2,591	2,802
1926	29,539	1,176	1,555	9,997	3,940	6,033	1,235	2,755	2,848
1927	29,691	1,105	1,608	9,839	3,891	6,165	1,295	2,871	2,917
1928	29,710	1,041	1,606	9,786	3,822	6,137	1,360	2,962	2,996
1929	31,041	1,078	1,497	10,534	3,907	6,401	1,431	3,127	3,066
1930	29,143	1,000	1,372	9,401	3,675	6,064	1,398	3,084	3,149
1931	26,383	864	1,214	8,021	3,243	5,531	1,333	2,913	3,264
1932	23,377	722	970	6,797	2,804	4,907	1,270	2,682	3,225
1933	23,466	735	809	7,258	2,659	4,999	1,225	2,614	3,167
1934	25,699	874	862	8,346	2,736	5,552	1,247	2,784	3,298
1935	26,792	888	912	8,907	2,771	5,692	1,262	2,883	3,477
1936	28,802	937	1,145	9,653	2,956	6,076	1,313	3,060	3,662

See footnotes at end of table, p. 34.

TABLE 1.—*Employees in nonagricultural establishments, by industry division 1919–49* [1]—Continued

[In thousands]

	Total	Mining	Contract construction	Manufacturing	Transportation and public utilities	Trade [2]	Finance	Service [2]	Government
1937	30,718	1,006	1,112	10,606	3,114	6,543	1,355	3,233	3,749
1938	28,902	882	1,055	9,253	2,840	6,453	1,347	3,196	3,876
1939	30,287	845	1,150	10,078	2,912	6,705	1,382	3,228	3,987
1940	32,031	916	1,294	10,780	3,013	7,055	1,419	3,362	4,192
1941	36,164	947	1,790	12,974	3,248	7,567	1,462	3,554	4,622
1942	39,697	983	2,170	15,051	3,433	7,481	1,440	3,708	5,431
1943	42,042	917	1,567	17,381	3,619	7,322	1,401	3,786	6,049
1944	41,480	883	1,094	17,111	3,798	7,399	1,374	3,795	6,026
1945	40,069	826	1,132	15,302	3,872	7,685	1,394	3,891	5,967
1946	41,412	852	1,661	14,461	4,023	8,815	1,586	4,408	5,607
1947	43,371	943	1,982	15,247	4,122	9,196	1,641	4,786	5,454
1948	44,201	981	2,165	15,286	4,151	9,491	1,716	4,799	5,613
1949 [3]	43,004	972	2,133	14,228	4,007	9,334	1,760	4,786	5,783

[1] Annual averages only are available for the years 1919–38. Monthly data beginning with January 1939 may be obtained upon request.

[2] Data for the trade and service divisions, beginning with January 1947, are not comparable with data shown for earlier years because of the shift of the automotive repair service industry from the trade to the service division. In January 1947, this industry amounted to approximately 230,000 employees.

[3] Represents average for first 9 months only.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

TABLE 2.—*Indexes of employment, by industry division, selected years, 1929–49*

[1929=100]

Industry division	1932	1939	1943	1947	1949 [1]
Nonagricultural total	75	98	135	140	139
Manufacturing	65	96	165	145	135
Mining	67	78	85	87	90
Contract construction	65	77	105	132	142
Transportation and public utilities	72	75	93	106	103
Trade	77	105	114	144	146
Finance and service	87	101	114	141	144
Government	105	130	197	178	189

[1] First 9 months.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

Employees in nonagricultural establishments

(A detailed discussion of the five chronically depressed industries comprises chapter IV of this report.)

Construction.—The construction boom of the early twenties began its deflation 1 year in advance of the general down-trend in nonagricultural employment. The collapse of numerous speculative ventures, overfinancing, and the general decline in consumer income caused a precipitous drop of one-fifth in employment between 1931 and 1932 and another of the same relative magnitude by 1933. Thereafter the rise was slow and by 1940 employment was still substantially below the previous high recorded in 1927.

The huge building program required to provide additional plant capacity, military installations, and homes for war workers furnished the impetus to a sharp rise in employment which reached a peak in 1942—nearly twice the 1939 level. Since manpower and materials were more urgently needed for direct war production, Government

restrictions were imposed on building activities for the remaining war period. Employment consequently declined and through 1944 and 1945 remained at a relatively low ebb. After the war, an acute housing shortage and an active period of industrial expansion again raised employment to a level almost approximating the 1942 peak. Despite somewhat heavier expenditures in 1949, greater productivity kept construction employment slightly below the 1948 level.

Mining.—This is the only industry division in which employment in 1949 was actually lower than in 1929. Evidence of the declining nature of this activity is afforded by the fact that employment never regained its pre-1929 level despite the unparalleled demands made on it during the war. Moreover, the decline is spread through most segments of the industry. Mine depletion and technological advances in mining methods are the chief long-term factors.

Employment at the wartime crest in 1942, approached a million. During the war, the mines were unable to attract and hold an adequate labor supply because of relatively low wage rates, unpleasant working conditions, and general inaccessibility. Employment decreased through 1944 and 1945, although the need for miners remained critical. The problem was eased somewhat in the next 2 years as veterans and displaced war workers returned to the mines. Intense industrial demand further buoyed employment in the postwar period bringing the total number of workers in 1948 and 1949 up almost to the million mark.

Government.—By far the most phenomenal and consistent gains were reported in governmental activities. The depression of the thirties caused Government employment to expand. Enormous public works programs were undertaken and the Government administrative machinery itself expanded to oversee and enforce the many new social and economic reforms. Employment by 1939 had increased steadily to a point one-third over 1929.

Expanding Government activity, particularly in arsenals and navy yards, in construction, and in transportation and public-utility fields, resulted in further large employment increases until 1943. Steady declines during the following years due to liquidation of defense establishments substantially reduced the number on Government payrolls. Beginning in 1947, however, State and local governments began to take up the slack as thousands of school employees were added to public pay rolls.

Manufacturing.—Employment in manufacturing industries has proved to be one of the most volatile in the nonagricultural group (table 3). The relative decline between 1929 and 1932 was equal to that in construction and deeper than any other industry division. Similarly, in the recovery between the depth of the depression and 1939, and between 1939 and the peak of the war effort, manufacturing employment again rose more quickly than any other industry with the exception of construction in the early war years. At peak, in 1943, manufacturing employed 17,400,000 workers, about two and one-half times as many as in 1932. Thereafter, employment declined steadily to the then postwar low in early 1946. With reconversion completed manufacturing production and employment began a general rise which continued up to the last quarter of 1948.

In many industries, production since the war was geared to a market in which there were accumulated shortages as well as continuing,

normal demand. In the last half of 1948, the establishment of more normal supply-demand relationships required production adjustments in some industries, especially those producing nondurable goods, and this in turn affected employment levels. An interesting consequence of this readjustment was the reappearance of prewar seasonal patterns in employment and production in some industries.

Trade.—Next to manufacturing, wholesale and retail trade provide the greatest number of job opportunities. Approximately 9,300,000 were employed in these activities in 1949, half again as many as were employed 20 years earlier. While employment in trade is generally responsive to the level of economic activity, the fluctuations in this group of industries were not as extreme as in some of the others.

The rising level of business activity during the years immediately preceding the war was reflected in increasing employment in trade establishments through 1941. As the labor supply dwindled and workers shifted into more critical activities, trade employment lost ground. The wartime low of 7,300,000 reached in 1943, however, was still well above the 1939 level. Through the use of older workers and school youth (many of them on a part-time basis), these industries increased their employment somewhat during the remaining war years. The record volume of postwar expenditures necessitated further substantial expansion. By 1948, trade activities provided 2,800,000 more jobs than in 1939.

Transportation and public utilities.—The degree of fluctuation in this group of industries is concealed to some extent by the relative stability in the public-utility field. Actually, employment in transportation, particularly on steam railroads, dropped considerably in the thirties and by 1939 was still 1,000,000 lower than in 1929. The war provided the necessary impetus in the form of the increasing traffic carried by steam railroads. With the cessation of hostilities, this type of transportation employment again declined but the slack was more than taken up by the telephone and public-utility industries. Employment since 1946 has hovered just over the 4,000,000 mark, only slightly above the peak levels of the twenties.

Finance and service.—Employment in finance showed the least variation of all the industry divisions between 1929 and 1949. Current employment averages 1,800,000, only 23 percent above the predepression level.

Service, on the other hand, increased over 50 percent in the same period, a gain which was closely comparable with the relative advances reported by other nonagricultural divisions.

LONG-TERM TRENDS

Some indications of long-term trends, despite the distortions introduced by depression and war, are revealed by employment shifts between 1929 and 1949. Although all industry divisions except mining employed more workers in 1949 than in 1929, rates of growth varied widely among industries. Between these two bench-mark years, both of relative prosperity, two long-term trends stand out: first, that Government jobs account for an increasing share of total nonfarm employment; and, second, that transportation and mining have suffered the greatest relative declines (table 3).

In addition to the long-term trends, there were numerous interim changes which were given their character by conditions of the time. In the depression period, for example, there was a marked increase in the proportion of workers holding jobs in service and Government. The increasing share, in the case of Government, was attributed to an actual employment expansion; for service, however, the increasing share was caused by an employment decline which was less precipitous than for nonagricultural employment as a whole.

In the period of full war production, the major relative expansion occurred in manufacturing and secondarily in Government. The gains came primarily at the expense of trade and service as these activities were encouraged to disgorge workers to essential war activities. In the two periods of general peacetime prosperity, manufacturing accounted for 1 out of every 3 jobs. Trade provided about one-fifth of the jobs and construction about 5 percent.

TABLE 3.—*Percentage distribution of employment by industry division, selected years, 1929–49*

	Nonagricultural total	Manufacturing	Mining	Construction	Transportation and public utilities	Trade	Finance and service	Government
1929	100	33.9	3.5	4.8	12.6	20.6	14.7	9.9
1932	100	29.1	3.1	4.1	12.0	21.0	16.9	13.8
1939	100	33.3	2.8	3.8	9.6	22.1	15.2	13.2
1943	100	41.4	2.2	3.7	8.6	17.4	12.3	14.4
1947	100	35.1	2.2	4.6	9.5	21.2	14.8	12.6
1949 (first 9 months)	100	33.1	2.3	5.0	9.3	21.7	15.2	13.4

Source: U. S. Department of Labor, Bureau of Labor Statistics

MORE PAY FOR FEWER HOURS

The pattern of hours and earnings in manufacturing industries has undergone drastic changes between 1929 and 1949. Average weekly earnings more than doubled in the interim, in fact, tripled from the low point of the depression in 1933. The workweek, on the other hand, declined from 44 to 39 hours over the same period. This reflects the increase in average hourly earnings from $0.57 to $1.40.

Developments over the past 20 years have also imparted a greater rigidity to the wage structure than had prevailed heretofore. Between 1929 and 1933, for example, average hourly wages dropped from $0.57 to $0.44, primarily reflecting downward adjustments in rates of pay. A greater degree of unionization and bargaining power on the part of organized workers today makes it improbable that a decline of such magnitude will occur again.

At no time during the thirties did average weekly earnings in manufacturing exceed $25. For 3 years—1932 through 1934—earnings averaged between $16 and $19, a level which prevailed some 20 years earlier, after the start of the First World War.

The length of the workweek was very sensitive to the intense pressure for increased war production. In 1939, the average weekly number of hours worked by production workers in manufacturing industries totaled 38 hours, for which the return was just under $24. During World War II and up to 1944, however, the workweek in-

creased steadily to 45 hours and earnings to $46. Increases in basic wage rates and gains in both the incidence and rates of premium pay, although limited by the wartime wage stabilization program, contributed to the wartime gross earnings record. Employment changes—with marked shifts from lower-paying consumer goods industries to higher-paying war industries—also produced substantially higher over-all averages of factory earnings.

An abrupt decline in the length of the workweek shortly after VE-day carried average weekly hours in manufacturing down to 40, where it held firm through 1948. The manufacturing employment distribution also reverted to its approximate prewar pattern, further reducing average weekly earnings in the immediate postwar period. Since reconversion, changes in gross earnings, have for the most part reflected wage rate developments, although changes in employment and in industry activity have a continued limited influence on average wage levels.

Even in the period of a declining workweek, the industrial worker was able to maintain and in many instances increase, his average weekly earnings. In the first quarter of 1947, factory gross weekly earnings returned to the previous wartime peak. The almost uninterrupted gains through 1948 in weekly earnings, largely paralleling the movements of hourly earnings, resulted in a new record average weekly wage of $56.14 in mid-December for the manufacturing industries. The average fell slightly in 1949 due to a decline in the number of hours worked. A large proportion of workers in 1949 continue to receive premium overtime payments. In September for example, one out of every three industrial workers was working more than 40 hours a week.

CHAPTER IV

EMPLOYMENT CONDITIONS IN FIVE PROBLEM INDUSTRIES

BITUMINOUS COAL MINING

Summary.—There has been a downward trend in bituminous-coal-mining employment since 1923. Mechanization of operations has raised productivity substantially since the early twenties, but the consumption of coal has increased insignificantly compared to the expansion in population, industrial plant, and total fuel consumption. The trend in employment was momentarily obscured by the war and postwar booms. During 1949, however, the cumulative effect of increasing mechanization, exhaustion of coal seams and declining relative consumption, aggravated by the general business recession, returned the industry to its prewar pattern of decline. Unemployment became serious in several mining towns and prospects for reemployment of the jobless were not encouraging.

Size and location of industry.—In 1948 the bituminous-coal industry comprised 8,000 mines in 26 States. The overwhelming share of annual tonnage is produced east of the Mississippi River in five States—West Virginia, Pennsylvania, Kentucky, Illinois, and Ohio. These States account for approximately 76 percent of bituminous-coal-mining employment.

Nature of the problem.—Bituminous coal has suffered a relative economic decline as a fuel since 1923. In that year, it supplied 62 percent of the total amount of fuel consumed in the United States; by 1948 its share had fallen to 42 percent. During this period total fuel consumption rose as the population grew and the industrial plant expanded, but domestic consumption of bituminous coal increased insignificantly from 509,000,000 tons in 1920 to 531,000,000 in 1948.

Over these same years productivity was advancing as a result of the growing mechanization of mining operations and expanded stripping of coal from easily accessible surface seams. The percent of coal mechanically loaded rose from 0.3 percent in 1923 to 63 percent in 1948, and the tonnage obtained from stripping rose from an average of 10,000,000 tons in the years 1920–24 to 138,000,000 in 1948. Coal production per man-day, as a result, increased from 4.56 tons in 1924 to 6.50 in 1948.

The unemployment problem in the bituminous industry is especially acute because of the concentration of the industry in areas where mining provides a major source of jobs. Unemployed coal miners have little or no alternative job opportunities, with the result that many areas in the coal region are chronically depressed. The Bureau of Employment Security has labeled seven bituminous areas as critical problems by virtue of their high unemployment ratios. These areas are: Jasper, Ala.; Crab Orchard and Mount Vernon, Ill; Terre Haute and Vincennes, Ind.; and Greensburg and Johnstown, Pa. (Three anthracite areas in Pennsylvania are equally depressed, namely

Pottsville, Scranton, and Wilkes-Barre.) The employment figures also conceal a large amount of underemployment as most of the industry is now on a 3-day workweek.

Employment.—The declining relative importance of coal and increasing productivity per miner reinforced each other in creating a downward employment trend. In 1923, production workers in bituminous coal mining numbered 643,000. By 1939, however, the number had dropped to 371,000. The war and postwar booms halted the downward trend and a postwar peak level of 419,000 was reached in 1948. During the following year, however, falling exports, the business readjustment, and the long-term factors of increased productivity and lagging consumption restored the downtrend. In June 1949, the work force numbered 404,000.

The number of mines in operation has varied closely with the trend in employment. In 1923, a record 9,331 mines were in operation. In 1939, there were only 5,820. By 1947, the number rose to 8,700, but declined again to 8,000 in 1948.

Hours and earnings.—Overcapacity in the industry compared to effective demand compelled mines to maintain less than full-time operations between the two world wars. In 1923, the average workweek for all production workers was 31 hours. By 1929 it had lengthened to 38, but dropped to 27 by 1939. With the upturn in demand and the shortage of labor resulting from the war, the workweek rose to 43 hours in 1944. By 1948, however, overcapacity became a problem once more and weekly hours declined to 38. In fact, the actual workweek was substantially below the latter figure which included approximately 1¼ hours of paid lunch and travel time per day for most workers. For substantial periods in 1949, miners were working a 3-day week.

Weekly earnings for miners in the postwar period were increased by shortening the workweek and raising hourly earnings through collective bargaining. As a result earnings rose from $58.03 in 1946 to $72.12 in 1948. The 3-day workweek instituted on June 30, 1949, caused earnings to drop to $49.59 per week by August.

LEAD, ZINC, AND COPPER MINING INDUSTRIES

Summary.—Although the United States contains only 7 percent of the world's population, its demand for metals is greater than the rest of the world combined. This tremendous consumption causes rapid depletion of existing veins and makes necessary the development of new sources of supply. As exhausted mines are closed, a frequent consequence is the unemployed miner, old in his craft and relatively fixed to his place of residence.

Definition.—These industries include establishments engaged in mining copper, lead, zinc, or lead-zinc ores, or in dressing and beneficiating these ores.

Size and location.—Nonferrous metal mining is located predominantly in those States lying between the Mississippi River and the Rocky Mountains.

During 1947, copper ore was mined in 20 States, with Arizona the foremost producer, followed by Utah, Montana, New Mexico, Nevada, and Michigan. In that year, there were 107 mines producing 10,000 or more pounds of this ore.

Lead ore was mined in 23 States, with Missouri the leading producer, followed by Idaho, Utah, Arizona, Colorado, and Montana. Zinc ore was mined in the same number of States, Idaho leading and New Jersey, Arizona, Montana, New Mexico, Colorado, and Kansas following. There were 756 mines producing 10,000 or more pounds of either lead or zinc, or both.

Nature of the problem.—The unemployment problem in areas of copper, lead, and zinc mining results from both economic and geological factors. The satisfaction of a good part of the postwar demand for durable goods explains the general easing in mining employment during the current year. However, more basic factors underlie the appearance of unemployment in particular areas.

Mining is an itinerant industry. As soon as the richest metal-bearing ores have been mined, the industry moves on. The process of mine depletion was speeded during the war and postwar periods as enormous drafts were made on the country's metal reserves. In some cases, mine closings were merely delayed by the war. The tri-State area, which had once provided one-third of the zinc produced in the United States, was by 1939 rapidly inactivating its mines. Rescued by the tremendous need for metal during the war and aided by premium payments for production, operations continued through June 1947. With the elimination of premiums at that date, the high cost of mining in this area caused many mine closings.

Exhaustion of ores has affected other ores. Montana, once the leading copper-producing State, has fallen in importance as her deposits were used up. In Elko County, Nev., a mine company closed its holdings in 1947 after 15 years of mining.

The trend in discoveries of new ores has been unfavorable, further preventing effective absorption of the unemployed. During the past 25 years the major development of new sources of lead, zinc, and copper have occurred outside the United States—in the Belgian Congo, Northern Rhodesia, Chile, and Peru.

Employment.—Postwar employment in mining did not expand significantly over prewar figures in contrast to other sectors of the economy. Thus, when the consumer durable pipe lines were filled and demand for metals eased, the level of employment fell below prewar. In copper mining, the September 1949 figure was 18,600 production workers compared to an average of 25,000 in 1939. In lead and zinc mining, the September work force was 15,500, the 1939 average 16,300.

The more severe aspects of dislocation in the industry were reflected in the appearance of dead mining areas and continuous unemployment. Some of these areas were: Tri-State, Upper Peninsula in Michigan, and Elko County, Nev.

Hours and earnings.—Miners earned more than the manufacturing average during 1947 and 1948. Working an average week of 45 hours enabled the miner's weekly earnings to hover around $70 in the first few months of 1949. The sharp curtailment in the industry's operations during the remainder of 1949 has, however, resulted in a shorter workweek and earnings only slightly above the average for manufacturing workers.

BROAD-WOVEN FABRIC MILLS

Summary.—The problems in the cotton textile and woolen and worsted industries are of long duration and are too deep-rooted to warrant any prospects for substantial improvement in the near future. Synthetic fibers have made serious inroads on the use of these two natural fibers and the substitution process is continuing at a steady rate. While many cotton mills have added rayon manufacture to their output, still others have been unable to keep pace and consequently have a declining share of the national market. The brunt of the impact has been felt chiefly in New England where high local taxes, somewhat higher wage rates, and work practices tending to increase operating costs have caused a continuing exodus of the two industries to the South.

The relocation from North to South has created pockets of unemployed in northern communities where textile employment provided the major source of job opportunities. These areas appear to be chronically depressed and the work force is either too immobile or marginally productive to give hope for natural correction of the imbalance.

Employment reached a postwar peak in 1948 but has declined substantially since then. The rate of decline in the New England segment of the industry, however, has been double that of its southern counterpart.

Size and location of industry.—The manufacture of broad-woven fabrics comprises one of the largest industries in the United States. It is composed of plants producing cotton cloth, by far the largest segment in the industry, woolen and worsted plants, the second largest of the segments, and a growing group of synthetic fiber plants. The difficulty in handling these groups separately arises from the fact that some plants work with two or more types of fibers and it is virtually impossible to delineate employment time allocated to each.

Employment in the broad-woven fabric industry averaged 618,000 in 1947 and was scattered in approximately 1,600 plants. Roughly, about 60 percent of the workers were employed on cotton goods, slightly more than one-fifth on woolen and worsted, and somewhat less than one-fifth on synthetic fibers.

Cotton goods.—Formerly the manufacture of cotton cloth was concentrated chiefly in New England, but most of the industry has gradually shifted to the Carolinas, Georgia, and Alabama. In recent times, New England has predominated only in the manufacture of goods made from fine yarn.

Approximately 80 percent of cotton-goods employment is now concentrated in the South. Virtually all of the remainder is in New England with Massachusetts predominating. Large combinations of mills under a single ownership are the exception, although there has been a slight trend toward combination in recent years. The average size of plant in the South is about twice as large as in the North.

Woolens and worsteds.—In 1947 about two-fifths of the industry was in Massachusetts and Rhode Island; the other principal producing States were New Hampshire, Maine, Pennsylvania, New Jersey, Connecticut, and New York. The slight tendency toward development of the industry in the South has gathered momentum since 1947,

with the result that some of the largest units have already located or are in the process of moving below the Mason-Dixon line.

Most concerns in the industry are moderate-sized, each operating a single mill, or at most two or three mills. There is one large corporation, the American Woolen Co., which produces from 10 to 15 percent of the total output.

Nature of the problem

Cotton goods.—In terms of production, the problem in the cotton goods manufacturing industry has long-term origins. The effects of the depression, the reduced rate of population growth and the increased competition of synthetic fibers caused expansion in domestic consumption of cotton cloth virtually to cease in the 1930's. At the same time, wide fluctuations in the price of cotton added considerably to the risk which mills bore on inventories. Overcapacity contributed to financial distress and liquidation, which reduced the cotton-spinning spindles in place by about one-third between 1923 and 1939. Although the war vastly increased the number of active spindle hours, it was apparent by 1949 that all the regained ground had been lost and operations were back to the 1939 level.

Manpowerwise, the problem in cotton manufacture is largely regional in nature. New England, which had once been the center of the industry, encountered increasing competition from the South, resulting in the forced liquidation of many high-cost producers and an exodus southward of most of the remainder.

Competitive advantages of southern location were mainly threefold. First, local taxes in New England communities were substantially higher than in their southern counterparts. Secondly, labor conditions, from the manufacturer's viewpoint, were more favorable in the South than in the North. Finally, a North-South wage differential, while less of a factor today, offered attractive incentives to a cost-conscious industry.

Change in the regional employment pattern created numerous problems in New England which now appear to be endemic to the region. In many areas, cotton textile plants were the sole or major means of livelihood for the working population. Consequently, any physical plant relocation was bound to leave a pool of unemployed for whom there were little or no alternative job opportunities.

A recent survey conducted by the Bureau of Employment Security revealed that the unemployment problem in 16 New England areas was regarded as critical. In more than half of these areas, the textile industries were either dominant or very important in the economic pattern of the community. In addition, there were several textile areas which fluctuated between critical and a situation only moderately less so.

The jobless problem in these critical areas is aggravated by the aging character of the work force. Their relative immobility, moreover, prevents them from leaving their homes for more favorable opportunities elsewhere.

Woolens and worsteds.—The problems with respect to woolens and worsteds duplicate in many instances those found in cotton textiles. Substitution of synthetic fibers has made serious inroads and the deterioration has gathered momentum within recent years. Rayon for men's suitings, for example, has captured more than half of the

tropical worsted market. The use of rayon materials is now being extended to men's suitings for year-round wear. The advent of nylon promises to wrest even larger portions of the market from the woolen and worsted industry.

High cost of wool underlines the competitive disadvantage. In 1948, its average price per pound was 4.7 times that of cotton, and 4.4 times that of rayon staple fiber. Devaluation of English currencies had little effect on the price of foreign wool—the United States imports a very significant proportion of its total consumption. Wool prices have about reached their predevaluation levels due to competitive purchasing of the Australian fiber by Russian and Japanese interests.

The recent trend toward the establishment of woolen and worsted mills in the South derives its impetus from the relatively high local taxes, slightly higher wages, and some types of labor practices which add to operating costs. The distribution of these plants in one- and two-industry communities makes the workers in them vulnerable to fluctuations in production and productivity. Areas like Lawrence and Worcester, Mass., and Providence, R. I., report pools of unemployment which are unlikely to dissolve in the near future.

Employment.—Broad-woven fabric mills, producing cotton, silk, wool, rayon, or other synthetic fibers, employed an average of 646,000 workers in 1948, a postwar peak for these plants. The decline since then has been relatively sharp, with employment registering a drop of approximately 70,000 or 11 percent in 1949. The average, however, conceals differences in the regional rate of decline. Estimates indicate that the relative loss in New England was at least twice that of the Southern States.

Hours and earnings

Cotton.—Hourly earnings in the cotton-goods industries have been much lower than the average for nondurable goods as a whole and even lower (at times almost 50 percent lower) than the average for all manufacturing. This industry, therefore, was especially affected by the various Government measures adopted after 1932 to raise basic rates of pay. The first minimum rates in the South of 30 cents and in the North of 32½ cents established under the National Industrial Recovery Act were considerably in excess of the then prevailing average. Today, on the other hand, hourly wages achieved through collective bargaining have been in excess of the minimum rates established under current statute. In August 1949, the average hourly rate for the industry reached $1.15 and average weekly earnings almost $43.

In the past, the lower wages prevailing in the South largely induced the migration of the cotton-goods industry from New England. Wages in New England mills at the end of World War I were almost 60 percent higher than among their southern competitors. This gap has been substantially closed since then. By the end of 1938, the wage differential had narrowed to about 20 percent and by August 1949, it was as low as 7 percent.

Woolens and worsteds.—Wages, unlike those in cotton textiles, have always compared favorably with other manufacturing industries. Since 1932, hourly earnings have more than tripled to a current level of $1.32. Current weekly earnings average $52 for a 39-hour week.

LEATHER

Summary.—Substitution of other materials for leather in the past 10 years has accounted for the failure of this industry to expand its employment during the war years and for the relatively substantial drop that occurred thereafter. In the years between 1939 and 1947 when shoe production, chief consumer of leather, increased by almost 20 percent, employment in the leather industry reported only a very moderate gain.

Definition.—This industry includes establishments primarily engaged in tanning, currying, and finishing sole and belting leathers, upper and lining leathers, and miscellaneous specialty leathers, and in embossing, japanning, and currying leather. Two types of establishments operate in this industry; namely, the regular tannery which does work for its own account, and the contract factory which does work for others.

Size and location of industry.—In 1947, the industry consisted of 567 establishments employing 53,000 workers. Plants are located primarily in the New England, Middle Atlantic, and North Central States. The largest concentration by far was in Massachusetts where almost one-fourth of the industry's workers were employed. Pennsylvania and Wisconsin were the only other States to employ over 5,000 workers.

Nature of the problem.—Substitute materials, particularly plastics, have made serious inroads in the use of leather for finished goods. The trend in the use of leather in shoes provides a striking illustration of material substitution. In one year, between 1947 and 1948, the number of shoes with all leather soles dropped from 70 percent to 60 percent of all shoes manufactured. The significance of this drop is high-lighted by the fact that 85 percent of prepared leather finds its way into footwear.

Employment.—The long-term trend in employment has been down. Employment reached a peak in 1919 of 79,000 and by 1939 had fallen to 52,000. After rising to 53,000 in 1947, it again fell approximately 10 percent by 1949.

It is unlikely that the declines have had any serious effect on the areas in which they took place. Although the relative decline has been large, the reduction is small in absolute numbers of workers and has been spread over a long period of time.

Hours and earnings.—Average hourly and weekly earnings are not a problem in the industry. The level of earnings compares favorably to the average for all manufacturing. In August 1949, hourly earnings averaged $1.40 and weekly earnings, $54.34.

FOOTWEAR

Summary.—Employment in shoe manufacturing has failed to keep pace with the general uptrend in manufacturing as a whole and with shoe production in particular. Increasing productivity, shift to new shoe types calling for less labor time, and high footwear prices are mainly responsible for the unfavorable trend. A recent minor shift of facilities from New England to the South has created small pools of unemployment in a few New England cities.

Size and location of industry.—The footwear industry consisted of approximately 1,300 plants in 1947 employing 235,000 production

workers. The greatest concentration of employment is in New England; Massachusetts alone accounts for almost one-fifth of the Nation's total. Other points of concentration are New York, Illinois, Maine, and Missouri. A trend toward the South in the establishment of new plants is discernible.

Nature of the problem.—There are numerous problems in the footwear industry, none of which appears to play a dominant role in the relative employment decline. Productivity increased only slightly—about 5 percent—between 1939 and 1947. Nevertheless, production of pairs of shoes had increased by 20 percent in the same period. While part of the differential is attributed to an employment increase the remainder is accounted for by a switch to shoe types which had their inception during the war and which continued in popularity in the postwar years. These new types, including casuals and play-shoes, require far fewer man-hours per shoe than the conventional types. In addition, a new technique of "sliplasting" has speeded the process of manufacture on certain types of shoes which has also resulted in increased output.

Consumer resistance to high shoe prices appears to have contributed to declining per capita use of shoes. Retail shoe prices between 1939 and 1948 increased by 107 percent as against an increase of 72 percent for all commodities combined.

Wages do not compare favorably with nondurable goods as a whole although the industry has never had difficulty in recruiting workers. The average, however, conceals the dual pattern of high wages in New England and New York and considerably lower scales in the South and Midwest. This disparity has caused a partial shift in production of lower-price shoes to the low wage areas. Wherever such shifts have occurred or wherever New England manufacturers have had to shut down because of relatively inefficient operations, pockets of unemployed have been created. Areas like Auburn and Lewiston, Maine, and Haverhill and Newburyport, Mass., have been affected by the impact.

Employment.—The long-term trend in footwear employment has been down slightly from the peak reached in 1923. The decline since that time has been relatively small but is conspicuous when compared to the sharp increases experienced by other industries since that time, and especially with the population growth in the last 25 years.

Production-worker employment in 1939 totaled 231,000. Shoe rationing during the war was responsible for the decline to 193,000 but employment quickly recouped after VJ-day and even surpassed its prewar level. In 1947 and 1948, factory worker employment had increased to 235,000. The general down-trend in 1949 reduced the level to 230,000. The annual averages, however, conceal the extent of the decline since February 1948, when employment had reached a postwar high of 251,000.

Hours and earnings.—In August 1949, weekly earnings averaged $40 for a 37-hour workweek. While hourly earnings of $1.10 compared unfavorably with the $1.31 for all nondurable goods, the average conceals variations in the regional pattern of payments. In New York and Massachusetts, hourly earnings averaged $1.24 and $1.17, respectively. In Maine and Missouri, the averages fell between $1.03 and $1.06 per hour.

CHAPTER V

DISCUSSION OF THE CONCEPTS USED BY THE BUREAU OF CENSUS IN MEASURING THE LABOR FORCE AND UNEMPLOYMENT

The Subcommittee on Unemployment was impressed not only with the growing attention being given the unemployment count as an indicator of the level of economic activity but also the confusion concerning the significance of these official figures. When unemployment was at the 4,000,000 level last July (1949) there was considerable discussion concerning the meaning of this figure, and particularly its significance in relation to the size of the working population. There arose such questions as: Were all persons who were looking for employment actually being included in the official figures? And conversely, did the official estimates include some persons who properly should not be classified as job seekers? While it is not difficult to classify properly the majority of the country's adult population as to its labor market activities during any given period, it is not easy to classify that group of individuals who are constantly moving in and out of the labor force; and yet the manner in which they are counted will greatly influence the unemployment totals. What account should be taken of workers on vacation, a stenographer who is sick, union members on strike, or the carpenter not working because of rain? None of these is working, yet none is unemployed. Moreover, persons in a one-industry town are well aware of the futility of job hunting when the only plant is closed down. They are not looking for employment, yet they are certainly unemployed. How are these people included in the official count? Behind the employment and unemployment figures published each month by the Census Bureau are the answers to these and many similar questions, and taken together they form the over-all philosophy currently used by the Census Bureau in measuring the volume of unemployment and the labor force. The subcommittee feels that a full discussion of these concepts will do much to dispel any confusion surrounding these important economic series.

EARLY DEVELOPMENT OF LABOR-FORCE CONCEPTS

Earlier attempts to measure the labor force centered largely about the gainful-worker concept, used first in the decennial census of 1870 and thereafter through the census of 1930. According to this concept, a gainful worker was one for whom a gainful occupation was reported. No specific time reference was applied, and many persons who had retired from active participation in the labor market were undoubtedly reported as gainful workers. On the other hand, many young persons who were entering the labor market for the first time were excluded from this group because they had not yet acquired a gainful occupa-

tion. Estimates of unemployment were usually derived by subtracting from this gainful-worker figure (or projections of the total for years between the decennial censuses), an employment total built up from various sources, some of which provided only fragmentary data. These derived estimates of unemployment were thus subject to error on at least two counts, the failure of the gainful-worker total to reflect accurately the size of the actual labor force (i. e., economically active population) and the absence of reliable estimates of the total number employed.

While there had long been a need for a better measurement of the number of jobless persons, the development of mass unemployment in the early thirties brought this problem to sharp focus. Without an objective measurement available, widely conflicting estimates began to make their appearance and many were criticized as reflecting largely the particular interests of the sponsoring groups.[1] As a result of this confusion, many research groups began experimenting with direct surveys of samples of the population. In these surveys an attempt was made to classify the population as in or out of the labor force or as employed or unemployed, using various series of questions addressed to each individual. In most of the surveys the unemployed were defined as those who were not working but were "willing and able" to work. Although representing an improvement over past techniques, this concept still did not meet the standards of objectivity that it was felt was necessary in order to measure not only a level of unemployment at one time but changes over periods of time. It was felt that the concept "willing and able to work" was too indefinite and too dependent upon the interpretation and attitude of the person being interviewed. What was needed was some concept which depended upon what a person did rather than upon the way he felt.

Out of this experimentation there developed a set of concepts which sought to meet these criticisms. According to these new concepts, the classification of an individual was to be dependent primarily upon his activity; that is, whether working, or looking for work, or doing something else within a designated time period. Much of the original development work was done by the research staff of the Works Projects Administration and, although there have been improvements in questionnaire design and enumerating techniques since the Census Bureau took over this work in 1942, they have been used in substantially unchanged form since that date.

EXPLANATION OF CENSUS LABOR FORCE CONCEPTS

Through its monthly surveys, the Census Bureau classifies the civilian population of working age (14 years of age and over) into three basic groups, the employed, the unemployed, and those not in the labor force. The first two of these, the employed and the unemployed, comprise the labor force, or the economically active population.

As mentioned earlier, the basis for this classification is primarily the activity of the individual during a specified time period, in this case the calendar week containing the eighth day of each month. In the adoption of a calendar week as the time reference for the surveys,

[1] Fortune, September 1949, p. 76. "Every interested party took a crack at estimating them (unemployed), and the more they estimated the worse they seemed to get at it. In December 1939, for example, the A. F. of L. estimated unemployment at 9.4 million, the CIO at 10.5 million, the National Industrial Conference Board at 8.4 million, and Dorothy Thompson at 2 million."

several considerations were paramount. First of all, the period used must be short enough so that the data obtained would be current and so that the time reference would not tax the memory of the person giving the information. Secondly, it must not be so short a period of time that the occurrence of holidays or other accidental events would cause wide and erratic fluctuations in the information obtained. A calendar week seemed best to fulfill these conditions.

Whatever the time reference, it is evident that a person could have engaged in more than one activity during the period specified. Thus, in classifying persons, it was necessary to assign a priority to the various activities for which information was obtained. In this way, an individual is classified in only one group, and unduplicated totals of the employed, the unemployed, and persons outside the labor force can be obtained.

In this classification system, the highest priority is assigned to the activity of "working." Thus, if a person did any work in the survey week (that is, any work besides home housework or other work around the house or volunteer work)[2] he is classified as "at work" and is included with the employed, even though he may also have looked for work, gone to school, or done something else.

The activity "looking for work" is given second priority in the classification scheme. Thus, if a person did not work at all during the survey week but was looking for work, he is regarded as in the market for a job and is classified as unemployed. In defining the unemployed, a slight departure was made from a strict "activity" concept. It was recognized that, under certain circumstances, some persons, although unemployed in any realistic sense, might not be looking for work continuously. For example, in a one-industry town, if all the plants are shut down, most workers (unless they left town), would have no alternative but to wait until the plants reopen and probably would not be actively looking for work; however, it would be difficult to justify not classifying these workers as unemployed. Thus, the definition of unemployed persons was expanded to include certain groups frequently termed the "inactive unemployed." These are persons who, although not actively looking for work in the specified week, report that they would have been doing so except for (1) their own temporary illness, (2) their belief that no work was available in their line of work or in the community, or (3) because they were awaiting recall to jobs from which they were on indefinite layoff.

Some modification of the "activity" concept was made also in the case of the employed. It was recognized that, if activity alone during a calendar week is considered, large numbers of persons with definite job attachments but temporarily absent from work in the survey week for reasons such as illness, vacation, or bad weather, would be excluded from the labor force count. Because, in most cases, their absence would not exceed a week or two, it was believed that their exclusion from the labor force would not provide a realistic count of the economically active population. Moreover, unless looking for other jobs, it was decided that they most logically belonged with the employed because they had jobs reserved for them in the economy.

[2] In addition, a person who worked without pay on a family farm or business only is not counted as working unless he worked 15 hours or more during the survey week; any smaller amount of work of this kind is regarded as incidental chores.

Thus, persons who were neither working nor looking for work but who had jobs or businesses from which they were temporarily absent during the survey week were set up as a subcategory of the employed, which must be combined with the "at work" group to provide figures for total employment.

Persons 14 years old and over who were neither employed nor unemployed in accordance with the concepts outlined above are classified as "not in the labor force." These persons are further subdivided in accordance with their principal activity during the survey week, i. e., keeping house, going to school, etc.

Generally, this classification scheme has found widespread acceptance among persons concerned with labor market developments and is regarded as the most suitable for the wide variety of uses to which labor force data are applied. However, for certain purposes, various other regroupings may be preferable. In order to permit this, the Census Bureau publishes figures in as great detail as is warranted by their statistical validity, and, in addition, conducts periodic special studies on various aspects of the labor force that are not adequately covered by the regular monthly surveys. Some of the limitations and criticisms of the Census Bureau concepts and estimates and the efforts of the Bureau to meet them are described below.

AGE LIMITATION

In the Census Bureau's monthly population surveys, information on employment and unemployment is requested only for persons 14 years of age and over. In some of the earlier censuses, when the "gainful worker" concept was used, the lower age limit was 10 years. However, because of the extension and more rigid enforcement of child-labor and school-attendance laws, it is believed that the 14-year limit is more realistic at the present time.

Actually, there remain a certain number of children under 14, mostly on family farms, who do considerable amounts of gainful work. Thus, to some degree, the agricultural employment figures, especially at the seasonal peak, may not represent the total number who have contributed to farm output. However, the considerable expense involved in obtaining labor-force information for younger children would probably not be warranted by the limited additional data that would be provided thereby.

It has also been suggested that even 14- to 17-year-old children, because of the marginal nature of their economic activity, should be excluded from the labor-force count. The inclusion among the unemployed of young persons looking for part-time or summer jobs has also been questioned. It can be demonstrated that these youngsters do make a substantial contribution to the total national product, and thus their exclusion from the labor force would seem unwarranted from a labor-input standpoint. However, the Census Bureau does publish sufficient labor-force data by age and sex so that analyses can be made of the fluctuations due to the seasonal activities of youngsters.

TREATMENT OF PERSONS WITH JOBS BUT NOT AT WORK

The inclusion with the employed of persons who had jobs or businesses from which they were temporarily absent during the survey week has been the subject of much discussion among technicians in

the field. There is little controversy concerning the classification as employed of the largest part of this group, persons away from their jobs because of illness, vacation, or industrial dispute (who were not looking for other jobs). From time to time questions have been raised about including with the unemployed rather than the employed, persons unable to work at their jobs because of bad weather. However, the majority of these persons are farm workers and most of the remainder are construction workers who normally lose a certain amount of working time each year as a result of weather conditions. In fact, for the construction workers at least, wage rates may reflect this factor. At present, there is fairly general agreement with the classification as employed of persons temporarily idle because of bad weather.

Most of the disagreement at present concerns the classification of two very small components of the "with a job" group. These are persons who are not at work because they are on temporary (less than 30-day) lay-off,[3] or because they were waiting to report to new jobs which were scheduled to begin within 30 days. Because these persons have less definite job attachments than others in the "with a job" group and because their absence is usually involuntary, many technicians believe they are more properly included with the unemployed. On the other side of the argument, these persons have jobs presumably reserved for them and since they are not looking for other work, are not competing for jobs in the labor market; thus, their status is different from persons who are totally jobless. The "new job" group, in particular, is extremely small except at the end of the school term in June. At that time it expands because of the inclusion of many students who have been promised summer or post-graduation jobs; since most of these students are still in school while waiting to report to work, it is rather questionable whether they could, in any sense, be regarded as unemployed.

At any rate, separate estimates of the "temporary lay-off" and "new job" groups (as well as the other "with a job" categories) are published each month by the Census Bureau, and those who prefer to classify them otherwise are thus able to adjust the figures. On the average, these two groups include only about 200,000 to 300,000 persons. An examination of trends in these groups over the past few years reveals that they are subject to many random and temporary fluctuations and the numbers are not particularly responsive to changes in business conditions.

TREATMENT OF PART-TIME WORKERS

The classification as employed of persons working only a few hours each week has also been the subject of much controversy. It has been suggested that when the hours of work fall below a subsistence level (less than 15 hours, for example), these persons are more properly classified as partially unemployed.

Sufficient information is provided in the Census Bureau release each month on hours worked for those employed in agriculture and in nonagricultural industries, so that the extent of part-time employment can readily be observed. Moreover, special studies of part-

[3] This group includes persons who had been laid off but had definite instructions to return to work within 30 days from the start of their lay-off. Persons on lay-off who have no definite date to return to work, irrespective of the expected duration of the lay-off, are classified as unemployed.

time workers are made periodically (quarterly at the present time) in order to determine how many are working short hours because of economic factors and how many are doing so from choice or for personal and other noneconomic reasons. The most recent of these studies show that although substantial cut-backs in hours worked due to economic factors have occurred in the past year, the large majority of those working less than 15 hours a week are doing so because they are housewives, students, or older semiretired persons who want, or are available only for, part-time employment.

The measurement of inadequate employment, of course, must take into account many factors besides hours of work. Many persons, for example, who regularly work full time but whose incomes are below a subsistence level are, in a sense, inadequately employed. For this and other reasons, income studies are conducted annually in conjunction with the Current Population Survey in order to provide users with information in this important field.

TREATMENT OF INTERMITTENT AND MARGINAL WORKERS

The "activity" concept is put to its severest test in the measurement of persons who work or look for work only intermittently. Through improved interviewing techniques and questionnaire design, a relatively complete count is now being obtained of all persons at work, including intermittent and marginal workers. Some criticism of the concepts is leveled at the inclusion of secondary and marginal workers such as paid baby sitters and newsboys, or unpaid workers on family farms and businesses in the count of the employed. However, since these persons are doing productive work in the economy, it is debatable as to whether they could logically be excluded. Actually, as noted earlier, persons doing unpaid family work are not counted as employed unless they worked 15 hours or more during the survey week; a smaller amount of work of this kind is regarded as incidental chores. Separate estimates published by age and sex and for unpaid workers serve to assist in isolating these groups if desired.

When not actually at work or looking for work, persons who work only occasionally are in danger of being excluded from the labor-force count. In large part, those likely to be excluded are the marginal and intermittent workers who are mainly occupied at home keeping house or are attending school. However, some regular workers who want and need jobs but who are not continuously looking for work may also be inadvertently omitted.

The series of questions used to develop labor force information each month are of necessity simple and concise. In order to develop the identity of all persons on the margin of the labor force, much more detailed questioning is required. However, experience has shown that the use of a lengthy series of probing questions will bring into the labor force count large numbers of persons who, although willing and able to work, have no definite intentions of translating their desires into concrete efforts to find jobs. Thus, in order to preserve the objectivity of the classification scheme, it has been deemed preferable to risk the omission of a limited number of workers on the fringe of the labor force rather than to bring in a considerable number of additional workers whose attachment to the labor force cannot

be accurately measured and the inclusion of whom might lead to erratic fluctuations in the labor force total.

As an illustration of the effect of intensive questioning, a special survey was conducted in August 1946 for the purpose of reexamining the classification of those reported as outside the labor force in response to the regular questions. Information was obtained on previous working experience, efforts to find work within the previous year, reason not currently in the labor market, and future job-seeking intentions. On the basis of the reasons given for not currently seeking work, a large number of persons (amounting to about 1½ million after inflation of the sample) gave evidence of varying degrees of interest in jobs. However, a further examination showed that the great majority of these persons had neither worked nor looked for work within the past several months and had no definite intentions of seeking work in the near future. These facts suggest that desire and availability for work which may be reported after detailed questioning are not, in themselves, sufficient indication of attachment to the labor force.

Many other experimental studies have been conducted by the Census Bureau for the purpose of determining whether any substantial number of persons who are properly members of the labor force are being excluded by present procedures. In the past 2 years, the trend in these studies has been to determine how many of those reported as outside the labor force in response to the regular questions have actually looked for work within the past month or two and, if so, whether they still wanted and were available for jobs. In general, in the neighborhood of half a million persons have been found who fulfilled these conditions, and the number has shown relatively little change in the past year despite a marked increase in unemployment and partial employment. Moreover, the large majority of these persons were found to be either teen-age students or housewives, groups whose attachment to the labor force is often transitory and unstable.

Information on intermittent workers is also obtained as part of annual studies of the number who worked at any time during the preceding year as opposed to those in the labor force in a calendar week. Persons found to be outside the labor force at the time of the survey who worked during the preceding year to some extent represent the group of intermittent workers. From these studies, additional information on their number and characteristics are provided for analytic purposes.

LIMITATIONS OF THE UNEMPLOYMENT FIGURES

As stated at the outset of this chapter, the official unemployment figures are receiving increasing attention and there is a growing tendency to evaluate the general economic situation in the light of these figures, perhaps to the exclusion of other and equally pertinent data.

The unemployment figures, as derived from the census concepts, have a definite contribution to make in any analysis of economic trends and conditions. They serve primarily as a sensitive and objective measurement of changes in the number of persons who are jobless and who are competing in the labor market for work. However, data

derived from a survey of the census type are admittedly subject to various limitations. The data are based on the results of interviews with a small sample of households scattered throughout the country. The present sample of 25,000 households, selected according to approved and tested principles, can provide estimates only for the United States as a whole. Moreover, all of the estimates are subject to sampling variability which may be particularly large in the case of the smaller figures. Total unemployment as measured by the sample might be as much as 6.5 percent above or below the figure given by a complete count. Thus, if the complete count figure were 3,500,000, the sample estimate in 19 cases out of 20 would be between 3,270,000 and 3,730,000.

In commenting upon the Census Bureau's Current Population Survey the Joint Committee, in its report Statistical Gaps released July 15, 1948, stated that—

> The chief weakness of this monthly enumerative survey is that it fails to show employment and unemployment on a geographical basis, and that the sample is too small to provide reliable data on occupational and other characteristics of the unemployed. Expansion of the national sample to provide in full the desirable amount of detail would be excessively costly, but a moderate expansion to provide employment and unemployment totals for three major regions, with greater detail on characteristics of the unemployed for the United States as a whole is feasible.

The need for additional data concerning the volume of total unemployment on an area and regional basis was well illustrated by the situation which developed during the past summer when the rise in unemployment was concentrated in a relatively few States and areas. Based on claims for unemployment compensation provided by the Bureau of Employment Security it was possible to determine in which areas there was a relatively high degree of unemployment among workers covered by unemployment compensation laws. This, of course, does not provide information on the total number of unemployed, the figure most needed for proper labor market analysis. The second limitation of the current Census Bureau series, which would also be overcome by a moderate expansion of the sample, is the lack of detailed information on the characteristics of the unemployed. Included in the material currently being published is a distribution of the unemployed by duration of unemployment, but no information is now available concerning the characteristics of persons out of work for various time periods. The present sample would not permit the analysis of the ages, specific occupational skills, and industrial experience of the long-term unemployed, for example.

Apart from sampling limitations there are other limitations to the census unemployment figures which are inherent in all survey data. Most of the persons interviewed in the census survey are housewives who know, in general, about the activities of the members of their families but who may not know or may have forgotten the detailed facts about their jobs or the length of time they have been out of work. Interviews with each member of the family would eliminate this difficulty, but funds are not currently available to meet the added cost of this improvement.

A special feature of the census survey is the enumeration of the same households for a period of 6 months in order to provide the best possible estimates of change from month to month. Because of this procedure, however, special care must be exercised to maintain cordial relations with the sample households in order to insure their continued

cooperation. Even if cost were not a factor, public resentment would prevent the use of detailed questions each month concerning the experiences and attitudes of the family members. Accordingly, the monthly figures are limited to items that can be obtained with a brief and simple set of questions.

SUMMARY

The volume of criticism of the unemployment and labor force series seems to vary directly with the level of unemployment—as the number of persons reported out of work increases, the criticism mounts, and generally to the effect that the figure is too low. There has been no recent criticism suggesting that the census unemployment series are at too high levels. A review of these criticisms indicates that the basic conflict is over the definitions of employment and unemployment. For example, the census definition of employment is not designed and will not show the degree to which the population is obtaining "suitable" employment, or employment "at maximum skills." Nor does the unemployment figure include those who are merely "waiting for a job to turn up," or who would accept a job "if something interesting came along," etc. In other words, the labor force and unemployment series are not designed as indicators of the degree to which there is full employment, but the series do present satisfactory estimates of the number of people who are either working or looking for work, based on what these people by their actions are demonstrating that they are doing, rather than what they, or someone else, thinks they ought to be doing. Such a basis for the official unemployment series seems quite compatible with the present system of free private enterprise in this country.

LIST OF TABLES IN CHAPTER VI

CHAPTER VI[1]

DETERMINATION OF THE CRITICAL RATIO OF UNEMPLOYMENT TO THE TOTAL LABOR FORCE AT FULL EMPLOYMENT

INTRODUCTION

As a nation we are concerned with the problem of maintaining high levels of employment. Under the provisions of the Employment Act of 1946 Congress declared it to be "the continuing policy of the Federal Government to use all practical means * * * in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power."

It has been suggested by those who followed the course of increases in the volume of unemployment which occurred during the spring of 1949 that differences of opinion as to what constitutes a serious volume of unemployment, and definitions of the amount of unemployment which may prevail in a period of maximum or full employment need to be clarified.

This chapter seeks to define the relationship between full employment and a dangerous or crucial amount of unemployment. What volume of unemployment is dangerous to the economy? When do individual decisions within the labor market to lay off workers in response to declines or anticipated declines in demand set into motion a downward spiral of business activity and result in accelerating the volume of unemployment?

These are important issues about which many questions can be raised, but only tentative conclusions can be reached. It is necessary, however, to raise the issues and to consider our present sources of information bearing upon these problems if we are to arrive at a definition of full employment and of the volume and types of unemployment which occur under full employment. Such a study calls for utilization of statistical series and of the best economic analysis available. It requires critical evaluation of current economic trends in order to discover when and where dangerous amounts of unemployment develop.

After evaluation of available information bearing upon the problem, two courses of action would logically follow—development of more complete information on the extent, duration, and areas of unemployment and upon the way in which it spreads throughout the economy; development of methods for preventing its spread to serious and unmanageable proportions.

In determining levels of unemployment permissible (noncritical) under full employment, discussion is first centered upon the size of

[1] The materials in this chapter were prepared by the Legislative Reference Service, Library of Congress, and do not necessarily represent the views of the Subcommittee or its members.

the labor force and groups which remain stable participants as well as those who are intermittent workers—housewives, students, and older persons. Factors influencing their participation in the labor force are considered. The proportion of the population outside the labor force and the composition of this group is studied. While long-term fluctuations in the number of workers in the labor force are considered, the study of the labor supply in this report is primarily centered upon wartime and postwar changes. Frictional unemployment arising from seasonal factors and the extent and measurement of seasonal employment is considered.

Turning to fluctuations in demand for workers in our economy and the theory and measurement of economic fluctuations during relatively short intervals of time, the changes in employment in certain durable and nondurable goods industries in the period 1929 to 1933 are shown. Changes in levels of employment for certain industries in the period July 1948 to July 1949 are also indicated.

The occupational distribution of the labor force and theoretical concepts of the relationship between wage rates and occupational mobility are considered. This discussion is then followed by a brief account of the movement of turn-over rates under varying economic conditions.

Economic theories of employment, particularly the classical and Keynesian approach to the problem, are summarized. Various definitions of frictional unemployment and the extent of frictional unemployment in the postwar period are compared. Finally, an effort is made to show how such measurements could be more accurately applied in determining the extent of frictional unemployment at full employment.

THE LABOR FORCE; FACTORS AFFECTING ITS SIZE AND COMPOSITION

The labor force is a broad general term used to describe that group within the population who are the breadwinners as distinguished from students attending school, housekeepers, and a miscellaneous group including inmates in institutions, aged persons, retired persons, and others who do not seek gainful employment. At any one point in time the labor force is composed of two distinct groups: Those employed for pay or profit, including the self-employed; and those who desire employment but are unemployed. From one period of time to another, however, the membership of the labor force will reflect the changing conditions which affect the lives of its members—new entrants will be starting their first jobs, older workers will be retiring, seasoned members of the labor force will be at work or changing jobs whether voluntarily or because of lay-offs, women may be leaving their jobs because of increased family responsibility or seeking to return to the labor force because home duties no longer require their full attention, or because, for one reason or another, they desire gainful employment. Economic necessity may create specialized need within the family unit—death, accident, or illness among its members—may cause members of the family who otherwise would not do so to seek gainful employment. All these changing environmental conditions affecting the lives of millions of workers influence changing participation of the population in the labor force.

Likewise the demand for labor over any period of time reflects changing economic conditions in millions of small and large stores, service establishments, factories, and farms across the Nation. The changing demand for different products, the relative success of different producing units, decisions to enter new lines or abandon or curtail unprofitable ones, to expand or curtail capacity, to build new plants, to launch new business ventures, large or small, to hire additional workers at the plant gate or to let the office force decline by not filling a recent vacancy, to substitute a more efficient machine requiring fewer workers—all these decisions will affect the volume of the demand for labor.

The concept of total demand for labor can be only a statistical or theoretical concept, for even in one area the demand will be for particular types of workers to do specific jobs. Although employment qualifications for all jobs may be modified by changes in the total supply of labor available in the area at the time, effective demand for all workers will not necessarily be equivalent to the supply of workers available in the area.

The sum total of the decisions by which adjustment is made between the demand for labor and the supply of labor within an area comprise what is frequently referred to as a "labor market." Attention in the first section of this report will be focused upon the supply side—that is, upon the labor force.

In contrast to demand for labor which may fluctuate greatly even over a short period of time, permanent changes in the total labor supply occur only over a span of years. A national crisis such as World War II may have some permanent effect upon the future size of the labor force but in general the size of the labor force will be affected by long-term rather than short-term factors.

With certain important exceptions, the size of the labor force will be a function of the size of the population and reflect changing trends in population growth. The labor force may be visualized as having a central core of stable participating members surrounded by a fluctuating mass of intermittent workers made up of married women, students, and those whose labor force participation will be affected by personal considerations as well as by labor market demand factors. While relative ease or difficulty of obtaining employment or the wages paid may strongly influence the numbers of such intermittent workers in the labor force at any particular time, for a large group within the population economic responsibilities remain relatively fixed, and the proportion of persons in certain age and sex groups who are in the labor force remains relatively constant over long periods of time.

Changes in the size of the population will largely determine changes in the size of this central core of the labor force. In the early period of American industrial development immigration played a major role in determining the size and character of the population, but its importance, particularly during the past two decades, has declined.

In addition to changes in the size and rate of population growth, which will be reflected by similar changes within the size and rate of growth of the labor force, certain long-range social and economic changes also affect the size of the labor force. Some of those changes include: (1) the trend toward increasing participation of women, including married women, in the labor force; (2) the higher average educational attainment of the population and thus the deferred

entrance age of new workers coming into the labor force; (3) the earlier retirement age.

While nearly 97 percent of all males between the ages of 25 and 44 years are permanent members of the labor force, the proportion of women in this age group participating in the labor force has been rapidly increasing over the years. Only 20 percent of the women of this age were in the labor force in 1910; by 1940 nearly one-third of the women in the age group 25–44 were in the labor force. In response to wartime demand, 40 percent of the women in this age group moved into the labor force, but by April 1949 the proportion had declined to 34.7 percent.[2]

The steady increase in the proportion of women in the labor force must be taken into consideration in any analysis of the number of jobs necessary to maintain full employment in future years. The growing proportion of women in the labor force, under changing economic conditions is shown by the following table:

TABLE I.—*Proportion of women in the total labor force at certain dates, 1920–48*

[In thousands]

	1920		1930		1940		1944		1948	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total labor force	40,654	100	47,635	100	56,030	100	65,890	100	62,748	100
Males	32,305	79.4	37,166	78.0	41,870	74.7	46,520	70.6	45,150	72.0
Females	8,349	20.5	10,469	22.0	14,160	25.3	19,370	29.4	17,599	28.0

Source: 1. Durand, John S. The Labor Force in the United States, 1890–1960. Table A–6, pp. 208–209. Data for 1920 and 1930 based on estimates comparable with 1940 census data. Data for 1940 and 1944 from U. S. Bureau of the Census, Labor Force, Employment, and Unemployment in the United States, 1940–46 (series P–50, No. 2), which includes revised statistics for 1940–45. Data for 1948 from Annual Report of the Labor Force, 1948.

Contributing to this long-term trend for a larger percent of the labor force to be composed of women are factors of demand in the labor market as well as changing patterns of family life. Increasing demand for women workers in occupations such as clerical and sales work, in certain types of manufacturing, in the service trades and in some of the professions, nursing, teaching, etc., were clearly evident before World War II. While some of these occupations have traditionally been women's occupations, their proportion in the total labor force has been growing. As a result of World War II, women were for the first time employed in certain heavy factory tasks previously reserved exclusively for men. For example, in the transportation-equipment industry (not including automotive industry) the number of women in production work increased from 34,000 in October 1941 to 524,000 during the year 1944.[3]

In addition to increasing demand and expanding employment opportunities in industry for women, conditions of family life over the years have made it possible for more of them to remain in the labor force, even after marriage. One factor in releasing women from their traditional role of housekeepers has been the declining

[2] See appendix, table IV, Comparison of the Labor Force Participation of Males and Females Aged 25 to 44, 1910–49, for detailed figures.

[3] Handbook of Labor Statistics, 1947 ed.; table A–4, p. 18.

birth rates. This trend was also accompanied by an increase in the urbanization of the population, by smaller housing units and more labor-saving devices, all of which made the housekeeper's role less time-consuming. Thus more women have been released from housekeeping as a full-time occupation for gainful employment and participation in the labor force. The shorter workweek and the 8-hour day have contributed to the trend toward paid employment after marriage, since more time was thus available for management of home duties. The dual role of gainful employment and housekeeping was difficult to combine in an era when the 10- and 12-hour day and the six-day week were common in industry.

A recent study shows that, although the number of single women declined and the number of married women increased during the period 1940–44, the proportion of married women in the labor force increased much more. The number of married women increased by 17 percent while their numbers in the labor force increased 50 percent. Seven and one-half million married women were members of the labor force in 1947, and over 2,500,000 widowed and divorced women were in the labor force.[4]

Change in the age distribution of women in the labor force between 1940 and 1944, at the peak of wartime employment, is shown by the following comparison of the changing number and the changing percent of women of each age group in the labor force:

TABLE II.—*Changing proportion of women by age groups in the labor force between 1940 and 1944*

[In thousands]

Age group	Women of this age in the labor force in 1940		Women of this age in the labor force in 1944		Net change	
	Number	Percent	Number	Percent	Number	Percent
14 to 19	1,460	20.0	2,900	42.0	+1,440	+22.0
20 to 24	2,820	48.0	3,230	54.2	+410	+6.2
25 to 44	6,500	32.6	8,220	39.4	+1,720	+6.8
45 to 64	2,750	21.8	4,320	31.5	+1,570	+9.7
65 and over	310	6.9	500	10.0	+190	+3.1

Source: U. S. Bureau of the Census, Labor Force Bulletin (series P-50, No. 2). See appendix tables I and III.

The increase in the number of young women entering the labor force in response to wartime demand was particularly large. The age group 14–19 showed a net increase of 1.4 million workers. Employment of older women likewise showed a marked increase. In the age group 45–64 some 1.6 million additional women entered the labor force. Characteristically, these groups with fewer family responsibilities contributed the greatest numbers to the expanding labor force.

For two successive years, during 1944 and 1945, the average number of women in the labor force exceeded 19 million. At no time during the postwar period, however, have the numbers of women in the labor

[4] U. S. Department of Labor, Women's Bureau, Handbook of Facts on Women Workers, bull. No. 225, pp. 10-11.

force declined to less than 15.9 million. For a 3-month period in the spring of 1947 slightly less than 16 million women were in the labor force. Yearly averages for both 1946 and 1947, however, showed over 16.7 million women in the labor force, and in 1948 the average number of women in the labor force increased to 17.5 million. An 8-month average for 1949 shows 17.8 million women now in the labor force.

This increase in the numbers of women in the labor force has been emphasized because of its importance in determining the level of employment necessary to maintain full employment in the postwar period. While some authorities believed that the number of women in the labor force would decline sharply and resume its slower long-term rate of growth in the postwar period, the extent of their continued participation in the labor force was apparently underestimated.

A second long-term factor contributing to permanent change in the size of the labor force has been the decline in the proportion of young children and adolescents gainfully employed. Evidence of higher average age at entrance into the labor force is shown by the decline in the extent of child labor in the United States. At the time of the 1890 census, some 390,000 workers under 14 years of age were included in the labor force. By 1940 the employment of children under 14 had declined to so small a proportion of total labor force that they were excluded by definition from the labor-force count. Substantial numbers of children under 14 are employed in agriculture and on farms during the summer months, but use of child labor in products entering into interstate commerce is severely limited under the Fair Labor Standards Act of 1938. Often there is no sharp break between school attendance and entrance into the labor force. There is rather a period of years during which the adolescent is attending school and also engaged in part-time paid employment. This is nearly always true in rural areas, where students work on farms during the summer-vacation months when seasonal demand for agricultural workers is at its peak.

Among youths aged 14–19 the trend toward increased years of school attendance rather than entrance into the labor force is also evident between 1890 and 1940. The percent of young workers of this age declined nearly one-fourth during the period. In 1940 it was estimated that the average age of males at entrance into the labor force was 18 years.[5]

With increase in the average age at entrance into the labor force has also come an increase in the average educational attainment of the population. The proportion of all persons completing fewer than 5 years of elementary school in 1940 constituted about 10 percent of all persons 25 years of age and over, but almost 22 percent of those 65 years of age and over. Increased average educational attainment of the population can be shown by comparing the corresponding percentage of persons in various age groups completing certain educational levels.

[5] Durand, John D., The Labor Force in the United States, 1890–1960, p. 30

TABLE III.—*Percent of civilian population of certain age groups completing a specified number of years of school, 1947*

Age group	Percent completing less than 5 years of elementary school	Percent completing 4 years of high school	Percent completing 4 or more years of college
30 to 34	4.7	31.0	6.7
65 and over	21.7	9.8	3.3

Source: U. S. Bureau of the Census, Educational Attainment of the Civilian Population, April 1947 (series P–20, No. 15).

This increase in average educational attainment of the population is partly the result of society's emphasis upon improved educational opportunity, the result of each generation's desire to see its children offered better educational advantages. This desire must to some degree be attributed to a growing awareness of the direct relationship between educational opportunity and better employment opportunity. Demand for trained workers with particular skills has characterized our Nation's transition from an agrarian, frontier economy to a mechanized, industrial one. In such an economy the emphasis upon specialization gives the trained worker an economic advantage.

The increase in percentage of young women between the ages of 14 and 19 who entered the labor force during the war has already been referred to. Part-time participation of students in the labor force in both industry and trade as well as in agriculture was encouraged, and statistics show that a large number of students are intermittent workers in the postwar labor force.

An additional 1.4 million young women between the ages of 14 and 19 entered the labor force between 1940 and 1944. Changes in the number of males of this age entering the civilian labor force as a result of wartime demand are best studied for the period 1940–42, for after that time numbers of male workers in the civilian labor force diminished. Slightly more than a million males between the ages of 14 and 19 moved into the labor force in the period between 1940 and 1942, and the proportion of males of this age in the labor force increased from 38.8 to 55.5 percent.

The importance of economic conditions and demand factors in drawing students into the labor force is shown by comparing the numbers of students in the labor force in 1940 and in October 1948. Census figures indicate that only 300,000 students between the ages of 14 and 17 also had some paid employment in 1940. In October 1948 it is estimated that 1.3 million persons of this age had paid employment while enrolled in school. Nearly 19 percent of the students between 14 and 17 had some paid employment. Among students in the age group 18–24 the percent of students with paid employment increased from 16 percent in 1940 to 23 percent in October 1948. Most of this increase was among male students; the percent of female students with paid employment remained nearly the same.[6]

The earlier retirement age of the older worker from the labor force is also a factor in determination of the size of the total labor force. Over the years two tendencies have persisted: The average age of

[6] U. S. Bureau of the Census, School Enrollment and Educational Attainment of Workers in the United States, October 1948 (series P–50, No. 14).

the population has increased at the same time that employment opportunities for older workers have declined. The percentage of persons 65 years of age and over in the total population was only 4.1 percent in 1900, while in 1940 such persons comprised 6.8 percent of the population. By 1970 it is estimated that 10.2 percent of the population will be composed of persons 65 years of age and over. The percentage of persons aged 45–64 in 1975 is expected to be nearly twice as large a percentage of the total population as such persons were in 1900.[7]

Long-term factors affecting the demand for older workers include the decline in the proportion of skilled labor, and the smaller proportion of persons in the population employed in agriculture, and a decline in the number of self-employed. The substitution of machinery and utilization of growing numbers of unskilled and semiskilled workers in industry has lessened opportunities for utilization of the older worker, one of whose chief competitive advantages lay in the skill of craftsmanship which he had acquired over the years.

The increased concentration of industrial and commercial activity in large-scale establishments has reduced opportunity for self-employment of all workers. It has appreciably affected job opportunities for the older worker, who, though relatively inefficient, may be able to earn his own living in a family-owned small-business unit thus remaining in the labor force longer than he could as a wage earner subject to dismissal.

The proportion of workers in the civilian labor force in agriculture has declined from 21 percent in 1929 to 13 percent in 1948. The effect of the decline in agricultural employment and in the percent of the population who are rural farm residents upon the employment opportunities of older workers is shown by a comparison of the proportion of older rural workers who consider themselves members of the labor force with urban groups of similar age. Among urban white men between 65 and 75 years of age, only 47 percent considered themselves within the labor force in 1940, whereas almost 70 percent of the rural males of this age group classified themselves as members of the labor force.[8]

As with other groups of intermittent workers, the proportion of persons in the age groups 45 to 64 and over 65 in the labor force increased rapidly during the war. The number of men over 65 years of age in the labor force increased from 1.9 million in 1940 to 2.4 million in 1944. The number of women over 65 in the labor force increased from 310,000 in 1940 to 500,000—a total of over 600,000 persons over 65 became members of the labor force in response to wartime demand for workers.

More significantly the number of employed workers in the higher age groups increased rapidly in the period between 1940 and 1944. Rates of unemployment among workers over 45 were higher during the depression; in 1940 the unemployment rate for workers 55 to 64 years of age averaged over 14 percent.[9] The following table shows the increase in the numbers of older workers employed between 1940 and 1944 as well as net changes between 1945 and 1948 in the employment of those aged 45 to 64 and those over 65 years of age.

[7] U. S. Bureau of the Census, Forecasts of the Population of the United States, 1945-75 (based on assumptions of medium fertility, medium mortality, and no immigration).
[8] Durand, John D., The Labor Force in the United States, 1890-1960, p. 68.
[9] U. S. Bureau of the Census, Labor Force Bulletin, series P-50, No. 13, p. 4, table IV.

TABLE IV.—*Net change in levels of employment for workers 45 to 64 and those over 65 years of age, 1940–44 and 1945–48*

Year	45 to 64 years		65 and over		Total of both age and sex groups
	Male	Female	Male	Female	
1940	10,300	2,410	1,720	300	14,730
1944	13,080	4,280	2,400	490	20,250
Net change	+2,780	+1,870	+680	+190	+5,520
1945	13,090	4,360	2,430	490	20,370
1948	13,365	4,420	2,312	503	20,600
Net change	+275	+60	−118	+13	+230

Source: U. S. Bureau of the Census, Labor Force Bulletin (series P-50). See appendix tables I, II, and III.

During 1948 unemployment for workers over 45 varied only slightly from the average for younger workers and averaged only between 2.3 and 2.8 percent. The number of males over 65 in the labor force declined after 1945.

As the number of older persons within the population increases their status in our social and economic structure becomes more important. Is leisure to come to the older worker through retirement or be concentrated upon older workers through higher rates and longer periods of unemployment among them? Is the older worker to be retired at a specific calendar age regardless of his fitness for continued labor force participation? If so what provision for useful and constructive activity as well as for his economic security are to be made? Are pension and social security schemes adequate to prevent the older person's becoming an economic burden upon those about him, or will the eventual increase in the proportion of the population over 65 make this too great a burden upon the active members of the labor force?

The answer to these questions will partially shape the size and extent of the problem of maintaining full employment.

The preceding discussion shows the scope of the problem of full employment—the size of the labor force, and the intermittent groups who in addition to adult males in the population are also participants in the labor force. Turning to those outside the labor force, the following important groups of the population remain. Chief groups outside the labor force are children under 14 years of age, those over 14 still in school, persons keeping house, institutional inmates, and unemployables, including those over 65 not in the labor force, i. e., not employed or seeking employment.

Children under 14 in 1940 numbered close to 34,000,000 according to revised census estimates.[10] The industrial employment of children under 14 years of age has come to be considered socially undesirable. While it has been shown that women keeping house constitute a large proportion of intermittent workers in the labor force, the employment of women with young children under 10 years of age is partially a low-income problem. A recent study by the Joint Committee on the Economic Report shows that of over one-fifth of the Nation's 6.3 mil-

[10] Children under 14 in 1940 numbered close to 34,000,000. By actual census count they totaled 32.9 million, but an adjustment for underenumeration of children under 5 years of age brings the total to 33.8 million. Bureau of the Census. Current Population Reports, Forecasts of Population and School Enrollment in the United States, 1948–60, P–25 No. 18, Feb. 14, 1949.

lion urban families in the low-income group, 1.5 million were headed by women. Census data in 1940 on the labor force status of married women tabulated according to the level of their husband's income shows that between four and five times as many of those whose husband's income was under $1,000 were in the labor force as among those whose husband's income was $3,000 and over. These figures must be interpreted in the light of changing price levels since 1940. It seems logical to believe that the level of real wages has an important relation to the number of women, especially of married women with families, in the labor force. The extent to which assistance to low-income families is provided will shape the magnitude of the problem of full employment.

The number of persons in institutions in 1940 numbered 1,180,000 and was composed of 770,000 males and 410,000 females who were inmates of penal and mental institutions, and homes for the aged, infirm and needy.[11] While this group represents economic waste of human resources it is a sociological problem beyond the scope of this report. More important for consideration here is the number of handicapped persons within the population. Although no exact count of their numbers is available a recent study of vocational rehabilitation of the disabled, estimates that there are some 23,000,000 persons in the United States who are handicapped to some extent by disease, accident, maladjustment or former wars. Today it is estimated that approximately 10 percent of the current working population of 61,000,000 have significant physical impairments which must be taken into consideration in job placement. Of 6.1 million with such impairments, over 90 percent were employed in 1948. In addition some 600,000 physically handicapped persons were without jobs and at least a minimum of 1,000,000 disabled persons then outside the labor force could become employable if they had the opportunity for modern rehabilitation and retraining.[12]

Such rehabilitation and retraining has been found to be not only socially but economically sound. Statistics on such a program carried out in Georgia showed that whereas the average annual wage of the entire group of about 44,000 disabled persons was $148 prior to rehabilitation (90 percent of the group were not employed even under wartime demand conditions) after rehabilitation the average annual wage increased over 10 times—to $1,768, and total earnings of the group rose from 6.5 million to 77.8 million dollars.[13]

In addition to such persons outside the labor force the largest other group is the aged. After subtracting those in school and those keeping house from total number of adults outside the labor force who are not in institutions, the remaining group numbered about 6.7 million persons in 1948. Part of this group—about one million—it has been estimated are handicapped persons whose employment possibilities can be improved by a program of vocational rehabilitation. Persons over 65 outside the labor force numbered 7.8 million in 1940 of whom 1.1 million were counted as keeping house. The role of the older worker, his age at retirement and related problems have previously been discussed.

[11] U. S. Bureau of the Census, Labor Force Bulletin (series P-50, No. 2) p. 1.
[12] Rusk, Howard A., New Hope for the Handicapped; the Rehabilitation of the Disabled from Bed to Job. N. Y.: Harper Bros., 1949, p. 186.
[13] Ibid., p. 67.

WAR AND POSTWAR LABOR FORCE CHANGES INCLUDING SEASONAL FACTORS

In analyzing changes in the size of the labor force during the period of World War II and in the postwar period, it is fortunate that comparable estimates of labor force change, month by month, in considerable detail are available.

At the time of the 1940 census over 8.3 million workers—6.4 million men and 1.9 million women were unemployed. The total civilian labor force at that time numbered 55,640,000. Forty-six million persons were employed.[14]

For purposes of this discussion attention has been centered upon changes which took place in the civilian labor force, excluding members of the armed services from tabulations. This has been necessary because of the difficulty of obtaining sufficient information on age distribution of members of the armed forces. Statistics for the armed forces are computed from monthly reports of the various services received by the Bureau of Labor Statistics. Data on size of the armed forces also are prepared by the Bureau of the Census. The two series differ in some respects, but because emphasis in this report is upon changing distribution of the labor force, Census estimates have been used. (Part of the difference between the 2 series arises from the fact that 1940 census data excluded 150,000 members of the armed forces then outside the continental limits of the United States and to maintain comparability later estimates have carried this same deduction. For other information on differences between the two series see Handbook of Labor Statistics, table A–9, p. 30 and accompanying footnotes.)

TABLE V.—*Size of the armed forces, 1940–48*

[Number, in thousands]

1940	390	1945	11, 280
1941	1, 470	1946	3, 300
1942	3, 820	1947	1, 140
1943	8, 870	1948	1, 307
1944	11, 260		

Source: Midyear Economic Report of the President, July 1949, table D–7, p. 93. (Based on Bureau of the Census data.)

The number of women actually enrolled in the armed services was small in proportion to the number employed in the labor force or to total numbers of men in the services. Enrollment of women in the armed forces increased from 14,000 in 1942 to 129,000 in 1943 and reached a peak in 1945 when 275,181 were enrolled in the armed services.[15]

[14] Bureau of the Census, Labor Force Bulletin (series P–50, No. 2).
[15] Schaffter, Dorothy. What Comes of Training Women for War, American Council on Education, Washington, D. C. (1948), table I, p. 5.

It is important to measure the total change which took place in the distribution and size of the labor force between 1940 and 1944:

TABLE VI.—*Net changes in the size and distribution of the total labor force, 1940–44*

[Number in thousands]

Year	Total labor force, including armed forces	Armed forces	Civilian labor force	Employment	Unemployment
1940	56,030	390	55,640	47,520	8,120
1944	65,890	11,260	54,630	53,960	670
Net change	+9,860	+10,850	−1,010	+6,440	−7,450

Source: Bureau of the Census, Labor Force Bulletin (series P–50, No. 2).

An increase of nearly 11,000,000 men in the armed forces during the period 1940 to 1944 was accompanied by an increase of 6.4 million additional employed workers making a total of 17,000,000 additional persons who were gainfully occupied. The decline in unemployment to slightly more than half a million accounts for a large part of the increase. However, at least 2½ million additional workers in all were drawn into the total labor force.

It was within the civilian labor force that the greatest change occurred. In the face of great expansion in industrial activity which war mobilization entailed, the civilian labor force declined by over a million workers. It was from among the normal civilian labor force including the unemployed as well as employed workers that the 10.8 million members of the armed forces was drawn. The source of the additional workers who were drawn into the civilian labor force to take the place of men inducted into the armed forces included the groups previously discussed. Within the civilian labor force there occurred an increase in the number of women of various age groups who entered the labor force in response to wartime demand, an increase in the proportion of young workers in the labor force and an increase in the employment of older workers. More detailed information on the labor force participation by age groups for both males and females is contained in the appendix.

The number unemployed in the period after October 1943 ranged between half a million and 900,000 the lowest rates of unemployment which have prevailed since statistics on labor force have been compiled. Such unemployment resulted from changes in military strategy necessitating changing production schedules, shortages in raw materials and bottlenecks which prevented the complete utilization of available labor. Some disguised unemployment occurred in the form of hoarding of manpower reserves to prevent difficulty in recruitment of other workers when production expanded, or of the under utilization of the skills of workers who once employed in an essential industry found it difficult to obtain transfer to more highly skilled employment for which they might be capable.

Many of the inefficiencies in the utilization of available supplies of civilian labor can be attributed to the speed with which the expansion was carried out, to the necessity for reconverting much of the civilian productive capacity to war work and to unemployment arising from

the sudden diversion of many essential raw materials from ordinary channels of distribution to war production while redistribution of the labor force could not be so quickly accomplished. The curtailment of essential raw materials from civilian uses to production under war contracts for military use resulted in the formation of pools of unemployment in distressed areas where no war contracts had been awarded.

With the close of the war and demobilization of the armed forces, the total labor force declined sharply from 65 million in 1945 to 60.8 million in 1946. While it was feared that unemployment during the transition might reach between 6 and 8 million, unemployment fluctuated between 1.5 and 2.7 million in the months following the surrender of Japan—August 1945—through December 1946. The decline by nearly 5 million in the total labor force including the armed forces was accompanied by a corresponding increase in the numbers not in the labor force—the number of persons over 14 years of age in school increased from 4.8 to 6.4 million between 1945 and 1946. The number of women keeping house moved from 27.7 million in 1945 to an average of nearly 31 million in 1946. Civilian employment between 1945 and 1946 increased by nearly 5 million but this increase would not have absorbed so large a proportion of the returning veterans had not many women released from war jobs resumed their role as housekeepers rather than remaining in the labor force.

For many returning veterans the transition from the armed forces to civilian employment was bridged by education under benefits granted by Congress for additional vocational training or additional high school and college education. The total number of servicemen participating in these programs at specific dates according to the Veterans' Administration was as follows:

TABLE VII.—*Veterans in training at specified dates under Public Law 16 and Public Law 346*

Date	Public Law 16				Public Law 346			
	Total	School	Job	Institutional on-farm	Total	School	Job	Institutional on-farm
June 30, 1948	224,993	96,787	96,661	31,545	1,666,518	983,110	424,308	259,100
Mar. 31, 1948	249,176	122,296	101,001	25,879	2,432,295	1,726,333	479,002	226,960
Dec. 31, 1947	255,888	122,751	108,706	24,431	2,545,799	1,811,570	530,978	203,251
Sept. 30, 1947	214,266	84,880	107,505	21,881	1,766,346	1,012,841	563,962	189,543
June 30, 1947	211,800	89,423	104,962	17,415	1,862,633	1,094,337	594,656	173,640
June 30, 1946	92,213	52,150	40,063	(1)	930,512	612,690	317,822	(1)
June 30, 1945	14,986	9,374	5,612	(1)	22,335	20,704	1,631	(1)

[1] Data included in column "School" prior to June 1947.

Source: Administrator of Veterans' Affairs, Annual Report 1948, tables 63 and 64, p. 191.

This increase in the enrollment of veterans under the GI bill of rights and related measures accounts for part of the increase in school enrollment among persons over 14 years of age.

During each of the postwar years 1946, 1947, and 1948 employment of the civilian labor force increased. The peak was reached in August 1948 when 61.6 million persons were employed. Average employment for the year was 59.4 million in 1948, and unemployment averaged 2.1 million—about 3.4 percent of the labor force. The unemployed in 1948 on the average had, according to census estimates,

been looking for work for an average of 8.6 weeks; duration of unemployment in 1947 was slightly longer, 9.8 weeks.

In the fall of 1948 employment in nonagricultural industry, which had shown a steady increase, declined from a summer peak of 52.8 million workers. Increases in nonagricultural employment during December were followed by a steady decline during the spring months of 1949 when nonagricultural employment fell to 49.7 million in May 1949. During these months both the level of agricultural employment and the level of unemployment was increasing. Unemployment during the first 8 months of 1949 averaged 3.4 million. For the most part the increase in the numbers of the unemployed was in the nonagricultural sector of the economy, particularly in manufacturing industry.

The mounting increase in unemployment each month to a high of over 4,000,000 in July 1949 was cause for growing anxiety. It was noted, however, that increases in unemployment were also accompanied by an increase in the size of the labor force, and that in some months both employment and unemployment were increasing simultaneously. Declines in the volume of manufacturing employment were largely attributed to changes in inventory buying rather than to changing levels of consumer demand. The increase in unemployment was attributed partly to the influx of students seeking summer employment and of graduates entering the labor force.

The number of unemployed declined in both August and September 1949 but remained near the 3.5 million mark. Employment during the summer months did not reach 1948 levels, but fluctuated near 59.5 million. In October, the latest month for which estimates are available, unemployment again increased to 3.6 million and employment also declined from the September total 59.4 to 59 million—over a million less than the October 1948 employment figure.

While there was some evidence to indicate a small decrease in the average duration of unemployment, the increase in the number of workers unemployed for a period of 15 weeks or more increased sharply in comparison with October 1948. Three times as many unemployed workers had been unemployed for periods of 15 weeks or more in October 1949 than were in October 1948.

TABLE VIII.—*Estimated number of persons unemployed 15 weeks or more*

Week ending—	Duration of unemployment	
	15–26 weeks	26 weeks or more
Oct. 9, 1948	140,000	127,000
Oct. 8, 1949	471,000	349,000

Source: Bureau of the Census (series P–50, No. 13, table 12; series P–57, No. 88, table 9).

Study of the labor force even under conditions of wartime demand show fluctuations in the levels of employment were not entirely eliminated. Such irregularities include types of unemployment usually referred to as "frictional." One of the causes of frictional unemployment, labor turn-over, will be discussed in connection with the subject of labor mobility. Other important causes of frictional unemployment include seasonal and technological change.

Seasonal unemployment arising from irregularities in the demand for labor and resulting from climatic conditions are most important in agriculture. The volume of employment in agriculture increases by between 2 and 3 million workers during the summer months even during periods of peak demand for labor, as the following table indicates:

TABLE IX.—*Persons over 14 years of age employed in agriculture at certain dates*

[In millions]

	1940	1944	1948	1949
February	[1] 8.7	7.3	6.8	7.0
June	11.5	10.8	9.4	9.7

[1] Figure for Mar. 30, 1940; no February estimate is available for 1940.

Source: Bureau of the Census, Labor Force Bulletin (series P-50, No. 2), and monthly reports on the labor force.

Because of labor turn-over, even the highest monthly agricultural employment figure for the Nation as a whole understates the number of different persons who work for wages on farms at some time during the year. The period of peak farm employment varies among different regions and on different types of farms, and there is no one date which would show peak employment for the year in all regions.

A special study of the labor force made in December 1948 by the Bureau of the Census showed that the total number of those who had been employed at farm work some time during the year was nearly 3,000,000 higher than average farm employment during the year. The movement between agriculture and nonagricultural employment is also shown in this survey. About 2.8 million persons did both farm and nonfarm work during the year.[16] Such changes are particularly important among hired workers on farms for whom seasonal changes in the need for labor may result in periods of idleness and unemployment between jobs, except during periods of full employment. Many hired farm workers seek jobs in available local industries during the off season in farm employment. Such jobs will vary with the locality and may include work in textile mills, sawmills, lumber camps, mines, construction or food-processing establishments.

In the period before World War II hired workers on farms included three groups: (1) Between a million and a million and a half workers who were hired regularly on one farm during most of the year; (2) between 2 and 3 million persons who at some time during the year were seasonal farm workers, part of these—between half a million and 1,000,000 were migratory workers moving from one harvest area to another; (3) the remainder were nonmigratory seasonal farm workers.[17] Whether the increasing tendency toward large-scale farming and wider utilization of machinery on farms will accentuate the volume of seasonal employment in agriculture or tend to minimize it is not yet clear.

The psychological tendency for workers engaged in both farm and nonfarm activity under high levels of employment to consider themselves as engaged in farming when employment in industry is curtailed

[16] U. S. Bureau of the Census, Work Experience of the Population in 1948 (series P-50, No. 15).
[17] Ducoff, Louis J., Wages of Agricultural Labor in the United States (U. S. Dept. of Agriculture, Technical Bulletin No. 895), July 1945, p. 17 ff.

is difficult to measure. Such a tendency contributes to the formation of pools of underemployed workers on farms.

Agriculture is not the only industry in which seasonal tendencies create fluctuations in the demand for workers. Changing consumer buying habits, changing styles, and holiday buying create seasonal employment. It can be shown that almost every industry has its seasonal characteristics. Each industry has a core of permanent, regularly employed workers and in addition a pool of other intermittent workers large enough to meet its seasonal demands for labor. In some industries the nucleus or core of permanent workers form the largest part of employment in the industry while in other industries those seasonally employed make up the largest portion of the labor force. Since, however, seasonal patterns of industry overlap, the average rate of employment fails to show the true magnitude of seasonal variation. Seasonal patterns between industries overlap in the same way in which seasonal peaks in various types of farming overlap.

Among many manufacturing industries seasonal tendencies have been regularized to a high degree through use of such devices as production for stock during slack seasons, favorable rates on orders produced during slack seasons, and similar techniques. The extension of such plans to include more industries was widely discussed in connection with proposals for the adoption of a guaranteed annual wage. While unionization has had an important effect upon regularization of employment in industry, it is also true that as the capital outlay in equipment and plant increases, employers also have a greater interest in maintaining an even flow of production throughout the year.

Nevertheless, it seems certain that current statistics understate the volume of seasonal change. A special study of employment made by the Bureau of the Census in December 1948 indicated that 66,000,000 persons worked for pay or profit at some time during the year.[18] In August 1948, the month of highest employment, 61.6 million persons were at work, and average employment for the year was 59.3 million. Measurement of the seasonal fluctuation in employment is seriously hampered by lack of more detailed information on the overlapping between seasonal employment and of the total number of persons actually engaged in such employment throughout the year.

Apparently the rate of frictional unemployment caused by turnover between seasonal jobs is much higher for certain groups of workers and in certain industries than in others. According to the definition of frictional unemployment, however, such turn-over does not involve long periods of unemployment between jobs. It has been suggested that experience during the period 1940–43 indicates a relatively small fluctuation in the size of the labor force and a high degree of seasonal stability among adult workers. Such stability supports the presumption that male workers were obliged to work the year round, and that women work, for the most part, at occupations unaffected by the weather.[19] It is by no means certain, however, that an accurate measurement of seasonal change can be based upon averages which obliterate the true volume of such change.

[18] U. S. Bureau of the Census, Work Experience of the Population in 1948 (series P–50, No. 15).
[19] Long, Clarence D., The Labor Force in Wartime America, p. 23.

The extent of unemployment arising from technological changes is more difficult to measure. Studies of the effect of the substitution of new machinery and new methods upon displaced workers have been carried out, but for the most part they are intensive studies of a particular group of workers and offer no statistical measurement of technological unemployment arising in any particular period of time.

CYCLICAL CHANGE IN THE DEMAND FOR LABOR

In contrast to the supply of labor which remains relatively constant over long periods of time, the volume of demand for labor is subject to wide fluctuations. Such fluctuations may result from a variety of causes. Some of the most important of these are technological changes, the introduction of new processes and new machinery and methods, changes in consumer demands, and in the level of capital goods expansion. Such changes occur constantly within the economy and the extent and measurement of such changes and their interrelationship is part of the problem of the business cycle and of the theories regarding it. Interest here will not be directed upon this larger problem, but rather upon the problem of unemployment within the business cycle, and also upon analysis and definition of types of unemployment.

Decisions affecting the demand for workers in our economy are based upon the anticipation of profits; and fluctuations in the profitability of business will be reflected in the volume of employment and in its residual—the volume of unemployment.[20]

> In the beginning a business depression manifests itself in a decrease of production, a laying off of men and putting others on part time, and in a decrease of the purchases of raw materials and products which are needed in industry. Whatever may be the ultimate causes of this initial decrease, there can be no doubt that the immediate cause under our capitalistic system is a real or fancied inability of industry to produce as much as before at a profit to itself. For virtually every private business at present operates only as long as it can yield a profit to its owners. * * *

Whether under peacetime conditions aggregate demand can ever be maintained at full employment levels for more than brief and fleeting periods, or whether there is a chronic deficiency of total demand for labor, is one of the major points at issue between Keynesian and neo classical schools of economic thought.

Historical study of cyclical changes in demand for labor in our economy is gravely hampered by lack of adequate statistical series over a long enough period of years by which to judge levels of employment under "normal" peacetime conditions. The decade of the 1920's was marked by severe fluctuations in employment and unemployment, much of which reflected changing conditions caused by World War I. Although several estimates of employment and unemployment for this period are available from private sources, we have no official Government statistics covering employment and unemployment by years for that decade.

[20] Douglas, Paul H., Controlling Depressions, N. Y.: W. W. Norton Co., 1935, p. 11.

Beginning with the peak year, 1929, and utilizing both Census data and information obtained monthly on employment and earnings in certain industries, the Bureau of Labor Statistics has prepared estimates comparable with current labor force data on employment and unemployment for the years 1929–39. After 1940 statistics obtained by the Census monthly estimates of the labor force may be utilized. Thus we have a series of data running back nearly 20 years, but it is difficult to find within the entire period, a year which could be accepted as "normal." While it is possible to show fluctuations in employment and unemployment, for high and low periods of the business cycle, and for the period of World War II and its aftermath it would be difficult to select even 1 year which could be regarded as normal and unaffected by wartime conditions or business depression.

The extent of cyclical change including wartime demand for workers in our economy can best be shown by comparing the change in the volume of unemployment as a percent of the civilian labor force at specific dates:

TABLE X.—*Unemployment as a percent of the civilian labor force*

Date	Civilian labor force	Unemployment	Unemployment as percent of civilian labor force
1929	49,180,000	1,550,000	3.2
1933	51,590,000	12,830,000	24.9
1943	55,540,000	1,070,000	1.9
1948	61,442,000	2,064,000	3.4
1949, January–August	61,869,000	3,365,000	5.4

Source: U. S. Bureau of Labor Statistics. Handbook of Labor Statistics, 1947, p. 36. Estimates since 1940 based on Bureau of the Census, monthly labor force data. See appendix table V.

Throughout the decade of the 1930's unemployment averaged 18.3 percent of the civilian labor force—on the average nearly one worker in five was unemployed. In the period beginning in 1940 and through August 1949, unemployment averaged 5.1 percent of the civilian labor force—on the average 1 worker out of 20 was unemployed.

Cyclical unemployment under peacetime conditions is more clearly shown by comparing changes in employment and unemployment which occurred in the periods between 1929 and 1933. In 1929, a year of high-level employment, the civilian labor force numbered just over 49 million and unemployment averaged 1.5 million or about 3.2 percent of the labor force. Four years later, in 1933, unemployment was over eight times as great, and averaged 12.8 million workers, or nearly one-fourth of the total labor force.

With more detailed information on employment by industry available during this period it would be possible to determine with greater accuracy the number of workers thrown out of employment in each industry and the relative rate of decline between various industries. Such figures can be computed from current data, but many of the employment series now available were not begun until after 1932.

For certain industries, however, some figures are available, and from these, the extent of declines in employment between 1929 and 1932 have been computed:

TABLE XI.—*Changes in the volume of employment in certain industry groups 1929–32, ranked according to level of decline*

Industry groups	Employment, 1929	Employment, 1932	Employment in 1932 as a percent of employment in 1929
Lumber and allied products	876,500	377,800	43.1
Machinery, not including transportation equipment	1,105,700	494,600	44.7
Stone, clay and glass products	328,500	156,000	47.5
Iron and steel and their products	881,000	458,000	52.0
Transportation equipment	583,200	315,700	54.1
Rubber products	149,100	87,800	58.9
Railroad repair shops	398,200	250,600	62.9
Textiles and their products (fabrics)	1,095,900	794,100	72.5
Chemicals	384,800	279,700	72.7
Textiles and their products (wearing apparel)	536,700	401,800	74.9
Tobacco manufactures	116,100	88,600	76.3
Paper and printing	591,500	451,700	76.4
Food	753,500	577,100	76.7
Leather and its manufactures	318,600	255,500	80.2

Source: U. S. Bureau of Labor Statistics, Bulletin No. 610, Revised Indexes of Factory Employment and Payrolls, 1919–33, table 9, p. 90 ff. (column 3 computed).

These statistics are typical of declines in the volume of employment which occurred as a result of cyclical changes in the Nation's economy. The figures show that employment declined most in the durable goods industries. Expenditures for durable goods including housing are more affected by changes in declining demand than are such essential items of consumer expenditure as food and clothing. Business purchases for machinery, equipment, etc., also fall in the class of durable goods, the purchase of which is more apt to be postponed by a downswing in the business cycle.

The figures in the preceding table show that employment fell most in durable goods industries. Industries affected by the decline in building—lumber and stone, clay and glass products fell to 43 and 47 percent of their 1929 employment levels. Employment in machinery, excluding transportation equipment, also declined more than 50 percent. Declines in employment in iron and steel, transportation equipment, and rubber products averaged between 50 and 60 percent of 1929 employment.

Nondurable goods industries do not show as large a decline in the volume of employment. In 1932 employment in the textile and apparel industries, and in tobacco, paper and printing, and food had declined to about three-fourths of their 1929 levels, i. e., these industries maintained about 75 percent of their 1929 employment. The only industry group which maintained as much as 80 percent of its 1929 volume of employment was the leather and leather manufactured products group.

Declines in manufacturing employment which occurred in the fall of 1948 and early months of 1949 can be studied more accurately from recently revised figures issued by the Bureau of Labor Statistics. The following figures show the number of employees in major manufacturing industries—both in durable and nondurable goods—in July 1948, and in July 1949. The percent which employment in

July 1949 bears to employment in the same industry 1 year earlier is also shown.

TABLE XII.—*Employees in manufacturing industries, July 1948 and July 1949*

Industry	Number of employees		Employment in July 1949, as a percent of employment in July 1948
	July 1948	July 1949	
	Thousands	*Thousands*	
Manufacturing	15,155	13,758	90.8
Durable goods	8,232	7,257	88.2
Lumber and wood products	841	736	87.5
Furniture and fixtures	334	295	88.3
Stone, clay and glass products	510	471	92.3
Primary metal industries	1,232	1,095	88.9
Fabricated metal products	955	828	86.7
Machinery (except electrical)	1,528	1,240	81.1
Electrical machinery	843	712	84.5
Transportation equipment	1,261	1,242	98.5
Nondurable goods	6,932	6,501	93.8
Food and kindred products	1,635	1,585	96.9
Tobacco manufactures	92	89	96.7
Textile-mill products	1,332	1,145	86.0
Apparel	1,095	1,055	96.3
Paper and allied products	463	430	92.9
Printing, publishing	718	714	99.4
Chemicals	678	630	92.9
Products of petroleum and coal	256	246	96.1
Rubber products	251	224	89.2
Leather and leather products	403	383	95.0

Source: U. S. Bureau of Labor Statistics, Employment and Pay Rolls, Detailed Report, August 1949, table I, p. 2 (percentages computed).

These over-all changes in manufacturing employment while much smaller than declines which occurred between 1929 and 1932 show the same tendency for durable goods industries to register relatively larger declines in employment. Durable goods industries showed nearly twice as large a percentage of decline in the period July 1948—July 1949 as did nondurables. This difference might have been even larger had it not been for the volume of unsatisfied postwar demand for many durable goods products which did not come into plentiful supply until 1948. Particularly, the demand for automobiles which kept employment in transportation equipment at high levels during the period should be noted.

Among the nondurable goods industries, textile mill products declined the most, 14 percent, with other nondurables showing on the whole much smaller declines. Declines in food, tobacco, and in apparel were very small, less than 5 percent, indicating that consumer purchases of these necessities were relatively steady.

However, the extent of the spread of declines in employment are of importance. Once begun a decline spreads throughout all manufacturing employment, it does not appear to be confined to any particular group of industries, although it may be larger in the durable goods industries. Only transportation equipment, as previously mentioned, and the printing and publishing industry maintained approximately the same level of employment in the face of an over-all drop of 10 percent in manufacturing employment. This would indicate that cyclical changes, once under way spread rapidly throughout the entire structure of manufacturing employment.

When manufacturing employment declines what happens to employment in other segments of the economy? The following table shows relative changes in the number of employees in other kinds of nonagricultural employment during the same period—July 1948 and July 1949:

TABLE XIII.—*Employees in nonagricultural establishments July 1948 and July 1949*

Industry division and group	Number of employees		Employment in July 1949 as a percent of employment in July 1948
	July 1948	July 1949	
	Thousands	*Thousands*	
Total manufacturing	15,155	13,758	90.8
Total durable goods	8,232	7,257	88.2
Total nondurable goods	6,932	6,501	93.8
Total mining	974	945	97.2
Bituminous coal	427	410	95.9
Contract construction	2,348	2,277	97.0
Total transportation	2,976	2,771	93.1
Interstate railroads	1,549	1,381	89.1
Communications	705	691	98.0
Total other public utilities	531	545	102.6
Total trade	9,636	9,206	98.3
Wholesale	2,518	2,472	98.2
Retail	6,845	6,734	98.4
Total finance	1,742	1,781	102.2
Total service	4,866	4,849	96.6
Total Government	5,504	5,738	104.2
Federal	1,819	1,905	104.7
State and local	3,685	3,833	104.0
Total	44,164	42,561	96.4

Source: U. S. Bureau of Labor Statistics, Employment and Payrolls, Detailed Report, August 1949, table 1, p. 2 (percentages computed).

This table showing changes in the number of employees by industry divisions indicates that employment in manufacturing is subject to much greater shift as a result of anticipated changes in the level of consumer demand while employment in service, trade, and even in mining is more stable or at least does not decline as rapidly in response to cyclical changes. Transportation, however, fell about 7 percent and railroad employment by 11 percent indicating greater dependence upon the volume of manufactured goods being distributed throughout the economy.

It is of course difficult to isolate changes due to wartime shortages of products and services. For instance, the increases in employment in public utilities and finance may have resulted from efforts to expand facilities curtailed because of wartime limitation on such civilian activities. It seems logical that the effect of wartime curtailment, particularly the loss of teachers, partially accounts for the increases in levels of State and local employment.

The extent of changes in the volume of decline in employment in a particular period cannot be entirely estimated by study of changes in the number of workers. In addition to lay-offs which reduce the total number of employees, other workers may be placed on a part-time basis or be employed for less than an average workweek. Statistics on average weekly hours in manufacturing employment are compiled by the Bureau of Labor Statistics. Declines are small in the current period; the lowest point was in April 1949 when average weekly hours in manufacturing were 38.4 per week.

Average hours in manufacturing employment declined from 44.2 per week in 1929 to 38.3 in 1932, a loss of 6 hours of employment per week on the average.[21]

Since part-time employment characterizes some industries, however, over-all change in average weekly hours cannot alone be taken as indicative of changing levels of demand for workers. Some workers prefer part-time employment and are not available for full-time work, others work at part-time jobs because they are unable to find full-time employment. A study of part-time employment was made by the Census Bureau in May 1949 in an effort to determine how many persons were involuntarily working part time. This study showed that among 8.5 million persons working part time, about 2.5 million were working part time involuntarily and about 1.5 million of the group were working part time at jobs which normally provided full-time employment. Similar studies undertaken during March 1948 and September 1948 indicated that during those months only about half as many persons were working part time because of economic factors.[22]

It may be assumed that a 10-percent decline in manufacturing employment will also be accompanied by an increase in the number of persons involuntarily working part time.

OCCUPATIONAL DISTRIBUTION AND LABOR MOBILITY

Only in a theoretical discussion can the demand for labor be considered as an absolute or general quantity. In reality the demand for labor is a demand for a particular type of worker, either as to occupation, age, or sex group. The demand for workers of a particular skill or occupational group will largely determine the supply of such workers available in any one period. For example, while a supply of skilled blacksmiths was important in the economy of the eighteenth century, the supply of such workers today is a negligible proportion of the labor force. The changing forces within the demand sector of the economy to a large extent determine the number of jobs available at any one time for workers in a particular occupation or industry. Demand factors influence occupational choices of new workers entering the labor market and of experienced workers changing jobs.

Study of the changes which have come about in the distribution of the labor force among the occupations reflects the changing demand for workers of a particular type over time. Although the demand for workers, that is the quantity or total jobs available fluctuates with the business cycle because or seasonal and other changes, a longer view of the demand for workers furnishes evidence of the adaptation of the labor supply to changing technology, the growth of new occupations, and industries and the decline of others. This does not mean that supply factors do not also affect the occupational characteristics of the labor force, but primarily it will be the demand for workers of a particular skill which will call forth establishment of necessary training facilities and attract recruits into a particular occupation or industry.

The following table shows change in the number of persons employed in various occupational groups and the percentage distribution for

[21] Handbook of Labor Statistics, 1947 ed., p. 54.
[22] U. S. Bureau of the Census, Full-Time and Part-Time Workers, May 1949 (series P-50, No. 17).

both males and females and for the total employed in April 1940, 1945, and 1948:

TABLE XIV.—*Employed workers classified by major occupation group and by sex, April 1940, 1945, and 1948* [1]

Major occupation group	Number (in thousands)			Percentage distribution		
	Total	Males	Females	Total	Males	Females
1940 [2]						
Total employed	46,100	34,180	11,920	100.0	100.0	100.0
Professional and semiprofessional workers	3,460	1,890	1,570	7.5	5.5	13.3
Proprietors, managers, officials (except farm)	3,840	3,390	450	8.3	9.9	3.8
Farmers, farm managers, foremen, and laborers	8,610	7,920	690	18.6	23.3	5.7
Clerical workers	4,810	2,280	2,530	10.4	6.7	21.2
Sales workers	2,980	2,150	830	6.5	6.3	7.0
Craftsmen, foremen, and kindred workers	5,150	5,040	110	11.2	14.7	.9
Operatives and kindred workers	8,520	6,330	2,190	18.5	18.5	18.4
Domestic service workers	2,240	140	2,100	4.9	.4	17.6
Service workers, except domestic workers	3,370	2,020	1,350	7.3	5.9	11.3
Laborers, except farm	3,120	3,020	100	6.8	8.8	.8
1945						
Total employed	53,650	34,340	19,310	100.0	100.0	100.0
Professional and semiprofessional workers	3,250	1,740	1,510	6.1	5.1	7.8
Proprietors, managers, officials (except farm)	4,590	3,790	800	8.6	11.0	4.1
Farmers, farm managers, foremen, and laborers	8,620	6,690	1,930	16.0	19.5	10.0
Clerical workers	6,970	2,070	4,900	13.0	6.0	25.4
Sales workers	2,660	1,220	1,440	5.0	3.5	7.5
Craftsmen, foremen, and kindred workers	6,820	6,520	300	12.7	19.0	1.5
Operatives and kindred workers	12,050	7,440	4,610	22.4	21.7	23.9
Domestic service workers	1,780	110	1,670	3.3	.3	8.6
Service workers, except domestic workers	4,140	2,160	1,980	7.7	6.3	10.3
Laborers, except farm	2,770	2,600	170	5.2	7.6	.9
1948						
Total employed	58,330	41,801	16,529	100.0	100.0	100.0
Professional and semiprofessional workers	4,097	2,513	1,584	7.0	6.0	9.6
Proprietors, managers, officials (except farm)	6,381	5,466	915	10.9	13.1	5.5
Farmers, farm managers, foremen, and laborers	7,234	2,848	974	12.4	6.8	5.9
Clerical workers	7,345	2,212	4,497	12.6	5.3	27.2
Sales workers	3,613	7,927	1,401	6.2	19.0	8.5
Craftsmen, foremen, and kindred workers	8,111	8,833	184	13.9	21.1	1.1
Operatives and kindred workers	12,262	136	3,429	21.0	.3	20.7
Domestic service workers	1,807	2,409	1,671	3.1	5.8	10.1
Service workers, except domestic workers	4,206	6,260	1,797	7.2	15.0	10.9
Laborers, except farm	3,277	3,199	78	5.6	7.6	.5

[1] Estimates of employment by occupation for April 1940 and April 1945 were adjusted to be consistent with revised Census totals of agricultural and nonagricultural employment.
Estimates subsequent to 1940 are subject to sampling variation which may be large in cases where the quantities shown are relatively small.
[2] Approximately 400,000 employed workers whose occupations were not reported were apportioned according to the distribution of those whose occupations were reported.

Source: U. S. Bureau of the Census and Bureau of Labor Statistics.

This table shows the changing numbers of workers in major occupations for the years 1940, 1945, and 1948. The decline in the proportion of farmers, in relation to the total labor force is of particular significance, since in 1940 nearly 19 percent of the labor force was in this occupation while in 1948 only 12 percent were farmers. Other changes for the labor force as a whole were much smaller. Among male workers the decline in the numbers of farmers was the most significant change with increases in the proportion of males among operatives and kindred workers perhaps next in importance. Among women the decline in professional and semiprofessional workers from 13.3 to 7.8 percent which occurred between 1940 and 1945 should be noted, but the proportion of women in this group showed a postwar increase and has partially regained its former importance. Also to be noted was the increase in the proportion of women in clerical work.

Although an important source of employment for women before the war, by 1948 over 27 percent of all women employed were engaged in clerical occupations. The decline in the number of males available for civilian employment brought increasing demand for women workers in factory, occupations as is evidenced by an increase in their employment as operatives and kindred workers from 18.4 percent to 24 percent of all women employed in 1945. With the demobilization and postwar changes, the proportion of women in factory work declined to 20.7 percent. The occupation showing the largest decline in the proportion of women employed was domestic service which in 1940 occupied 17.6 percent of all women employed but by 1945 only 8.6 percent of all women in the labor force were employed in domestic service, and while a slight postwar increase to 10 percent has occurred, it seems doubtful that the number of women in domestic service will increase to its 1940 levels except under conditions of total inadequate demand for labor.

It appears from the foregoing analysis that the occupations most affected by a change from depression and inadequate demand for labor will be farming and domestic service. These occupations expand in a period of low economic activity when jobs are difficult to obtain. However, employment in either of these occupations declines with a revival in economic conditions indicating that some employment in these occupations may in reality be disguised unemployment. Improvement in business conditions tends to siphon off extra workers who drift into these occupations because there is not sufficient employment to permit the utilization of their labor elsewhere. In studying the relation between demand and supply of labor in any particular period, therefore, the ratio of these two occupations to the total numbers of men and women employed should be carefully noted for the effect of such disguised unemployment.

Our knowledge of occupational distribution of the population is only in terms of the numbers employed in particular occupations. There is apparently no information on the number of people with particular skills who may not be presently employed at a job which utilizes this skill or training, or of the skills of the unemployed. Some studies of this sort were undertaken during wartime in order to determine the availability of people with a particular combination of education and training which would fit them for jobs of strategic importance to the war effort.

There is apparently no source of information on the number of students who plan to enter particular vocations each year. Information is available on the number of college degrees conferred during the year 1947–48 and on fields of major interest for the 319,000 persons who received degrees in this period. While such information does not entirely correspond to the vocation which the individual anticipates he will follow, it is closely related. Groups in which over 10,000 bachelor or first professional degrees were conferred in 1947–48 included: [23]

Business and commerce	38, 371
Education	29, 694
Engineering (total)	31, 096
English	12, 614
Law	10, 990

[23] Federal Security Agency, Office of Education, Earned Degrees Conferred by Higher Educational Institutions, 1947–48, Circular No. 247.

While the occupational adjustment of persons who have spent more years in preparation and training is of great importance it is a more clearly defined problem in terms of job placement. In terms of total numbers, the occupational placement of thousands of other young persons entering the labor force during the year with more limited education is a greater problem.

Labor force participation is part of the life experience of a large proportion of the population, and gainful employment closely affects all other aspects of life. Yet it appears that many young workers lack adequate vocational guidance and direction in obtaining employment and lack understanding of labor market forces. The problem of steering new workers into growing occupations and industries and of preventing their misplacement in declining ones, and of proper occupational adjustment are problems requiring the attention of educators in the schools as well as by management in industry. Appraisal of future employment opportunities is difficult, and errors of judgment are to be expected in an economy so closely dependent upon rapid technological change, but major studies in this field are being undertaken.[24]

It is the failure to make study of these facts a part of the educational background of young persons about to enter the labor force which is likely to perpetuate a pattern of wasted years in faulty occupational adjustment and of repeated turn-over in jobs because of unrealistic appraisal of personal aptitude in relation to employment opportunity and labor force demand.

The development of systematic methods to achieve more realistic adjustment between the vocation which workers desire to undertake and between demand for such workers by the time their vocational training has been completed can only be effective if there is some assurance that future aggregate demand will be large enough to absorb new workers. Under full employment such information would be highly useful to both workers and employers as an aid to job placement. In a period in which employment and total demand is declining in all industries and experienced workers are being laid off, the absorption of new workers into the labor force is difficult at all levels. The proportion of individuals able to utilize previous vocational training and obtain employment at jobs for which they had a preference would therefore be small.

An intensive study made by the Yale University Labor and Management Center, in which 800 manual workers in a medium-sized New England city were interviewed in 1947, shows the way in which workers located their first jobs.[25] Of two groups of workers studied, more than 85 percent obtained their first job through random application or personal contact, perhaps by some member of the family, and only a small number indicated that their first job coincided with plans they made while in school. A high proportion (35 percent of the younger-aged group and 44 percent of the older-aged group) had left high school or trade school before completing their course because of their families' financial need. A scarcity attitude toward jobs shaped their choice, since 90 percent of one group and 85 percent of the other took the first job offered them and did not bother to shop

[24] See Occupational Outlook Handbook recently issued by the Bureau of Labor Statistics in cooperation with the Veterans' Administration (80th Cong., 2d sess., H. Doc. No. 729).

[25] Reynolds, Oloyd G., and Joseph Shister, Job Horizons, A Study of Job Satisfaction and Labor Mobility, New York, Harper & Bros. (c. 1949).

around for other offers. Workers tended to believe that jobs were scarce even during periods of prosperity when jobs were relatively plentiful and the new worker tended to believe that his lack of skill and experience made it useless for him to shop around and compare job opportunities.

Thus the problem of adapting the worker to the job becomes a managerial problem since the worker has little information to aid him in measuring his capabilities and training in terms of vocational placement and existing demand factors. Greater emphasis is now given to management's function of proper job placement. Personnel departments which specialize in problems of selection, training, and placement of workers are now a part of nearly all business enterprises. Managerial skill implies the knowledge and capacity to utilize both human and material resources productively. Effective utilization of materials and machines are technical matters requiring great competence, but such competence is widely understood in managerial circles. Teaching managers how to effectively utilize the labor of other individuals or of a group of workers in a particular project is among the least understood and most difficult types of learning to transmit. The training of capable managers in this important aspect of productivity is closely related to the economics of full employment. Fundamentally for both the individual and for society unemployment includes not only periods of no employment but involves also the underutilization or ineffective utilization of workers while on the job.

It is in connection with the explanation of market forces which operate to equate the demand for labor between occupations and industries, and both geographic distribution of workers and their occupational mobility, that a discussion of wage theory belongs. Many attempts have been made by economists to generalize about the problems of the labor market and arrive at a theory of the establishment of wages which would describe the interaction of the forces by which labor-market demand and supply operate. Briefly summarized some of the principal economic theories or explanations of the establishment of wages include the following: [26]

1. A subsistence theory of wages, in which it was argued that the labor supply was closely related to the number of people. As soon as the wage rate rose to a subsistence level the population would increase to a point which would force the wage rate downward again.

2. A complementary idea was the wages-fund theory which held that available capital furnished the fund from which wages were paid, by an arithmetical process. The only means of raising wages is to increase the size of the fund by savings, or diminish the number of persons among whom it is divided. A corollary of this theory is that an increase in wages for one group of workers can only be attained at the expense of another group.

3. A theory that higher wages tend to diminish the supply of labor since among groups whose living standards are highest the birth rate is lowest.

4. In the short run, the higher the wages paid, the smaller would be the quantity of work done, since the worker offered his labor in such quantity as to afford him a constant return in wages and

[26] Whittaker, Edmund, A History of Economic Ideas, New York, Longman's Green & Co, 1943, ch XIII, p. 566 ff.

if his wage was increased the supply of his labor offered would be smaller.

5. Other writers believed that in the short run an increase in wages might be a stimulant to labor by increasing productivity and thus might to some extent pay for itself.

6. The marginal productivity theory developed by the marginal or neo-classical school is based upon the principle of diminishing returns. According to this theory as successive laborers are hired, and other factors of production are kept constant, the additions which each man adds to the total product become smaller and smaller. A point is reached at which the employer no longer desires to hire additional workers; beyond the point of marginal productivity, hiring additional workers will no longer be profitable. Refinements to this theory involve its application to the movement of workers between various occupations. In general earlier economists stressed the mobility of labor between various occupations, while later writers have stressed the difficulty of movement between occupations.

Attempting to correlate these economic theories with empirical studies of labor-market conditions, have led some writers to the conclusion that a new theoretical framework based upon more realistic appraisal of the labor market needs to be formulated. In a recently published study in which the effect of trade unionism upon wages is considered, the author writes: [27]

> We no longer have a satisfactory theory of wages.
>
> Two generations ago, economists were assured that they had, in the marginal productivity theory, not only an explanation of the way in which wages were determined, but also a description of a natural and harmonious system of distributive justice. Wages were the price of labor, fixed through the interaction of supply and demand in the labor market. Labor was apportioned among various lines of employment in such a manner as to maximize total output and was compensated in accordance with its marginal contribution.
>
> The doctrine was not seriously challenged in academic halls. Early modifications were made handily and appeared to be in the nature of refinements. The long-run labor supply, in western societies at least, is governed by social customs regarding the size of the family and the employment of women and children. To account for the conspicuous absence of a single price, various compartments were described, within which mobility was regarded as great, and between which, as little. Thus occupational differentials were explained by the existence of noncompeting groups. Geographical differentials were explained by the immobility of labor between nations, regions, and labor market areas.
>
> By now, however, so many attacks have been encountered and so many retreats have been made that we can hardly claim to have a theory at all. The system is now merely a structure of definitions which cannot be disproved, and which, in turn cannot prove anything. Clearly the time has come to begin the task of theoretical reconstruction.

In the study of labor mobility previously referred to,[28] interviews of a large number of workers were carried out in an effort to determine the relationship between wages and occupational mobility. The writers conclude:

> The reason is not that workers would not behave economically if placed in the kind of a situation which economic theory assumes. It is rather that in the actual world few workers ever find themselves in this situation.

This study does bear out certain important conclusions regarding movement of workers, however. One is that workers have a very

[27] Ross, Arthur M., Trade Union Wage Policy. Berkeley, Calif., University of California Press, 1948, p. 1–2.

[28] Reynolds, Lloyd G., and Joseph Shister, Job Horizons, A Study of Job Satisfaction and Labor Mobility.

high ratio of geographic loyalty. Of the workers questioned only a few said that they would move to a new locality if they were unemployed and then only if the wage were much higher. Workers had little information about jobs in other plants and little interest in conditions outside their own area. In general they showed attachment to a particular industry and, if unemployed, tended to seek similar jobs in plants closest to their homes and in large plants rather than small ones. Among workers satisfied with their present job the knowledge that a job similar to their own in another firm paid a higher wage was of little importance so long as conditions at their present employment remained satisfactory.

In summary, it may be said that there is a growing need for more adequate information on the functioning of the labor market in order to develop theoretical analysis closer to the observed facts. Such analysis will be particularly important if stability in demand for labor is achieved during a period of full employment. Better understanding of factors motivating workers would provide management with information on how to prevent excessive turn-over among its workers. Better information on labor-market conditions and realistic vocational guidance would enable workers to achieve a more satisfactory adjustment to their job. Both would contribute to higher productivity.

The extent of geographic mobility of labor during World War II was very great. The depressed areas which existed prior to World War II furnished one of the principal sources of additional labor when industrial employment expanded but not without serious economic consequences to both the communities left deserted by the outmigration of workers, and to overcrowded urban centers in which facilities could not be expanded rapidly enough to meet even minimum needs of housing and transportation and essential services. The migration of large numbers of workers in response to wartime needs differed from the mass movement of the unemployed during the depression when surplus pools of unemployed workers existed in all areas. Under such conditions mobility of the labor force creates a wandering group of the unemployed whose movement itself is apt to be a deterrent to finding employment since communities then tend to favor their own residents in filling such vacancies as arise.

Study of migrant workers in the postwar period indicates that about 3¾ million workers lived in a different county in April 1948 than they did in April 1947.[29] About 1.2 million of these workers had moved from a State that was not contiguous with the one in which they had previously lived. In April 1948 with employment opportunities at high peacetime levels it is important to note that migrants were more numerous among professional and semiprofessional groups indicating either that these groups are financially better able to move or have better knowledge of employment conditions outside their own area.

Migrants as a group tended to have a much higher rate of unemployment. About 7 percent of migrants in the civilian labor force were seeking work in comparison with an average rate of 3 percent for nonmigrants.

Such factors would tend to substantiate some of the results of the Yale study of labor mobility. Relatively few workers at high levels

[29] U. S. Bureau of the Census, Employment Characteristics of Migrants in the United States, April 1948 (series P-50, No. 10).

of employment migrate to a new labor market. Unemployment may be one motivating factor in such mobility. However, census data indicate greater geographic mobility, nearly twice as high a rate, among professional and semiprofessional workers as among factory operatives, the principal type of workers surveyed in the Yale interviews. Tendency to migrate probably depends upon other economic factors, the income and savings of the individual, education, and knowledge of job opportunities as well as upon unemployment.

Mobility is also measured by a study of rates of turn-over, the ratio at which workers quit their employment or are separated for other causes, to the ratio of accessions. Statistics on turn-over in nearly all manufacturing industries and for some other nonseasonal industries are compiled by the Bureau of Labor Statistics.

Information on turn-over rates in manufacturing for the first two decades of the twentieth century shows that terminations were usually initiated by employees and that in periods of prosperity large numbers of workers quit, thus forcing up the rate of accessions, while in periods of depression fewer workers changed their jobs and the rate of accessions also declined. Monthly separation rates of 10 percent were not unusual before World War I since in that period the demand for labor usually exceeded the supply and voluntary labor turn-over was possible because practically no permanent unemployment existed.

It is also important to note that sample surveys indicated that a small group of workers provided a high proportion of the number of separations. An unstable group of about 11 to 13 percent were responsible for nearly three quarters of all separations. During the war (1917–18) the turn-over rate reached even higher proportions, resulting not from an increase in the unstable group, but because their rate of separations doubled.[30]

During the 1920's the most pronounced change in the statistics on turn-over was a noticeable lag of several months between changes in quit rates and accession rates. Following the sharp decline in quit rates in the short depression of 1921, quit rates and accession rates moved together during most of the period with only a few months' lag as already indicated. Following the 1929 disaster, voluntary turn-over by labor did not change markedly, but the termination rate initiated by employers rose sharply, and after 1930 about 75 percent of all terminations of employment in manufacturing were initiated by employers.[31]

From the point of view of unemployment, the depression of the 1930's was the longest and most severe in the history of this country. After 3½ years of continuously shrinking work opportunities, a newly separated worker had only a small chance for reemployment within a short time after discharge. Voluntary quitting had almost completely ceased, and this was accompanied by marked changes in the pattern of the unemployed, with an increasing proportion of the jobless concentrated in the highest duration-of-idleness interval. These had practically no chance for regular employment and appeared to be stranded in the hard-core group.

In 1939 total accessions in manufacturing industries began to move ahead of total separations. The quit rate, however, was still less than 1 per 100 employees and the lay-off rate was more than twice as great.[32]

[30] Woytinsky, W. S., Three Aspects of Labor Dynamics, Washington Social Science Research Council 1942, p. 1–5.
[31] Woytinsky, W. S., Three Aspects of Labor Dynamics, Washington, Social Science Research Council, 1942, p. 88.
[32] U. S. Bureau of Labor Statistics, Handbook of Labor Statistics, 1947 edition, table B–1, p. 42.

Both the number of accessions and the rate of voluntary quits increased during the World War II. Voluntary quits reached their highest number, slightly over 6 per 100 workers, in the summer of 1944, but on the average moved between 4 and 5 per 100 workers. Lay-offs during the period were very small being less than 1 per 100 workers during most months of the war. Accessions moved between 7 and 9 per 100 employees until the spring of 1945 when they began to decline, then rose during the fall of 1945 and continued at about 7 per 100 workers throughout the remainder of the year. Accessions declined sharply in December 1946, and moved between 3.6 and 6 during 1947.

For the most part during the period of readjustment to peacetime conditions in 1946 separations and accessions moved together; both at a rate more than double 1939 changes, with the total number of accessions slightly higher. The number of lay-offs was less than 1 per 100 employees while the rate of quits was between 3 and 5 per 100 employees, reflecting the fact that employees themselves initiated separations.

Early in 1948 the number of total separations began to exceed total accessions indicating that employers were not filling all vacancies or adding new workers as rapidly, but the margin was very small, and the trend was reversed during the summer months. In the latter months of 1948, however, the rate of lay-offs passed the quit rate, and through July 1949 this trend continued with the ratio of lay-offs between 2.1 and 3.3 per 100 employees and the quit rate ranging between 1.4 and 1.7 per 100 employees. It remains to be seen whether this trend will continue, whether lay-offs will exceed the number of quits, or whether it will be reversed. A continual widening or divergence in the ratio between total accessions and total separations, and more specifically between the lay-off rate and the quit rate would indicate unemployment caused by cyclical change in the demand for labor. Separated workers laid off under such circumstances are not being absorbed into other employment.

EMPLOYMENT THEORY AND DEFINITIONS OF FULL EMPLOYMENT

Prior to 1936 (the date of the publication of J. M. Keynes' The General Theory of Employment) the economic theory pertaining to the factors which determine the volume of employment of labor had seldom been examined in great detail by classical economists.[33] The classical theory regarding unemployment had been considered to be so obvious and clear that it was not deemed worthy of more than mention. Classical economists contended that a general cause of high and continuing levels of unemployment might be found in excessively high or rigid wage levels. They believed that continuing unemployment resulted because unemployed workers demanded higher wages than their ability to produce (productivity) warranted—that the unemployed could not be profitably hired by employers at the current wage rates which the unemployed workers demanded. According to classical analysis, a very large part of the unemployment which characterized a depression was nothing but voluntary unemploy-

[33] In this brief summary it has not been possible to discuss the many other important contributors to employment theory. Emphasis has been placed upon classical and Keynesian theory because these two approaches have most widely pervaded economic teaching and affected public policy. The discussion of employment theories was prepared by Mr. Frank D. Beale, Jr.

ment arising because of the refusal or inability of labor, due to legislation or social practice, or combination for collective bargaining, to accept a reward equal to its productivity.

The leading classical economist in the field of unemployment theory, A. C. Pigou, whose work contains the most detailed analysis of the classical theory of employment, advanced the classical argument about wages to the point of contending that it was theoretically possible for wages to be adjusted in such a manner as to do completely away with unemployment. It was only logical that classical economists would move forward to the suggestion that the way to alleviate unemployment was to have the unemployed workers accept a lower wage for their labor. During a period of unemployment if labor would agree to accept lower wages more employment would soon result. Thus the higher rate of unemployment which followed World War I in England was attributed by Professor Pigou to the fact that wages were being maintained at too high a level: [34]

> In the postwar period * * * there is strong reason to believe that an important change has taken place * * * ; that, partly through direct state action, and partly through the added strength given to workpeople's organizations engaged in wage bargaining, by the development of unemployment insurance, wage rates have, over a wide area, been set at a level which is too high in the above sense; and that the very large percentage of unemployment which has prevailed during the whole of the last 6 years is due in considerable measure to this new factor in our economic life.
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> * * * * * * *
>
> If wage earners insist on maintaining a real rate of wages above the economic level (justified by their productivity), and if no mitigating action is undertaken by the state, an abnormal volume of unemployment, with all the material and moral waste that this implies, is the inevitable concomitant * * * I conclude, therefore, that insistence by wage earners upon maintaining uneconomically high wage rates must involve large unemployment and associated social evils * * * it is against the interest of the community as a whole for wage earners to insist upon uneconomically high wage rates. That interest requires the restoration, at not too distant a date, of an equilibrium between wage rates and demand and supply conditions.

The theory that high or rigid wages were largely responsible for unemployment remained the only explanation popularly accepted by classical economists until well into the great depression of the 1930's. The English economist, W. M. Beveridge, in explaining the high and rapidly growing rate of unemployment in 1930, indicated substantially complete acceptance of the classical wage theory of unemployment.[35]

> This potential effect of high wages policy in causing unemployment is not denied by any competent authority * * *. As a matter of theory, the continuance in any country of a substantial volume of unemployment which cannot be accounted for by specific maladjustments of place, quality, and time is itself proof that the price being asked for labor as wages is too high for the conditions of the market; demand for and supply of labor are not finding the appropriate price for meeting.

Despite the fact that unemployment continued to grow unabated during the 1930's, despite the failure of the economic system to restore itself and reabsorb the unemployed, the classical theory of unemployment remained relatively unchanged. In view of the inadequacy of classical theory to explain in a satisfactory manner the tremendous level of unemployment, or to aid in the selection of a program of action to alleviate mass unemployment, it became evident that a new theo-

[34] Pigou, A. C., "Wage Policy and Unemployment, Economic Journal, September 1927, pp. 355, 366.
[35] Beveridge, W. H. Unemployment. New York, Longmans, Green & Co., 1930, pp. 362, 371.

retical approach to the problem was needed. It was not until 1936 that such a new theory was enunciated. In that year the English economist, J. M. Keynes, blasted the classical:[36]

> * * * contention that the unemployment which characterizes a depression is due to a refusal by labor to accept a reduction of money wages * * *. It is not very plausible to assert that unemployment in the United States in 1932 was due either to labor obstinately refusing to accept a reduction of money wages or to its obstinately demanding a real wage beyond what the productivity of the economic machine was capable of furnishing. Wide variations are experienced in the volume of employment without any apparent change either in the minimum real demands of labor or in its productivity. Labor is not more truculent in the depression than in the boom—far from it. Nor is its physical productivity less. These facts from experience are a prima facie ground for questioning the adequacy of the classical analysis.

From a general point of view, the Keynesian approach to unemployment is based on the contention that unemployment depends upon the level of spending which is going on in the economy at a given time. According to this "new" economic theory, spending is of two kinds—for consumption and for investment. It is the amount of money which the community spends on consumption and investment which determines the level of employment. On the other hand, the money which the community saves gives employment only if it is invested in such a manner as to add to capital equipment, or to increase stocks of raw material. According to the Keynesian analysis, in an unplanned market economy there is nothing which operates automatically to insure that consumption and investment demand will remain at levels high enough to keep all available labor employed. Thus, full employment is not something which can be taken for granted.

It is contended by Keynes and his followers that the danger of prolonged mass unemployment comes from the fact that, in an unplanned economy, the decisions to save and to invest are made by two entirely different groups of individuals at different times, and that these dispersed decisions are not likely to be coordinated.[37]

> The amount which any community will try to save is governed, not primarily by the outlets for saving, i. e., the opportunities for investment, but by the total income of the community and its distribution; broadly speaking, if incomes are evenly distributed, less will be saved out of the total than if they are unevenly distributed. The amount which any community will seek to invest is governed, not primarily by the amount of savings available for investment, but by expectation of profits. Savings and investment do not start with any initial tendency to march in step and there is no automatic painless way of keeping them in step or bringing them together if they fall out.

The income which the community tries to save at full-employment-income levels must be offset by investment. If investment is not sufficient to offset savings, aggregate income will decline to the point where, because of extremely low levels of income which require the individuals within the community to spend their total income on the bare necessities of living, people are no longer either willing or able to save more than can be offset. Unless the community puts back into the flow of income in each period as large an amount as they receive out of it in the previous periods, there will be a cumulative

[36] Keynes, J. M. The General Theory of Employment, Interest, and Money. New York, Harcourt Brace & Co., 1936, p. 9.
[37] Beveridge, W. H. Full Employment in a Free Society. W. W. Norton & Co., 1945, p. 94.

trend downward of national income and employment. As described by an American economist, Paul Samuelson: [38]

> We are confronted with the paradox that while no one attempts to save with any thought of investment outlet, or of offsets, yet the amount which all together succeed in saving is brought into alinement by the movements of income and employment. But the alinement is performed on a cruel Procrustean bed, with employment and income being lopped off if the desire to save is excessive in comparison with available offsets, and with an inflationary straining of demand if investment is excessive.

While saving may be desirable from the individual point of view as a means of insuring spending power in the future, from the broad economic viewpoint saving has no social virtue unless there is someone willing and able to spend the savings. Indeed, according to this theory, if there is no available investment outlet for funds, savings has has no social virtue. In the words of Lord Keynes: [39]

> Thus our arguments lead toward the conclusion that in contemporary conditions the growth of wealth, so far from being dependent on the abstinence of the rich as is commonly supposed, is more likely to be impeded by it. One of the chief social justifications of great inequality of wealth is therefore removed.

Thus, it would seem that in order to insure high levels of consumption demand, Keynesian economists would be in favor of greater equality of wealth than has existed in the past.

Keynesian economic theory emphasizes the need for information on the volume and distribution of savings; for at full employment the amount which one segment of the community tries to save is the amount which the community will need to make sure is spent by others, out of loans or from past savings. For, if current savings are not balanced by additional spending, the economy will enter upon a downward trend of employment and income. Therefore, it is important to have information on the source and distribution of savings and factors influencing saving. We have as yet only incomplete information on these matters, although techniques for developing rough estimates are being improved.[40]

Some economists point out that personal savings held by those of small and average income and made for purposes of security merely postpone consumption. Furthermore, while some persons are putting aside savings for their future security, others are spending what they had previously saved for such purposes so that over a period of time the two cancel one another. Savings which tend to create cyclical change are those held in the form of surpluses by large corporations (undistributed profits) and by the small group of persons at the peak of the income pyramid.

In summary it may be stated that the Keynesian analysis broke sharply with the classical theory that unemployment can be abolished by adjusting wage rates. It offered proof that the supply and demand for labor do not adjust themselves automatically at a level high enough to create employment for the entire labor force. In addition to the unemployment which may arise through friction and fluctuating demand, Keynesian economics asserts that unemployment may result from a chronic, long-term deficiency of demand for labor. Keynesian theory offers a new approach to the immediate economic

[38] Harris, Seymour, ed. Post-War Economic Problems. New York, McGraw-Hill Book Co., 1943, p. 37.
[39] Keynes, J. M. General Theory, * * * p. 373.
[40] See Federal Reserve Bulletin, August 1949. 1949 Survey of Consumer Finances, pt. IV. Consumer Ownership and Use of Liquid Assets.

problems with which modern industrial nations are faced, particularly the problem of unemployment. As Beveridge has pointed out, it must be used as a guide in interpreting facts.[41]

* * * like any other theoretical analysis (Keynesian theory) is an instrument for interpreting facts, not a substitute for facts. The Keynesian analysis throws light upon the point in a free-market economy where an essential link is missing in the mechanism: decisions to save are not automatically coordinated with decisions to invest or to offset savings in some other way. But this analysis as such does not reveal the particular economic cause which, in a given period, produced a gap between decisions to save and decisions to invest. Theoretical analysis is a guide in the search for an explanation, not an explanation in itself, nor a prediction for the future.

The effect of change in the theoretical approach to the problem of unemployment upon the policies of national governments during recent years, is made apparent by a recent inquiry conducted by the United Nations Economic and Social Council. A questionnaire covering 8 major problems in the field of full-employment policy was addressed to 58 member nations and 15 nonmembers. An analysis of the replies received from 26 governments indicates that[42]—

* * * something more than the environment has been changing in the last two decades * * * the intellectual preconceptions and tools with which men have approached the problems of political economy have also undergone a revolution, reflecting the new developments in economic theory and analysis associated with the name of Lord Keynes. In particular, the assumption of an automatic tendency for all labor to be employed has been replaced by critical inquiry, along the lines suggested by Lord Keynes, into the determinants of the general level of employment and by policies designed to influence these determinants.

Diverse problems face the various governments replying to the questionnaire, and the methods by which each seeks to maintain full employment are to be carried out under different economic philosophies. The majority indicate their intention to anticipate deflationary tendencies insofar as possible—certainly before declining levels of employment have disorganized the economic system.

More agreement has been reached upon the necessity for maintaining high levels of employment than can be found upon definition of the term "full employment." Definitions tend to vary, depending upon the importance which the writer attaches to the role of employment in the business cycle. Those who believe full employment is in itself a major objective of economic policy tend to define it in terms of aggregate demand—jobs for the entire labor force minus a number of those temporarily unemployed as a result of frictions in the labor market—turn-over, seasonal and technological change. Those who believe full employment is not in itself an objective but the resultant or byproduct of other economic forces, tend to stress the importance of other factors—money supply, Government debt, and wage levels in determining what is to be considered full employment.

Full employment has been defined in terms of total utilization of the Nation's productive capacity—the utilization of machines as well as manpower. Since primary attention in this report has been placed upon levels of employment and unemployment, the term needs to be defined with regard to the labor force rather than the optimum allocation of resources.[43] Another method of approach is in terms of na-

[41] Beveridge, W. H. Full Employment in a Free Society, p. 101.
[42] National Action to Promote Full Employment, International Labour Review, June 1949, pp. 684-692.
[43] The issue of full employment. National Planning Association. (1943?) (A mimeographed memorandum.) Pp. 1-2.

tional income—in some cases an effort is made to determine the ratio between components of national income necessary to maintain full employment.[44] Such calculations tend to be primarily useful as immediate rather than long-term forecasts for they are made in terms of current prices and are difficult to translate into changing levels of real income.

The question arises whether mobility of the labor force is compatible with the concept of full employment in peacetime.[45]

> Full employment of the civilian labor force is not a practical possibility. So long as people are allowed to leave one job in order to seek another there will be unemployment. There must be some unemployment to provide sufficient flexibility of the labor force in a dynamic economy. Seasonal fluctuations also are not likely to be eliminated.

This statement however differs little upon interpretation from the definition of those who place minimum limits of frictional unemployment upon the concept of full employment. Even the "perfectionist" definition of the term provides for such a minimum. As defined by W. H. Beveridge it means—[46]

> * * * having always more vacant jobs than unemployed men, not slightly fewer jobs. It means that the jobs are at fair wages, of such kind, and so located that the unemployed men can reasonably be expected to take them; it means, by consequence, that the normal lag between losing one job and finding another will be very short.

Disagreement immediately arises as to the feasibility of maintaining such a ratio of jobs to idle workers under peacetime conditions. The possibility of maintaining such a ratio is referred to by the Swedish economist, Ohlin, as "over-full employment." He concludes:[47]

> * * * Thus, to keep up total demand at a level where it is very easy for anyone to find a job is no panacea for our economic ills. It is better to set a different goal: to create and maintain a balanced economy, where total demand is large enough to provide employment practically the whole time for practically all labor that is available in the appropriate places and occupations, but where there is no considerable number of vacancies in industries paying normal wages. To achieve this will indeed be difficult enough.

Presuming that agreement might be reached on a "common sense" definition of full employment as "a condition where everyone who wants a job can find one at prevailing wages, hours, and conditions of employment, less a definable normal that takes account of those persons shifting from one job to another," [48] the question then arises, What is a normal volume of frictional unemployment?

Theoretically, frictional unemployment arises from job turn-over in a labor market where aggregate demand and supply of workers is equal but where mobility of the labor force prevails. When turn-over rates show an almost equal proportion of voluntary quits and of accessions their volume may be said to be the result of friction in the labor market. Frictional unemployment presumably does not include long periods of unemployment arising from lack of adequate demand for workers.[49]

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[44] U. S. Congress. Senate Committee on Banking and Currency. Bibliography on Full Employment. (79th Cong., 1st sess., Senate committee print No. 2.) Pp. 11–14.
[45] Livingston, S. M. Postwar Manpower and Its Capacity to Produce. Survey of Current Business, April 1943, p. 14.
[46] Beveridge, W. H. Full Employment in a Free Society, pp. 18–19.
[47] Ohlin, Bertil G. The Problem of Employment Stabilization. New York, Columbia University Press, 1949, p. 26
[48] The Issue of Full Employment. NPA, p. 3.
[49] Beveridge, W. H. Full Employment in a Free Society, p. 85.

* * * In physical terms, if two bodies in contact with one another do not move and there is no pull on either of them to make them move, their immobility should be ascribed to the absence of pull, not to friction between them. Friction stops or delays motion only when there is a force for motion against which friction can act. In the circumstances of Britain between the two wars, with hardly any unsatisfied demand anywhere at any time, little if any of the recorded unemployment can be described as due to friction, that is to insufficient fluidity of labour. Willingness to move or not to move determined upon which individuals unemployment should fall and not how much unemployment there should be.

Many estimates of the amount of frictional unemployment which may be regarded as "normal" can be cited. Some of the differences between such estimates can be deduced from the following quotations:

1. "Even in prosperous years, frictional unemployment will affect about 5 percent of the labor force."—Taft, Philip, Economics and Problems of Labor, second edition, page 47.

2. "* * * an industrial country is not likely to be able to apply more than 95 percent of its nominal labor force even under the most favorable circumstances." --Nourse, E. G., Basic Criteria of Price Policy, page 22.

3. "In normal times frictional unemployment would be higher (than during the war) and probably from 2 percent to 5 percent (of the labor force)."—Yntema, T. O., "Full Employment in a Private Enterprise System," American Economic Review, March 1944, supplement, page 107.

Many other sources can be quoted, but frequently the definition is not of frictional unemployment but minimum unemployment deemed attainable under certain assumptions of postwar conditions.[50]

RELATION OF FRICTIONAL UNEMPLOYMENT TO FULL EMPLOYMENT

Is there a point at which frictional unemployment takes on aspects of cyclical decline, and if so how can that point be determined? What measures of frictional unemployment are available? These are extremely practical questions from the standpoint of national policy, but extremely difficult to answer in terms of statistics. Detailed explanations of types of frictional unemployment are included in nearly all textbooks on labor economics; yet none contains a critical analysis of the statistical measurement by which such estimates are derived. Economists in recent years have tended to give greater attention to forecasting levels of peacetime employment which the economy will attain; and given only perfunctory attention to the measurement of frictional unemployment. Perhaps there is a very real reason for this, since as an Australian economist points out: [51]

* * * it does not seem profitable at this stage to go in for a precise definition as to what level of unemployment would be required as being consistent with the idea of full employment. To bring America back from ten to twelve millions of unemployed before the war to three millions would be a signal achievement and would have a profound effect upon the whole world. * * * It may be that eventually the community will be able to get beyond levels postulated by some of the authorities. * * * The economist has had a signal victory in the attention that governments are now giving to this problem of full employment. * * * The fact is that the world will be an infinitely better place if the first object of the employment policy is to reduce the prewar volume of unemployment by two-thirds or three-quarters of its amount. That may still leave some people seeking

[50] Many additional estimates may be found among the following sources: (1) The Issue of Full Employment, National Planning Association, pp. 5-7; (2) U. S. Congress, Senate Committee on Banking and Currency. Bibliography on Full Employment (79th Cong., 1st sess., Senate Committee Print No. 2), pp. 8-11; and (3) "Nature and Extent of Frictional Unemployment," Monthly Labor Review, January 1947, pp. 1-10.

[51] Copeland, Douglas B., The Road to High Employment; Administrative Controls in a Free Economy, Cambridge, Mass., Harvard University Press 1945, pp. 69-70.

work and not able to find it. If it does, it will be easy to step up the program in the light of experience gained in the first general attacks on the problem. *We do not know in any case to what low limits we can reduce frictional and seasonal unemployment until we have experimented with the mobility of labor under the new conditions.* [Italics supplied.]

Various estimates of frictional unemployment indicate that 2 to 6 percent of unemployment arises from frictional causes, and may be considered a "normal" volume of unemployment.[52] Some of these estimates seem to be based upon the assumption that in its best years of operation such a ratio of unemployment existed, although there were at the same time labor shortages, at least in some areas or some industries. Estimates of some writers seem to be based upon the ratio of unemployment to total labor force which are believed to be attainable, rather than upon a critical examination of the volume of frictional unemployment. The question arises as to how much fluctuation actually exists in the volume of frictional unemployment at the peak and low of the business cycle. The tendency for estimates of frictional unemployment, or of the irreducible minimum of unemployment to fluctuate, is clearly indicated by the following quotation:[53]

Long years of joblessness were thought to have raised minimum unemployment to a new high point, estimated to be in the neighborhood of 4,000,000 workers. What peacetime could not do in 10 years, the threat of war and the fact of war have done in the short space of 2 years. In December 1940, when the defense program was getting under way, unemployment was more than 7,000,000; in 1 year after Pearl Harbor it was 1,500,000, a figure less than half that forecast a few years ago as the "irreducible minimum."

Friction in the labor market is one of the causes of unemployment, but it should not be confused with unemployment arising from cyclical changes; that is from economic causes such as a changing volume of investment or changing rates of consumer demand. It would seem logical to develop statistical measures of frictional change before deciding at what level it could be reduced under full employment. The difficulty of maintaining continuously high levels of employment during peacetime should not be underestimated, but if positive limits on unemployment are to be established as a matter of national policy, they should clearly relate to cyclical unemployment. There is danger that so long as reliance is placed upon varying estimates made by individual economists that the changing ratio of unemployment is due to frictional causes, and therefore noncritical, positive action limiting cyclical change will be delayed until it is too late to adopt remedial measures. As a matter of policy, it would seem less difficult to develop statistical methods of measuring frictional unemployment in a period when aggregate demand for labor was at high rather than at low levels.

In measurement of frictional unemployment two means of approach to the problem seem inherent in the definitions: (1) Frictional unemployment arises from factors continuously operating within the labor market at all levels of economic activity; assuming of course, the mutual right of both the worker and the employer to terminate the employment relationship. Such causes are generally listed as turnover, seasonal, technological, and the movement of industry to new locations. (2) The period of frictional unemployment for the worker is short. Regardless of the original cause, frictional unemploy-

[52] The Issue of Full Employment, National Planning Association, pp. 5–6.
[53] U. S. Bureau of the Census, Labor Force Bulletin, No. 1, March 1, 1943, p. 3.

ment is characterized by brief periods of idleness, and a steady movement of the unemployed into new jobs. Although the percentage of frictional unemployment may remain the same, the persons making up the unemployed group are constantly changing.

Upon these characteristics, nearly all definitions of frictional unemployment seem in agreement. The next step is to seek to apply statistical measurement conforming to these definitions and to utilize so far as possible available data. One method of measuring frictional unemployment is to study its characteristics in a particul labor market area. For instance, an analysis of the New York City labor market during the year 1943 showed its transition from an area of labor surpluses to an area of labor shortages. At the beginning of the year unemployment was a cause of concern and amounted to about 5 percent of the labor force. One year later shortages of workers in both skilled and unskilled categories had developed. "Thus, sometime in 1943, probably in the second quarter, this area passed through a phase in which unemployment ceased to be an important problem and no serious labor shortages had developed; at that time about 3.3 percent of the labor force was looking for work." [54]

The difficulty in applying such a ratio to the entire economy is immediately apparent, however, when variations in industrial activity in the many labor market areas throughout the Nation are considered. National application of such an average is likely to include some areas in which a hard core group of unemployed workers has already developed, and other labor market areas where shortages of labor exist. It is doubtful if unemployment in all areas at any one time will approximate a given ratio of frictional unemployment. Rather, a point will be reached when so many areas have moved into the labor surplus group that national attention will be focused upon the problem, but the critical ratio between frictional unemployment and labor force may have been reached in some areas many months previously. From the standpoint of the unemployed, the ratio of unemployment within the labor market area will be of greater significance than the national average.

Another method of measuring frictional unemployment is to determine the extent of unemployment arising from each of the causes of frictions in the labor market—that is, to measure unemployment arising from turn-over, from seasonal, and from technological change. Some authoritative studies of these types of unemployment have already been described, particularly the statistical studies made by W. S. Woytinsky on seasonal unemployment and of turn-over rates.[55] These studies are based for the most part upon 1930 data. Nothing comparable to them for the period of the 1940's and utilizing more complete statistical series which have now become available has been found. Studies for this period would offer the best source of information upon the amount of frictional unemployment at high levels of economic activity.

In his study of seasonal change, Woytinsky notes that in most of the major industrial groups, but with certain exceptions, the absolute number of workers laid off or hired in accordance with seasonal change is about the same in boom and depression years. He notes also that

[54] Nature and Extent of Frictional Unemployment, Monthly Labor Review, January 1947, p. 9.
[55] Woytinsky, W. S., Seasonal Variations in Employment in the United States (1939); Three Aspects of Labor Dynamics (1942).

"without adequate statistics on seasonal changes in the supply of labor and in the occupations, industrial and territorial distribution of workers, the estimates of the aggregate volume of seasonal unemployment and seasonal employment cannot be very accurate." [56]

Studies of gross and net change in the size of the labor force, and in the number of workers employed, by month are now being made by the Bureau of the Census.[57] In a special survey made in December 1948 it was estimated that about 66 million different persons had at some time during the year been gainfully employed.[58] The peak of employment in any one month, however, was 61.6 million, and average civilian employment during 1948 was 59.4 million. The measurement of seasonal unemployment probably should be related to a larger number of workers than is included in the average employment figure. These persons who enter the labor force to participate in seasonal jobs are for the most part excluded from the studies made by Woytinsky, whose work was primarily undertaken in connection with establishing the social-security system. Such persons, however, may regularly furnish the additional labor needed in industries having only a short active season and in year-round industries having a sharp seasonal peak. Rather than seeking other employment, such persons may withdraw from the labor force when the seasonal peak is over, resume housekeeping, school, etc. It seems logical, however, that in periods of depression such persons would tend to seek other types of gainful employment, particularly if the chief family earner is unemployed. Considerable discussion has arisen over the question of how many "additional workers enter the labor force during depression, thereby swelling the ranks of unemployment to a larger total than the number of persons actually laid off." [59]

More adequate data on seasonal unemployment and its relationship to the total labor force needs to be developed. This would also involve more adequate knowledge of the extent of underemployment, which frequently results from seasonal fluctuations, particularly in periods of depression. For example, in 1940 when better manpower utilization for the defense effort was being studied one official estimated that perhaps 5,000,000 persons then living on farms and in small towns in predominantly agricultural areas and not then counted among the unemployed could be drawn into defense employment if war plants were located in such areas.[60]

Statistics on technological change and the amount of unemployment resulting from the introduction of new machinery and new methods is more difficult to compile. Such changes do not occur at regular intervals and no established pattern can be used to check the adequacy of statistical measures developed. Studies made of the displacement of workers because of technological changes have usually been based upon detailed examination of statistics for a particular industry or for a particular firm. It seems logical to presume that unemployment arising from technological change, particularly in manufacturing where it is most important, would be reflected in turn-over rates. Workers affected by such changes will either be absorbed by retraining and replacement and therefore not be classified among the unemployed, or if permanently laid off as a result of tech-

[56] Woytinsky, W. S., Seasonal Variations in Employment, p. 32.
[57] U. S. Bureau of the Census, Labor Force, series P-59.
[58] U. S. Bureau of the Census, Work Experience of the Population in 1948, series P-50, No. 15.
[59] Durand, John D., The Labor Force in the United States, 1890-1960, p. 86 ff, and footnotes to other sources.
[60] Davis, Chester. See press releases of the National Defense Advisory Commission, P. R. No. 177, October 17, 1940, p. 4.

nological changes will be forced to seek employment elsewhere and their lay-off will be reflected in the turn-over rate. Continuous study of declining employment within an industry should reveal whether the source of the decline is due to such technological changes, or whether there is a decline in some areas which is offset by increases in employment in other areas.

Statistics on turn-over for many manufacturing industries, mining, and communications industries are now available and similar information could be compiled for many other service industries, for government, etc. The chief problem in defining the relationship between frictional unemployment and turn-over is in estimating the ratio of turn-over in a particular industry which arises from frictional causes. Does the turn-over rate reflect a high percentage of changes by a few workers, rather than relatively few changes for a large number of workers? How long a period of unemployment at full employment should be associated with turn-over? At high levels of employment do all displaced workers undergo a period of unemployment before retraining for a new job or are those unemployed absorbed into expansions taking place within the same industry? Are voluntary quits to be associated with a period of unemployment, and, if so, how long a period? How large a percentage of the labor force is actually involved in technological displacement each year, on the average, and is the rate higher in years of boom or in years of depression?

An analysis of industry data might furnish answers to some of these questions, but the information most needed is that which shows the movement of workers between areas, between industries, between seasonal and nonseasonal employment, and between jobs. One means by which such information could be compiled showing movement between jobs and between labor force and nonlabor force participation, rather than changes in aggregates which actually obscures the extent of such change, is by utilizing social security data. The chief limitation on use of such data at the present time is the limited coverage of the social security system. With extended coverage it would be possible to study a carefully selected sample of workers chosen by age, sex, occupation, location, etc., to be representative. Such study would reveal the extent of frictional change and the length of periods of unemployment resulting from such change. It would be possible to study turn-over in various industries at different levels of economic activity. If social-security data are extended to include agriculture and other types of employment now excluded, it would also be possible to more accurately measure movement into and out of the labor force, all of which tend to be obliterated by study of averages.

Turning next to the other differentiating characteristic of frictional unemployment, the question arises as to how long a period of unemployment is to be considered compatible with the definition of frictional unemployment.[61]

* * * a particular volume of unemployment should not be defined as frictional unless something is known about the nature and causes of unemployment. A constantly changing group of unemployed averaging 2,000,000 workers moving between jobs might be compatible with a condition of satisfactory employment opportunity. But a stagnant pool of 1,000,000 workers unemployed continuously for a long period of time would not.

The statistics contained in table VIII on page 69 have already been given to indicate the change in the estimated volume of unem-

[61] Nature and Extent of Frictional Unemployment, Monthly Labor Review, January 1947, pp. 6-7.

ployment lasting for periods of 15 weeks and more. In October 1948 an estimated 267,000 workers had been unemployed for 15 weeks or more, while in October 1949 the number had risen to 820,000. Is a period of 15 weeks of unemployment consistent with a definition of frictional unemployment? How large a number of workers may be unemployed for this long a period of time before the boundary of frictional change is reached? The answer to these questions is closely related to formulating a definition of frictional unemployment which is compatible with full employment.

It must be emphasized that certain difficulties limit the usefulness of these census estimates in establishing the ratio of frictional unemployment compatible with full employment. Since they are estimates based upon a sampling procedure, their reliability decreases as the volume of unemployment becomes smaller, and particularly after it is broken up according to the length of the period of unemployment. Nor do such estimates furnish any clue as to the type of workers and the areas in which long periods of unemployment are concentrated. Are particular groups of workers in all labor market areas unemployed for long periods because of personal and institutional factors? Problems of personal adjustment and employability require local solutions through improved job placement, better adult educational facilities, and so forth.

If, instead, the number of workers with long periods of unemployment are concentrated in a few areas and represent local and regional problems such as the movement of industry away from the area, or depletion of basic resources, outside assistance may be necessary. In the past sufficient study has not been given to maintenance of high levels of employment area by area. Classification of labor market areas according to the estimated volume of unemployment are now prepared by the Bureau of Employment Security. Areas are classified according to the volume of unemployment: A indicating a tight or balanced labor supply and less than 3 percent unemployment; B with unemployment of between 3 and 5 percent; C with moderate labor surplus and unemployment of 5–7 percent; D of substantial labor surplus and unemployment from 7–11 percent; and E of unemployment of more than 12 percent.

Studies made in July, and again in September 1949, of 100 major centers showed only one area in July had a tight or balanced labor supply and less than 3 percent of unemployment but in September three areas were classified as A. Of 123 areas surveyed, including some smaller centers, the number with labor surpluses and unemployment of 7 percent or more in July had declined to 99 in September. This would indicate few areas with tight or balanced labor supply in comparison to the large number with labor surpluses.[62]

The movement of workers, therefore, except in isolated cases by workers of a particular skill, would have little affect upon the volume of unemployment. Discussion of geographic mobility under such conditions is largely theoretical. To accurately apply an estimate of frictional unemployment to the national economy at full employment, it would be necessary to show that unemployment of noncritical levels and no labor shortages existed simultaneously in all labor market areas, or to show that shortages were so acute in at least half the areas as to warrant movement of idle workers from areas of labor surplus.

[62] New York Times, November 25, 1949, p. 22.

APPENDIX TABLES FOR CHAPTER VI

Notes on Appendix Tables

Except where otherwise noted, these tables are based upon data from the United States Bureau of the Census. In tables I, II, and III figures for March 1940 are revised Census statistics for the Census week March 24 to 30, 1940. (See Labor Force, Employment, and Unemployment in the United States, 1940–46 (series P–50, No. 2) particularly table I, p. 3, and table II, p. 4. See also outline of revision procedures beginning on p. 4.)

Data for the years 1942–48 are annual averages of monthly estimates of the labor force prepared by the Bureau of the Census. Data for 1941 were omitted because no comparable age break-downs are available. In addition to the report cited above, statistics for 1947 and 1948 are from the Annual Report on the Labor Force, 1948 (series P–50, No. 13). Where utilized, 1949 data are from the monthly reports on the labor force which are part of the same series. All of the annual estimates are based upon monthly data obtained by sampling procedures outlined by the Bureau of the Census. (See Labor Force, Employment, 1940–46, p. 9–10, for a discussion of the reliability of estimates.)

Acknowledgement is also made to the Bureau of the Census for furnishing unpublished statistics on the number of women, by age groups, keeping house and in school during the period 1942–46.

Appendix Table I.—*Labor force and employment status of females, by age groups, for the years 1940–48*

Age groups and year	Noninstitutional population over 14 years of age	Civilian labor force	Percent of noninstitutional population in labor force	Employed	Percent of noninstitutional population employed	Not in labor force	Percent of noninstitutional population not in labor force	Keeping house	In school
	Thousands	*Thousands*		*Thousands*		*Thousands*		*Thousands*	*Thousands*
March 1940:									
14 to 19	7,290	1,460	20.0	1,080	14.8	5,830	80.0	1,260	4,370
20 to 24	5,870	2,820	48.0	2,330	39.7	3,050	52.0	2,700	220
25 to 44	19,880	6,500	32.6	5,800	29.2	13,380	67.3	12,980	40
45 to 64	12,590	2,750	21.8	2,410	19.1	9,840	78.2	9,160	.....
65 and over	4,510	310	6.9	300	6.7	4,200	93.1	2,520	.....
1942:									
14 to 19	7,180	2,370	33.0	2,140	29.8	4,810	67.0	932	3,162
20 to 24	5,960	2,900	48.7	2,730	45.8	3,060	51.3	2,792	155
25 to 44	20,400	7,020	34.4	6,670	32.7	13,380	65.6	13,250	.....
45 to 64	13,220	3,420	25.9	3,240	24.5	9,800	74.1	9,357	.....
65 and over	4,780	400	8.4	390	8.2	4,380	91.6	2,537	.....
1943:									
14 to 19	7,050	2,930	41.6	2,790	39.6	4,120	58.4	817	2,765
20 to 24	5,990	3,120	52.1	3,050	50.9	2,870	47.9	2,662	115
25 to 44	20,640	8,190	39.7	8,000	38.8	12,450	60.3	12,292	.....
45 to 64	13,460	3,970	29.5	3,880	28.8	9,490	70.5	8,935	.....
65 and over	4,870	490	10.1	480	9.9	4,380	89.9	2,610	.....
1944:									
14 to 19	6,910	2,900	42.0	2,800	40.5	4,010	58.0	800	2,560
20 to 24	5,960	3,230	54.2	3,160	53.0	2,730	45.8	2,472	95
25 to 44	20,840	8,220	39.4	8,120	39.0	12,620	60.6	12,315	.....
45 to 64	13,720	4,320	31.5	4,280	31.2	9,400	68.5	8,937	.....
65 and over	5,020	500	10.0	490	9.8	4,520	90.0	2,752	.....

APPENDIX TABLE I.—*Labor force and employment status of females, by age groups, for the years 1940–48*—Continued

Age groups and year	Noninstitutional population over 14 years of age	Civilian labor force	Percent of noninstitutional population in labor force	Employed	Percent of noninstitutional population employed	Not in labor force	Percent of noninstitutional population not in labor force	Keeping house	In school
	Thousands	*Thousands*		*Thousands*		*Thousands*		*Thousands*	*Thousands*
1945:									
14 to 19	6,800	2,720	40.0	2,620	38.5	4,080	60.0	760	2,582
20 to 24	5,980	3,180	53.2	3,080	51.5	2,800	46.8	2,432	120
25 to 44	21,120	8,230	39.0	8,060	38.2	12,890	61.0	12,437	----
45 to 64	13,980	4,410	31.5	4,360	31.2	9,570	68.5	9,017	----
65 and over	5,130	490	9.6	490	9.6	4,640	90.4	2,885	----
1946:									K
14 to 19	6,680	2,160	32.3	2,060	30.8	4,520	67.7	880	2,847
20 to 24	6,040	2,780	46.0	2,670	44.2	3,260	54.0	2,935	152
25 to 44	21,480	7,370	34.3	7,200	33.5	14,110	65.7	13,762	----
45 to 64	14,280	4,020	28.2	3,940	27.6	10,260	71.8	9,877	----
65 and over	5,290	450	8.5	440	8.3	4,840	91.5	3,345	----
1947:									
14 to 19	6,537	2,067	31.6	1,921	29.4	4,472	68.4	----	----
20 to 24	6,058	2,716	44.8	2,606	43.0	3,342	55.2	----	----
25 to 44	21,840	7,416	34.0	7,222	33.1	14,424	66.0	----	----
45 to 64	14,607	4,253	29.1	4,163	28.5	10,354	70.9	----	----
65 and over	5,461	445	8.0	438	8.0	5,016	91.9	----	----
1948:									
14 to 19	6,403	2,083	32.5	1,930	30.1	4,320	67.5	1,138	2,623
20 to 24	6,004	2,719	45.3	2,604	43.4	3,285	54.7	3,069	165
25 to 44	22,144	7,732	34.9	7,493	33.8	14,412	65.1	14,316	----
45 to 64	14,927	4,537	30.4	4,420	29.6	10,390	69.6	10,127	----
65 and over	5,628	514	9.1	503	8.9	5,114	90.9	4,245	----

APPENDIX TABLE II.—*Labor force and employment status of males by age groups for the years 1940–48*

Age group and year	Noninstitutional population over 14 years of age	Civilian labor force	Percent of noninstitutional population in the labor force	Employed	Percent of noninstitutional population employed	Employed in nonagricultural industries	Employed in agriculture	Agricultural employment as percent of labor force	Not in labor force	Percent of noninstitutional population not in labor force
	Thousands	*Thousands*		*Thousands*		*Thousands*	*Thousands*		*Thousands*	
March, 1940:										
14 to 19	7,320	2,840	38.8	1,900	26.0	1,020	880	31.0	4,480	61.2
20 to 24	5,620	5,080	90.4	3,850	68.5	2,900	950	18.7	540	9.6
25 to 44	19,410	18,980	97.8	16,410	84.5	13,430	980	15.7	430	2.2
45 to 64	13,150	12,090	91.9	10,300	78.3	7,770	530	20.9	1,060	8.1
65 and over	4,290	1,910	44.5	1,720	40.1	1,010	710	37.2	2,380	55.5
1942:										
14 to 19	7,050	3,910	55.5	3,630	51.5	----	----	----	3,140	44.5
20 to 24	4,030	3,730	92.6	3,570	88.6	----	----	----	300	7.4
25 to 44	17,950	17,730	98.8	17,220	95.9	----	----	----	220	1.2
45 to 64	13,500	12,740	94.4	12,080	89.5	----	----	----	760	5.6
65 and over	4,570	2,190	47.9	2,080	45.5	----	----	----	2,380	52.1
1943:										
14 to 19	6,250	3,710	59.4	3,560	57.0	----	----	----	2,540	40.6
20 to 24	2,170	2,030	93.5	1,980	91.2	----	----	----	140	6.5
25 to 44	15,870	15,700	98.9	15,570	98.1	----	----	----	170	1.1
45 to 64	13,750	13,080	95.1	12,900	93.8	----	----	----	670	4.9
65 and over	4,590	2,320	50.5	2,260	49.2	----	----	----	2,270	49.5
1944:										
14 to 19	5,470	3,350	61.2	3,250	59.4	2,060	1,190	35.5	2,120	38.8
20 to 24	1,820	1,720	94.5	1,680	92.3	1,180	500	29.1	100	5.5
25 to 44	14,990	14,800	98.7	14,700	98.1	12,440	2,260	15.3	190	1.3
45 to 64	13,860	13,170	95.0	13,080	94.4	10,790	2,290	17.4	690	5.0
65 and over	4,630	2,420	52.3	2,400	55.0	1,620	780	32.2	2,210	47.7
1945:										
14 to 19	5,380	2,950	54.8	2,860	53.1	1,860	1,000	33.9	2,430	45.2
20 to 24	1,910	1,650	86.4	1,570	82.2	1,150	420	25.4	260	13.6
25 to 44	15,020	14,510	96.6	14,260	94.9	12,100	2,160	14.9	510	3.4
45 to 64	14,040	13,260	94.4	13,090	93.2	10,850	2,240	16.9	780	5.6
65 and over	4,730	2,460	52.0	2,430	51.4	1,640	790	32.1	2,270	48.0

APPENDIX TABLE II.—*Labor force and employment status of males by age groups for the years 1940–48*—Continued

Age group and year	Noninstitutional population over 14 years of age	Civilian labor force	Percent of noninstitutional population in the labor force	Employed	Percent of noninstitutional population employed	Employed in nonagricultural industries	Employed in agriculture	Agricultural employment as percent of labor force	Not in labor force	Percent of noninstitutional population not in labor force
	Thousands	*Thousands*		*Thousands*		*Thousands*	*Thousands*		*Thousands*	
1946:										
14 to 19	5,850	2,680	45.8	2,490	42.6	1,550	940	35.1	3,170	54.2
20 to 24	4,770	3,720	78.0	3,290	69.0	2,750	540	14.5	1,050	22.0
25 to 44	19,550	18,650	95.4	17,880	91.4	15,570	2,310	12.4	900	4.6
45 to 64	14,300	13,350	93.4	13,000	90.9	10,770	2,230	16.7	950	6.6
65 and over	4,830	2,340	48.4	2,280	47.2	1,540	740	31.6	2,490	51.6
1947:										
14 to 19	6,133	3,074	50.1	2,795	45.6	1,810	984	32.0	3,059	49.9
20 to 24	5,536	4,629	83.6	4,262	77.0	3,662	600	13.0	907	16.4
25 to 44	20,358	19,699	96.8	19,147	94.0	16,778	2,369	12.0	659	3.2
45 to 64	14,521	13,494	92.9	13,158	90.6	10,859	2,299	17.0	1,027	7.1
65 and over	4,966	2,376	47.8	2,316	46.6	1,616	700	29.5	2,590	52.2
1948:										
14 to 19	6,155	3,173	51.5	2,911	47.3	2,040	873	27.5	2,982	48.4
20 to 24	5,528	4,674	84.5	4,380	79.2	3,788	592	12.7	854	15.4
25 to 44	20,566	19,923	96.9	19,460	94.6	17,203	2,259	11.3	643	3.1
45 to 64	14,732	13,706	93.0	13,365	90.7	11,165	2,200	16.0	1,026	7.0
65 and over	5,094	2,384	46.8	2,312	45.4	1,601	711	29.8	2,710	53.2

APPENDIX TABLE III.—*Number and changes in the number of employed persons by sex and age groups by year, 1940–48*

[In thousands]

	Aged 14 to 19	Aged 20 to 24	Aged 25 to 44	Aged 45 to 64	Aged 65 and over	Total net change
MALE						
1940 (March)	1,900	3,850	16,410	10,300	1,720	
1942	3,630	3,570	17,220	12,080	2,080	
1943	3,560	1,980	15,570	12,900	2,260	
1944	3,250	1,680	14,700	13,080	2,400	
1945	2,860	1,570	14,260	13,090	2,430	
1946	2,490	3,290	17,880	13,000	2,280	
1947	2,795	4,260	19,147	13,158	2,316	
1948	2,911	4,380	19,461	13,365	2,312	
1940–42	+1,730	+280	+810	+1,780	+360	+4,960
1942–43	−70	−1,590	−1,650	+820	+180	−2,310
1943–44	−310	−300	−870	+180	+140	−1,160
1944–45	−390	−110	−440	+10	+30	−900
1945–46	−350	+1,720	+3,620	−90	−150	+3,850
1946–47	+305	+970	+1,267	+158	+36	+2,736
1947–48	+116	+120	+314	+207	−4	+753
FEMALE						
1940 (March)	1,080	2,330	5,800	2,410	300	
1942	2,140	2,730	6,670	3,240	390	
1943	2,790	3,050	8,000	3,880	480	
1944	2,800	3,160	8,120	4,280	490	
1945	2,620	3,080	8,060	4,360	490	
1946	2,060	2,670	7,200	3,940	440	
1947	1,921	2,606	7,222	4,163	438	
1948	1,930	2,604	7,493	4,420	503	
1940–42	+1,060	+400	+870	+830	+90	+3,250
1942–43	+650	+320	+1,330	+640	+90	+3,030
1943–44	+10	+110	+120	+400	+10	+650
1944–45	−180	−80	−60	+80	0	−240
1945–46	−560	−410	−860	−420	−50	−2,300
1946–47	−139	−64	+22	+223	−02	+40
1947–48	−09	−02	+271	+257	+65	+582

APPENDIX TABLE IV.—*Comparison of the labor force participation of males and females aged 25 to 44, 1910–49*

Date	Percent of males in the age group 25 to 44 who were in the labor force	Percent of females in the age group 25 to 44 who were in the labor force	Date	Percent of males in the age group 25 to 44 who were in the labor force	Percent of females in the age group 25 to 44 who were in the labor force
April 1910	97.4	20.1	April 1944 [1]	98.9	38.6
January 1920	96.9	22.7	April 1945 [1]	98.3	40.4
April 1930	97.3	25.7	April 1946 [1]	94.9	34.6
April 1940	96.4	32.7	April 1947 [1]	96.8	33.1
April 1942 [1]	98.6	34.4	April 1948 [1]	96.8	34.3
April 1943 [1]	98.7	39.3	April 1949 [1]	96.9	34.7

[1] Statistics relate to civilian labor force only.

Sources: Long, C. D., The Labor Force in Wartime America, N. B. E. R. Occasional Paper 14, March 1944, table 2, p. 11. Data for 1910, 1920, and 1930 are adjusted from "gainful worker" concept to agree with 1940 definition of labor force. Later figures from U. S. Bureau of the Census, Labor Force Bulletin, series P–50, No. 2, table I, p. 3, and later estimates from reports of the same series.

APPENDIX TABLE V.—*Changes in the volume of employment and unemployment, and of unemployment as a percent of the total civilian labor force by year, 1929–49*

Date	Civilian labor force	Employment	Unemployment	Unemployment as a percent of civilian labor force
	Thousands	*Thousands*	*Thousands*	
1929	49,180	47,630	1,550	3.2
1930	49,820	45,480	4,340	8.7
1931	50,420	42,400	8,020	16.3
1932	51,000	38,940	12,060	23.6
1933	51,590	38,760	12,830	24.9
1934	52,230	40,890	11,340	21.7
1935	52,870	42,260	10,610	20.1
1936	53,440	44,410	9,030	16.9
1937	54,000	46,300	7,700	14.2
1938	54,610	44,220	10,390	19.0
1939	55,230	45,750	9,480	17.2
1940	55,640	47,520	8,120	14.6
1941	55,910	50,350	5,560	9.9
1942	56,410	53,750	2,660	4.7
1943	55,540	54,470	1,070	1.9
1944	54,630	53,960	670	1.3
1945	53,860	52,820	1,040	1.9
1946	57,520	55,250	2,270	3.9
1947	60,168	58,027	2,142	3.6
1948	61,442	59,378	2,064	3.4
1949 (January to August)	61,869	58,424	3,365	5.4

Source: U. S. Bureau of Labor Statistics, Handbook of Labor Statistics, 1947, p. 36. Estimates since 1940 based on Bureau of the Census, Monthly Reports on the Labor Force. Annual averages for the period 1929–39 are estimates based on comparable concepts prepared by the Bureau of Labor Statistics (percentages computed).

APPENDIX A

PRESIDENT'S PROGRAM FOR REDUCING UNEMPLOYMENT IN DISTRESSED AREAS

In his midyear economic report to the Congress of July 11, 1949, President Truman stated that—

> While unemployment is not now at a very high level for the country as a whole, there are many localities, and even some States where it is serious. These pools of heavy unemployment need to be treated before they spread, and the responsibility is in part national.
>
> There are a number of Federal programs of direct action or assistance to localities which can be timed and channeled so as to concentrate upon areas where unemployment is heavy without scarifice of general national objectives. This principle of wise selectivity is particularly applicable to procurement and construction activities, but it is also relevant to other grant or loan programs designed to stimulate private enterprise or to effect public improvements. Toward this end, I am directing that a continuing review of such activities be undertaken within the Executive Office, in order to coordinate planning, to keep the various types of activity and their geographic distribution in proper balance and readiness, and to focus emphasis upon alleviating unemployment in particular areas where it becomes serious before it has a chance to spread.

With this message, the President launched a new, selective program for Federal action to combat unemployment. Within the limits of existing legislation and appropriations, the program calls for channeling of all types of Federal expenditures, to the extent possible, into those local areas in the country in which unemployment is relatively most serious.

Early in August, Presidential Assistant John R. Steelman, who was designated to coordinate the program, distributed the first list of critical areas to Federal departments and agencies for their guidance in efforts to carry out the program. New lists have been similarly distributed every month since then to reflect changes in labor-market conditions. Areas designated for preferential consideration under the program are those in which unemployment (unless strictly temporary) represents 12 percent or more of the area's total labor force.[1] Such areas are in the E group under the system of the Bureau of Employment Security for classification of labor-market areas according to relative labor supply.

To facilitate funneling of Federal purchasing activities into these E areas, the United States Department of Commerce has undertaken surveys of firms in those areas to determine the types of products which they now make or could make for possible sale to Federal agencies. This information has been made available to the various Federal procurement offices.

The Commerce Department has also arranged for the designation of local representatives in each E area, usually the executive officers of local chambers of commerce, to act as a clearing house for the dissemination to appropriate local industry of information on prospective

[1] If national unemployment equaled 12 percent of the United States total labor force, the number unemployed would exceed 7,200,000, compared with the actual Census estimate for October 1949 of about half that number.

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purchases by the Federal Government, especially the Defense Department. The various services of the Defense Department in turn arranged to distribute synopses of all contract announcements or bid invitations to those local representatives.

This informational program alone has provided some stimulus to business in the critical areas, as it has frequently provided the first direct contact which local employers have ever had with the market represented by the Federal Government.

Despite the benefits of such directed distribution of information, previous practice in the award of contracts would have severely limited the program's effectiveness. Under the law, contracts must be awarded to the lowest responsible bidder, and in case of tie low bids, the award was determined by lot. On August 27, the Comptroller General approved a new policy under which contracts would, in general, be awarded to the producer in an E area if his bid was equal to the lowest submitted. A number of contracts which might otherwise have been placed elsewhere have been awarded to producers in the E areas as a result of this policy.

Certain types of Federal contracts are not controlled by the low-bid requirements and may be negotiated or awarded with some administrative discretion. Examples include developmental or research contracts requiring highly specialized or experimental facilities. So long as the award is not to the disadvantage of the Government in any way, if there is a choice, the Defense Department has authorized their placement with contractors in the depressed areas.

Mechanics for the actual application of such policies involve many complications. As one means of simplifying the program's operations, a directory of the labor-market areas in the E group has been issued which lists the names of all of the important towns in each of the areas and describes the areas' boundaries.

Priority scheduling of public-works activities in the critical areas offers another source of additional job opportunities under the President's program. While limited in effectiveness because of the relatively small number of construction workers among the unemployed, necessary construction projects can nevertheless provide some stimulus, directly and indirectly, in the E areas, and the responsible Federal agencies have taken steps to exploit this phase of the program to the fullest practicable extent. Construction contracts with a total value of $65,404,070 were awarded in the E areas during the third calendar quarter, including both Federal and State shares of the costs. (The Federal share was $47,960,058.)

Recently enacted by Congress, a bill authorizing grants of $100,000,000 in the next 2 years to finance public-works planning by State and local agencies affords another longer range type of opportunity for efforts to alleviate unemployment. Allocation of the $25,000,000 actually appropriated under this program is now in process.

In the field of Government loans, the Reconstruction Finance Corporation gives priority consideration to applications from firms in the E areas. The Rural Electrification Administration has also been active in efforts to provide financial assistance.

As the largest Government employer of civilian personnel, the Department of Defense has devoted special attention to the ways in which such civilian employment can be best distributed to alleviate

conditions of serious unemployment. To further the President's program, a recent order by the Secretary of Defense instructs the various services to take labor-market conditions into consideration in planning expansion or contraction of civilian employment—"without impairing economical and effective accomplishment of missions."

While it is impossible accurately to measure the effects of the manifold Federal, State, and local efforts to alleviate unemployment in the critical areas, the widespread interest in the problem and the known results of the President's program suggest that the areas have benefited, and are likely to continue to benefit, from the special attention which they are receiving.

The principal reported accomplishments of the program have been:

1. The installation of a system under which all firms in depressed areas are assured of an opportunity to bid on all Government contracts. Such complete coverage never existed before, including the war period.

2. The fostering of an awareness at local and State levels of the need for assumption of at least partial responsibility for taking concerted action to attack the problem of unemployment on as many fronts as possible.

3. The Comptroller General's ruling that in the event of tie low bids, the award may be made to a firm located in an area of heavy unemployment.

4. The acceptance by the Department of Defense and the armed services of the principle that present and future unemployment will be taken into account in connection with their reductions in force and close-out of installations.

5. The acceleration of procurement by some of the agencies of items produced widely in the depressed areas. (Notably, the Army's procurement in the first 4 months of this fiscal year of $38,000,000 worth of textiles, which represents all Army and Air Force woolen and worsted requirements through June 30, 1950.)

6. The added acceptance by the procurement agencies of the principles of breaking up large orders and accepting bids on portions of the whole so that smaller manufacturers can bid more readily.

7. The extension of preferential consideration by RFC and other lending agencies to applications for loans which originate in depressed areas.

8. The extension of preferential consideration by the Housing and Home Finance Agency, the Public Roads Administration, the Civil Aeronautics Administration, and other public-works agencies to project proposals from depressed areas.

9. In the 3 months from July through September 1949, Federal assistance to the E areas reached at least the following totals: $22,787,550 in procurement contracts; $47,960,058 in authorized construction and other public works contracts; and $2,094,900 in loans by Reconstruction Finance Corporation and Rural Electrification Administration.

In summarizing the effectiveness of this program it should be pointed out that no additional funds have been appropriated and that, consequently, the program represents merely a shifting of funds already appropriated from one locality to another. When there are only a relatively few distressed areas this type of solution to an unemployment problem should be attempted, and probably will result

in a net over-all improvement. But once unemployment becomes serious, and there are a large number of distressed areas, the switching of contracts as among these marginal areas becomes simply a process of robbing Peter to pay Paul and will probably do more harm than good. Thus, the President's program is certainly no solution for a serious unemployment problem of national scope. Finally, the nature of the economy of the distressed area will determine in large measure whether any kind of procurement preference will result in even a temporary benefit.

APPENDIX B

EXPLANATORY NOTE

Replies to questionnaire: Department of Commerce, Department of Labor, American Federation of Labor, and Congress of Industrial Organizations.

When it became evident that the Subcommittee on Unemployment would hold no hearings, a questionnaire, designed to develop opinions on certain aspects of this problem was sent to the Departments of Commerce and Labor and to the American Federation of Labor and the Congress of Industrial Organizations. No effort was made to obtain a complete canvass of opinions on these subjects. The questionnaire was dated September 8, 1949, at a time when the latest available unemployment data (July) indicated that the trend was still rising and the total was in the neighborhood of 4,000,000. However, by the time the answers to the questionnaires were being prepared (December 1949) the economic situation had changed appreciably. Consequently the majority of the respondents made the interpretation that the questions should be answered on the basis of "if the situation should become serious again" or "in order to prevent such a situation" and answered accordingly. Because of this, the majority of the replies do present thoughtful suggestions and recommendations concerning a number of very difficult aspects of the general unemployment problem.

On the following pages are presented the detailed answers to the subcommittee questions—with each of the questions stated first, and followed by the four individual answers.

Because it contained additional substantive material, the letter of Secretary Sawyer is also included at the end of this appendix. In several cases, the respondents forwarded additional supporting materials which are not reproduced in this report.

REPLIES TO QUESTIONNAIRE ON UNEMPLOYMENT DATED SEPTEMBER 8, 1949, PREPARED BY THE SUBCOMMITTEE ON UNEMPLOYMENT, JOINT COMMITTEE ON THE ECONOMIC REPORT

Question 1. Unemployment is currently reported at approximately 4 million, or about 6 percent of the civilian labor force. Do you consider this an alarming level? If you do consider this an alarming level, what level of unemployment would you consider as normal in relation to the current labor force? If you do not consider 4 million as alarming, at what level of unemployment would you consider the situation serious?

Department of Commerce reply:

In view of the fact that unemployment has dropped approximately 500,000 since the June peak, it is clear that there is no present cause for alarm. The November figure of 3,400,000 is certainly not abnormal unemployment.

Department of Labor reply:

First let me say that I am concerned about any volume of involuntary unemployment where people are without income to maintain themselves and their

families. That is why I favor strengthening our unemployment-insurance system and our social-security programs. All of us are concerned about the hardship to individuals who, for one reason or another are unemployed even if the general level of unemployment nationally is very small. Your question is quite different from this.

The real question you have in mind, I believe, is how should we appraise changes in the volume of unemployment from the point of view of the need for government action for stabilization of the general level of employment.

Let me try to answer the question you have in mind without reference to whether I am alarmed by any specific level of unemployment. A high level of unemployment is ordinarily more serious than a lower level, but whether unemployment is showing a definite tendency to rise or to fall may be more significant than the particular level. We had more occasion for concern over the rising trend in unemployment this past winter (1949), for example, than this fall when unemployment, while higher, was declining from the peak of 4.1 million which was reached in July.

Thus I would say that there is no particular volume of unemployment, when unemployment is beginning to rise, which marks the point at which we say that unemployment is alarming. Any upward trend in unemployment is serious and needs careful attention. Changes in the volume of unemployment are significant as a reflection of the functioning of the economy, and must be interpreted in the light of all available information with respect to current developments which explain changing demands for labor and the outlook for the future. There is no single unemployment figure which provides an unambiguous signal as to when or what governmental action may be required.

You raise the question, What level of unemployment is normal in relation to the current labor force? The real answer to this question is that there is no single figure or narrow range of unemployment, with a given labor force, that is normal. To suggest that a certain percentage, or range expressed as percentages of the total labor force, is normal without regard to the particular economic changes taking place in the economy, is a source of much confusion in economic thinking with respect to unemployment. It is an error which has much significance for the analysis of what measures are appropriate at any given time to combat unemployment.

We are all familiar with the postwar literature dealing with this question and the wide range of estimates of what economists regard as "normal frictional unemployment," a "tolerable level of unemployment," or "necessary" or "desirable level of unemployment." These estimates range, depending on the viewpoint of the writers, from less than 3 percent to more than 8 percent. I reject outright those estimates which imply that a reserve of unemployment, over and above what is ordinarily meant by frictional unemployment, is necessary to maintain a labor market situation in which employers always have an abundant supply of workers to draw upon.

But even if we accept some concept of frictional unemployment, i. e., unemployment consistent with full employment, we cannot conclude that any specific percentage or volume of unemployment is normal. What is normal depends on the factors in any given situation which produce frictional unemployment. There is in fact some confusion as to the precise meaning of frictional unemployment. It is generally intended to refer to that volume of unemployment which, at any moment of time, is irreducible in that time is required for certain types of labor turn-over or labor-market adjustments to take place. These adjustments are going on at all times, even under conditions of full employment. Perhaps the easiest way to understand what is meant by the notion of frictional unemployment is this: Frictional unemployment is that volume of unemployment, at any given time, which cannot be further reduced by any increase in purchasing power, or effective demand for goods and services, i. e., in the demand for labor. If money demand is further increased, prices rise without appreciable increase in production or employment.

Included in frictional unemployment is the labor turn-over resulting from voluntary shifting of workers from job to job or from shifts in consumer demand (seasonal or otherwise) affecting occupational requirements or the level of employment as between industries. Also included, in the view of some, but not others, is at least some part of the temporary unemployment resulting from so-called structural changes in the economy, specifically the readjustments in the demand for labor as between industries, involving changes in the occupational requirements of industry, resulting from technological changes going on in industry. If included, the necessary assumption which is made, in defining frictional unemployment vis-à-vis

technological displacement, is that total effective demand is sufficient to absorb the disemployed; and thus the frictional unemployment is that which occurs solely because of the time required and the difficulties connected with the occupational and geographic mobility of workers. It is not intended to include, as frictional unemployment, those persons, technologically displaced, who tend to become part of a so-called hard core of unemployment, because of special difficulties of occupational readjustment or geographic immobility of labor. But the distinction is tenuous, and generally no part of the unemployment resulting from permanent structural changes in the economy is included in frictional unemployment.

So we see that the concept of frictional unemployment, at best, is rather theoretical in nature. Further, it is not susceptible to statistical measurement, or even rough estimation. Historically, in periods of high employment in peacetime in the United States unemployment has averaged roughly 3 to 4 percent, but for reasons suggested here this figure cannot be construed as a pure measure of frictional unemployment.

The question of frictional unemployment can also be approached in terms of the relationship between job seekers and job vacancies. If at any given time there is a certain number of job vacancies, frictional unemployment is that part of total unemployment which is equal to the number of job vacancies. The remainder is that part of total unemployment which is attributable to lack of effective demand for goods and services.

This approach has some obvious advantages from the point of view of exposition of the meaning of frictional unemployment. It must be admitted, however, that it likewise is not susceptible to ready statistical estimation. Even though theoretical in character, it is useful for purposes of consideration of employment policy. We can say, for example, that the objective of national economic policy, as expressed in terms of employment and unemployment, is to reduce unemployment to the point at which job seekers and job vacancies are in approximate balance; and we can reject the views which argue for either an excess of job vacancies (a tight labor market) or an excess of job seekers (a surplus labor market situation). With respect to underemployment we can point to the two general approaches to further reductions in unemployment: (1) The more efficient organization of the labor market which reduces the time required to bring workers and jobs together, thus reducing labor immobility and facilitating labor market adjustments; and (2) an increase in effective demand for goods and services.

This approach is also useful for indicating why national totals are misleading in analyzing any so-called normal volume of unemployment or for appraising, without further analysis, what policies are called for in combating unemployment in any given situation. The labor market is not a truly national market but a complex of area labor markets with, it is true, interconnections. Even if we had the statistical data, we could not add up job seekers and job vacancies nationally. Conceivably we could have at one time an excess of job vacancies over job seekers in some labor markets while we had the reverse elsewhere. There may, then, in fact be a considerable volume of unemployment in various parts of the country over and above any reasonable conception of normal while the national figures would appear to indicate a relatively low level of unemployment.

From the point of view of public policy, the tendency to rely upon national data and the emphasis upon rough estimates of normal unemployment may result in failure to take the kind of action that would be indicated by careful appraisal of regional or area variations in unemployment. For this reason I deplore the emphasis that seems to be placed on a magic national total of unemployment. Depending upon the factual circumstances at any point in time, there may or may not be appropriate measures that the Federal Government may take while unemployment is spotty from area to area. But in any case what we need is detailed study and economic analysis of unemployment and employment developments from an area as well as national point of view, with appropriate measures taken to combat unemployment whenever and wherever necessary without almost exclusive preoccupation with the trend of national unemployment totals.

American Federation of Labor reply:

The present level of unemployment is not "alarming." The figure of 5,000,000, which seems to have gained fairly wide acceptance as a conventional indicator of the danger point, is probably a valid estimate, insofar as it is possible to use a single, over-all, and more or less arbitrary figure for that purpose. However, this should not be permitted to obscure the importance of other related factors, such as hours worked, the duration of unemployment, and the distribution of unemployment by areas and industries.

This should not be taken to imply that a level of unemployment below 5,000,000 is "normal," or should be complacently accepted. "Normal" is too ambiguous a term for descriptive use in this context, and is meaningless unless considered in relation to the conditioning factors. While the present level of unemployment is still within the limits of the degree of short-term fluctuation that can take place without undermining or seriously endangering the general stability of the economy, it is nevertheless greater than that toward which national policy, public and private, should aim over the long run. It involves an appreciable degree of waste of manpower and potential production, as well as individual hardship.

Of equal significance, at any given time, is the direction and rate of change of the general trend. The increase in unemployment this year has, on the whole, been gradual and orderly and, except in certain areas, has not unduly taxed the facilities which have been set up to minimize the impact. Also recent reports and developments are encouraging, if not as yet conclusive and, while the coal and steel disputes have added to the level of unemployment, the basic economic situation has materially improved.

The general adverse trend of the spring and summer months, while not giving cause for alarm or drastic measures, constitutes a distinct warning, and emphasizes the need for vigilance and preparedness. It has provided the first real test to which our existing agencies and facilities for the relief of unemployment have been exposed since before the war, as well as a period of grace for the correction of deficiencies. The situation calls for a close examination of the effectiveness with which these facilities have functioned, the prompt correction of defects where defects are apparent, and improvement where improvement is called for. In this connection, the fact should be noted that, during the past few months, an average of one out of four unemployed persons was ineligible for unemployment compensation. Most of these were either not covered by any plan, or had been unemployed so long that their benefit rights were exhausted. The need for an expansion of the amount, scope, and coverage of unemployment compensation is apparent. Improvement in the administration of the State unemployment compensation systems are also badly needed.

Preparations should be made now for additional measures in anticipation of a further rise in the level of unemployment, so that in case the adverse trend is resumed and the danger level is reached, prompt, timely, and appropriate action can be taken on a broad front to meet the problem before it progresses to the point where such measures would prove impotent, and more drastic and costly expedients would be required.

Congress of Industrial Organizations reply:

As we understand it, the Employment Act of 1946 declares, as national policy, that employment opportunities should be available to all those willing and able to work. In terms of accepted national policy, then, anything approaching 4,000,000 unemployed is, to use the committee's own words, "alarming"—alarming in the sense that we, as a nation, are not living up to our responsibilities, and certainly alarming to the people involved. Incidentally, the peculiar pocket-like character of unemployment during the past year has made the plight of those affected especially difficult. Thus, although national totals may not be high, some areas are in a state very reminiscent of the early thirties. Here, too, one finds that workers are exhausting their unemployment-compensation-benefit rights on a fairly large scale.

Moreover, any consideration of the labor force and unemployment at this time must also take into consideration the problem of underemployment, or short workweeks. There are at least 2,000,000 workers presently partially employed who actually want full-time jobs.

Then, too, unemployment is already of a critical character for several special groups of the population. These include older workers, Negro workers, women workers, and young people.

Recognizing that the attainment of full employment at all times may be a terribly elusive goal, we believe that Government policy should continually be attuned to striving for that goal. It is likely that only in this way can we even approach the objective of the Employment Act.

It would be only too easy to say that 4,000,000 unemployed is not alarming and then, by the same token, one could go on next year and say that 6,000,000 unemployed is not alarming because, after all, 4,000,000 unemployed was normal and 6,000,000 is only 2,000,000 more than 4, etc. It is essential to remember that unemployment in this era of continued inflation, absence of low-rent housing, etc., is far more onerous for the workers and families affected than in preceding

periods of history. In the thirties, for example, unemployment was accompanied by great vacancies in housing, low food prices, and the like. All this made the path of the unemployed somewhat easier. Such is not the case today, and is not apt to be the case again the the predictable future.

We recognize that the complexity of our modern industrial system makes it inevitable that some people will be between jobs from time to time, that some industries will be in the process of adjustment, etc., and that as a consequence there may be some irreducible minimum of unemployment. Certainly, the experience of our country demonstrates that such an irreducible minimum is not 4,000,000 workers. Judging primarily on the basis of the past 2 years, when our economy for the first peacetime period in nearly two decades was in a relatively healthy state, it is hard to see how anything higher than 3 percent of the labor force can be viewed as normal or irreducible unemployment.

So far as general economic prospects are concerned, we do not necessarily believe 4,000,000 unemployed inevitably points to a large-scale depression. It is possible that the Nation can continue to have high levels of production and employment in the first half of 1950 even in the face of unemployment ranging from 3½ to 5 million in certain months.

However, the danger that this unemployment may have a downward, spiraling effect upon the entire economy, and that it might feed upon itself cannot be overlooked. Moreover, to repeat, in the face of our avowed national policy and the waste of human and material resources that unemployment entails, we certainly regard a situation involving as many as 4,000,000 unemployed as serious.

Assuming, however, that the severe downward spiral does not occur, there seems on the other hand to be little prospect that we shall return to conditions of full employment such as prevailed in 1947–48. There is little likelihood that in the next few years the economy will furnish enough new jobs to absorb the normal increase in the labor force.

This problem of growth and continued expansion seems particularly critical to us in considering employment prospects. If the objectives of the Employment Act were being met, from 500,000 to 800,000 new job opportunities would be available each year to absorb the growing labor force. This lack of expansion or growth accounts, for example, as much as anything else for the large increase in unemployment in 1949. The economy hasn't kept pace with our growing labor force.

Indeed, it is within this frame of reference, the economy's failure to expand in keeping with the needs of a growing labor force, and the prospect of continued substantial pockets of unemployment, that we have formulated our policy suggestions in subsequent answers to this questionnaire.

Question 2. To what basic economic factors do you attribute the rise in unemployment which has occurred during the last 9 months? Do you believe this trend will continue into next spring?

Department of Commerce reply:

The rise in unemployment which occurred during the first 6 months of 1949, but which declined during the remainder of the year from the peak reached in July, was evidence of a readjustment of business conditions and was due to a heavy reduction in accumulated inventory. The second part of this question, dealing with the trend, has been answered by the development of events themselves.

Department of Labor reply:

Quite briefly, I attribute the rise in unemployment from the end of 1948 to mid-1949 to a concurrence of two developments: (1) Decreases in demand and production for a variety of manufactured commodities as postwar backlogs of demand were more and more satisfied and as consumer demand returned to a more normal replacement basis, and (2) the cessation of inventory accumulation followed by inventory decumulation on the part of business, as supplies became more readily available, and as businessmen became more concerned with the imminence of possible price declines.

While there were important changes in direction, consumer demand was sustained remarkably well, for a variety of reasons including special factors contributing to the maintenance of the level of disposable personal income. The one major special postwar prop to total demand that dropped out of the picture during this period was the demand on the part of business for additional stocks for inventory purposes. Through mid-1949 there was no marked reduction in the other components of investment expenditures.

At the present moment a number of factors have combined to reduce the level of unemployment nationally. The labor force is contracting seasonally, there is a strong improvement in employment in those industries which typically expand at this time of year, and there is some evidence of inventory rebuilding in various lines of business.

It is to be hoped that this general improvement in the economic situation will carry through next spring. Since incomes and expenditures have held up extremely well to this point, we can perhaps expect no falling off of consumer demand except as a result of possible declines in income resulting from future curtailment in business expenditures for investment purposes. These, too, have held up very well to date, but surveys suggest a tapering off in these expenditures by the end of this year following several years of expansion of industrial facilities. The refund of GI insurance premiums early in 1950 will be an important factor in sustaining the general level of consumer expenditures and, indirectly, perhaps also investment expenditures. In the meantime, however, we may expect a drop in agricultural incomes, as prices decline.

Thus the economic developments of the coming year will depend upon changes in the volume of business expenditures for industrial expansion, which is the usual carrier of prosperity. But in a more fundamental way, continued improvement in employment next year may depend on the whole process of price adjustment which may permit higher real demand on the part of consumers.

American Federation of Labor reply:

The recent rise in unemployment is largely attributable to cut-backs in production following the working down of the large backlog of consumer demand which existed at the end of the war. This backlog was reduced by two means: By increasing production, which built up depleted inventories and provided the goods to satisfy the demand of many consumers; and by rising prices, which eliminated other potential consumers from the market. The change in the demand situation was reflected chiefly in the volume of production and employment, rather than in the level of prices. The sacrifice of production to protect prices has a cumulative adverse effect on employment and markets. The subsequent improvement in production and employment took place when it became apparent that the market was still capable of absorbing a greater output than the level to which production had been reduced, even at a general price level which was not substantially lower.

There is no reason to believe that unemployment will increase substantially during the next few months, except for the usual seasonal influences and the short-run effects of the shut-downs in the coal and steel industries. The housing program, the distribution of dividend payments on veterans' insurance, and the increase in the minimum wage should act as a considerable stimulus to consumer demand and employment over the coming months.

A note of warning should be sounded, however, as to long-run prospects. The decline in employment and production during the spring and summer months has been termed an "inventory recession," caused by the scaling down of dealers' surplus stocks. That is merely a convenient euphemism disguising the basic fact that the decline was due to inadequate effective consumer demand at the prevailing level of market prices, for the surplus stocks could not have accumulated had production not been in excess of consumer demand. In other words, we cannot expect to achieve again the level of production that existed before the decline set in, without a substantial increase in effective consumer demand. This can be accomplished only through lower prices or higher incomes for those who have been priced out of the market, or both.

Furthermore, even if we succeed in regaining our past peak level of production, this will probably involve a lower level of employment than had previously been required, due to increases in productivity, and it will provide no additional employment opportunities for the new entrants into the labor force. This means that if a growing level of unemployment is to be avoided over the long run, we must not only return to our previous record level of peacetime production, but we must substantially surpass it, and production must continue to expand beyond that point if cumulative unemployment is to be avoided.

Congress of Industrial Organizations reply:

In an immediate sense, the rise in unemployment which has occurred during the last 9 months can be attributed to the drop in economic activity which came as an aftermath of the postwar boom. More generally, however, so far as economic policy is concerned, we believe quite firmly that if proper controls had

been maintained in 1946, 1947, and 1948, the country could probably have gotten over the postwar period without such a recession. The large pent-up savings which helped to produce the high level of consumer activity in 1946, 1947, and 1948, and the accumulated capital needs of business contained within themselves the possibility of sustained full employment for many additional years, if they had not been eaten away by the premature lifting of controls.

With savings dissipated, so far as large sections of the lower- and middle-income groups are concerned, and with business spending almost inevitably down after the tremendous splurges of 1947 and 1948, a turn-down was inevitable.

Forecasting the size of unemployment in 1950 presents many problems, but on the assumption that Federal spending continues at its present level, that no substantial new taxes are passed, and that the Government continues to run a fairly sizable deficit in 1950, unemployment may keep within the 4 to 5 million limit in the first few months of 1950.

On the other hand, it appears very improbable to us that the level of unemployment will decline substantially below what it has been during the past 5 or 6 months, or that recovery to a condition of full employment will occur. With the refilling of inventories, and probable seasonal downturns in automobiles, textiles, rubber, and other industries, prospects for the winter months of 1950 are not as promising as they have been for the past few months. Consequently, though a full-scale depression may not be at hand, unless unexpected changes in policy occur before then by January and February of 1950, unemployment is apt to hit a new postwar high in excess of 4 million, even by the conservative measures of the Census Bureau.

Question 3. It has been suggested that neither labor nor management had the necessary freedom of movement or choice during the tight labor markets of the war period, and that national efficiency suffered as a result. Please give your reasons for agreeing or disagreeing with this statement.

Department of Commerce reply:

Of course, neither labor nor management had complete freedom of movement during the war and it is impossible to state whether this resulted in an impairment of national efficiency. The probabilities are that we did as well as could be done under the circumstances.

Department of Labor reply:

Although I am not entirely clear as to the meaning of the term "national efficiency" as used in this statement, I am inclined to think that the statement represents overgeneralization and simplification of the facts. During the war years our economy underwent drastic changes in order that it might be better geared to the war effort. Large-scale withdrawals of manpower from the civilian-labor force to meet the requirements of the armed forces took place. Emphasis was given to production of war material and activities which were in support of the war effort. The allocation of scarce and critical materials was directed to those types of production necessary for the prosecution of the war. As a consequence, certain types of production and business activity were greatly reduced and in some instances even eliminated. The cooperative efforts of management, labor, and Government, after a rather slow start, resulted in an amazingly high degree of national efficiency for the prosecution of the war.

During the war years our total labor force, both civilian and military, was greatly expanded. By moral suasion and patriotic appeal, large numbers of emergency war workers—women, youth, persons who had already retired, handicapped, and similar groups—were brought into the labor market. Large-scale transfers of workers took place from less essential to more essential activities. During the same period a tremendous geographical migration of labor to sections of the country where war production became greatly expanded also took place. The recruitment, transfer, and placement of workers were effected on a voluntary basis in the local labor markets through the cooperative efforts of management, labor, and the general public. This country did not resort to a compulsory draft of civilian man-power. Workers had all the freedom of choice consistent with waging the war.

Naturally we had a tight labor market, because all our resources were being strained to the utmost. In spite of that fact, productivity in war industries showed a spectacular rise. Peacetime industries suffered because they had to

take marginal workers. This wartime experience has few if any implications for a peacetime labor market.

American Federation of Labor reply:

The question, as phrased, is subject to varying interpretations, and agreement or disagreement would depend upon the interpretation.

The achievement of maximum "national efficiency" in relation to the emergency needs of the war period, required the channeling of resources into the production of essential war materials, and this obviously made some restriction of freedom of movement and choice necessary. It is hard to see how "national efficiency" could be said to have suffered as a result. The answer to the question has to be given pretty much in its own terms. The efficiency realized depends upon the efficiency exercised—efficiency in the organization and utilization of the available resources for the desired purpose—and not by the manner in which nonexistent resources might have been used had they been available.

If the question is intended to suggest the possibility that the "tight labor market," in and of itself, had a detrimental effect on "national efficiency," with the implied corollary that a labor surplus is necessary for maximum efficiency, the answer must be in the negative. There is certainly no necessary direct causal connection between a relative scarcity of labor and inefficiency in the utilization of the labor that is available. Under normal conditions, a "tight labor market" should tend to have the opposite effect. The reasons for any loss of "national efficiency" that occurred during the "tight labor market" of the war period lie in the manner in which the surrounding circumstances peculiar to that period deviated from the normal. Inefficiency in the use of labor during the war was not caused by the labor shortage, but itself contributed to and further aggravated the shortage. The seller's market, the absence of price competition, the wartime-tax structure, the cost-plus contracting system, and other factors encouraged labor-hoarding and removed the pressures which would ordinarily have stimulated efficiency and concern over costs.

A tight labor market, where business is faced with competitive conditions, should actually place a premium on efficiency and encourage improvements in the productive processes and in the organization and utilization of the labor force. And obviously the more plentiful jobs are in relation to the labor force the greater will be the "freedom of movement and choice" for workers under ordinary conditions. It has been shown that insecurity on the job and the fear of unemployment have a definite adverse effect on the productivity and efficiency of the individual worker. A fully employed labor force is the most productive and efficient, and has the greatest genuine freedom.

The aim should be to maintain an economy in which all who are ready, willing, and able to work can find the type of employment for which they are best fitted in a relatively short period of time. A certain amount of frictional and seasonal unemployment will, of course, always exist, but there is no reason why their present levels and amplitude should be accepted as necessary and irreducible. Better organization of the job market could undoubtedly reduce the level of frictional unemployment. The wider use of employment-stabilization measures in seasonal industries could reduce seasonal fluctuations. A tight labor market would encourage the wider adoption of such measures.

Congress of Industrial Organizations reply:

It is hard to imagine under what circumstances a tight labor market (read Full Employment) could be disadvantageous in any important respect for labor. The true significance of the labor and production picture of the war years is that by combining our resources, both labor and material, as a Nation we achieved astounding successes in production and distribution. All this, too, was in contrast to the great waste and losses of the decade preceding the war period.

Some groups in the community, masquerading behind a plea for greater efficiency, are quite willing to sacrifice full employment and to create conditions whereby there would be a steady unemployment pool of at least 5,000,000. It doesn't take much mathematical calculation to show that even if a slight gain in productivity might result from the pressure of such unemployment (and this is by no means certain), this would be more than offset by the loss of production resulting from the unemployment and from the need of drawing off goods and services to care for such unemployed workers.

No one has ever suggested that full employment would not raise certain problems peculiar to itself, but this hardly seems sufficient reason to give up the quest for policies which will make it possible.

Question 4. When unemployment reaches a level which you consider alarming, what specific measures would you advocate to cope with it?

Department of Commerce reply:

The time to take action to prevent serious unemployment is long before the situation arises. If unemployment ever reaches an alarming level, it will be exceedingly difficult to do anything about it. There are many factors in the current situation which render such a disaster highly improbable unless some basic error of program should be made and there is no apparent reason to fear this at this time.

Department of Labor reply:

We cannot wait until unemployment becomes alarming before moving against it. I suggest, first, that we take those steps which can be taken in advance to minimize the impact of unemployment wherever and whenever it occurs. There can be little disagreement, I believe, that the best measure of this kind is our system of unemployment insurance. It comes into play quickly and automatically, gives help to those individuals who need it most, and tends to check any tendency for unemployment to spread as a result of loss of income to those out of jobs. Elsewhere I have detailed the improvements in our present unemployment-insurance system which are required to make it a more effective program for combating unemployment.

Secondly, I suggest we place considerable reliance on fiscal policy and operations in order to stabilize, so far as possible, the total volume of income and expenditures in the economy. This I recommend for much the same reasons as I favor extending the role of unemployment insurance in antirecession policy. It comes into operation, in part, automatically. But, more importantly, economists are now widely agreed that it can prove effective both in checking the expansionary phase of the business cycle and in limiting the deflationary forces of the downswing. The Joint Committee on the Economic Report has made an important contribution in this field of economic policy by helping to sponsor the Princeton conference on this subject. I urge further study of the possibilities and limitations of fiscal policy as part of a broad approach to countercyclical policy. The great merit of compensatory fiscal policy, it seems to me, is that it can be used to minimize recessions and thus prevent unemployment without resort to more costly or less desirable programs for dealing with the problem of unemployment.

Thirdly, I favor the use of public works as part of this broad counter-cyclical program. Emergency types of public-works programs are not always appropriate for dealing with a growing problem of unemployment, as in 1949. But there was no question, in 1949, that the expanding volume of Federal and State expenditures for public works to meet public needs was an important stabilizing influence on the economy. Public works should be planned in advance in conformity with public needs. The existence of a shelf of planned public works, which can be put into operation quickly if the economic situation requires the rapid expansion of public expenditures in the construction field to offset declining private expenditures, is an important defense against large-scale unemployment. This was recommended by the President in the midyear economic report, and the Congress has already taken action.

Fourth, while I am confident that we can avoid a major recession or depression, I think it is well worth while for the Federal Government to review and make preliminary plans for other types of emergency action for dealing with the problems of relief and emergency employment in the event of a seriously rising level of unemployment. Works projects should be blueprinted for the useful employment of nonconstruction workers. This I view essentially as a precautionary measure. Further, I believe that the public regards this as a responsibility of the Federal Government, and that we would be delinquent in our duty if we do not give consideration to this need. In the event of emergency, we could save much time and money and avoid the dangers of improvisations if we prepare plans in advance, including white-collar and other works projects, for dealing with unemployment in areas and among groups in the population where such assistance to the unemployed may be required.

Fifth, if improvement in the over-all economic situation, the President's program, and the combined efforts of the local people acting through their full employment committees all fail to effect a marked improvement in the hardest-hit communities, I believe serious consideration should be given by the Congress to assisting these communities in undertaking works projects and public works. Projects should be carefully designed to meet the requirements both of the com-

munities themselves and of the unemployed labor force in the communities. They should be closely tied in with locally developed long-term plans for economic recovery of the areas. Such projects would not only provide jobs where they are needed most. They would also be a test run on a limited scale of the comprehensive Nation-wide program outlined in points 3 and 4 above.

These suggestions are not intended to be exhaustive. Nor is it possible to say in advance what programs, or combinations of programs, may be appropriate for dealing with unemployment under given circumstances. In the long run, the problem of unemployment can be solved only within the framework of a healthy and growing economy. This will depend upon our economic policy as a whole. The studies of the four subcommittees of the Joint Committee on the Economic Report afford much promise of constructive thought along this line. Here I have attempted to answer your question directly and to suggest a general approach to the problem, one which would begin to cope with unemployment before it became serious and which would avoid resort to less desirable types of action that might have to be resorted to if we do not act in time.

American Federation of Labor reply:

In addition to the steps that should be taken with regard to the improvement of the unemployment compensation and employment service programs, and changes in the tax structure, which are discussed in the answers to some of the other questions, and which should not await an increase in the level of unemployment—the following, in outline, are some of the measures that would be needed to counteract sharp increases in unemployment:

1. The prompt inauguration of a broad program of useful public works, by Federal, State, and local governments—including schools, hospitals, further expansion of river valley and public power development and public housing and slum clearance, highways, projects to ease city traffic congestion, etc. The necessary planning and ground work for the program should be undertaken now.
2. Monetary and credit policies aimed at stimulating and encouraging investment and production.
3. The promotion and encouragement of employment-creating cooperative undertakings.
4. Reduction in the standard workweek and workday without loss of earnings.
5. Special measures to make surplus food products available to unemployed and low-income families.

This does not imply that steps in all these directions should necessarily await the advent of a depression, or that they are justified only as part of an antidepression program. They are valuable instruments in that connection, however, and should be used without hesitation when the threat of severe unemployment develops, to the extent and degree necessary to deal effectively with the situation.

Congress of Industrial Organizations reply:

The Employment Act of 1946 does not seem to envisage a state of affairs in which things are allowed to drift until unemployment becomes alarming. It would probably be more satisfactory to develop policies with a view toward continued and sustained full employment at all times. This should be the touchstone of national economic policy.

Assuming that national economic policy remains imperfect, our approach should still shy away from waiting for unemployment to reach an alarming level. Thus, our basic unemployment and public assistance legislation need strengthening now. Public work shelves and plans should be laid down well in advance if they are to be of assistance in checking and possibly reversing a recession.

Even though the Nation may avoid a full size depression, we recognize that unemployment is apt to be a continuing problem for some years to come, at least for some parts of the economy. The current picture of thirty odd severely depressed labor markets, even in the face of continued high levels of production, seems to support this view.

We are, therefore, now supporting the idea of establishing a well-staffed Federal office to develop plans and programs for the unemployed. Such an office, of course, should develop nonconstruction as well as construction types of works plans. The fields of public health, education, recreation, the arts, and conservation certainly should be explored in this respect.

Particular emphasis could be given to programs designed to aid those groups in the labor force, including older workers, Negro workers, and young workers who have been hit especially hard in the past years.

In terms of economic policy, the ideal would be types of programs of wide flexibility, i. e., capable of expansion and contraction in keeping with the economic needs of the Nation. The programs, too, should be of a character that would allow for slotting them into communities or areas where unemployment hits hardest.

Public health services, recreation development, and the like, particularly as they don't hinge on vast new construction, would seem to meet some of the tests of flexibility we have referred to in the preceding paragraph.

The kind of Federal unemployment research and programing office here proposed would also be able to assess the economic value and impact of various types of public works programs. So far as we can determine, no office or agency in the Federal Government has ever sufficiently evaluated the experience of Federal spending in the thirties.

The Government is still largely lacking the answers to such questions as: Whether road programs, or sewer programs, or hospital programs are better to alleviate certain types of unemployment? Whether much work relief actually would flow directly from any of these types of projects? Whether and under what circumstances nonconstruction works-type projects might be more effective than public works? Whether local and State governments are ready or prepared to finance much of this work on their own? etc. Presumably, this kind of office we are here proposing, probably to be located in the Labor Department, would take the lead in developing concepts and programs in this field.

Question 5. Do you consider our foreign-trade policy a factor in the recent rise in unemployment? How significant do you believe the Marshall plan has been in bolstering our domestic economy?

Department of Commerce reply:

There is no reason to think that our foreign-trade policy was a factor in the increase of unemployment which occurred in the early part of this year. The production required to implement the Marshall plan undoubtedly helped to maintain employment in this country; this was a substantial contributing factor but not a vital one.

Department of Labor reply:

Do you consider our foreign trade policy a factor in the recent rise in unemployment?

The postwar foreign trade policy of the United States, which is designed to expand trade and employment, both at home and abroad, may be said to have two major elements: (*a*) The reduction of tariff levels, except in instances where serious injury to domestic industry and employment would result, in return for reciprocal concessions by other nations, and (*b*) general elimination of the use of other trade barriers, notably quotas and other practices susceptible of use for trade discrimination, through the general provisions of the trade agreements and the provisions of the charter for an International Trade Organization.

It is quite clear that such lowering of tariff levels as has occurred during the postwar period has not been a factor in the rise in unemployment which took place in 1948 and the first half of 1949. In general, the tariff reductions which were made were moderate, and in any event were made only after careful review of their probable effect on domestic business and employment. They came at a time when our economy was strong and our purchasing power high, and when it was quite clear that increased imports might come into the United States without adverse effect upon domestic employment. Moreover, up to the present time, there has not been a substantially increased volume of imports. The attention of the industrial countries of Europe has been devoted to their own reconstruction, and large supplies of goods for export to the United States have not been available. In a very large number of cases, prices of imported goods have been too high to permit effective competition within the United States market. Over and above this, one of the salient features of the postwar trade picture has been the small degree of participation of Germany and Japan in world trade. During the 1948–49 period in which unemployment rose, the physical volume of imports into the United States actually declined. This is a factor of significance for employment in our industries that depend upon export markets. With foreign dollar reserves depleted, and with dollar aid from the United States probably at its peak, a reduction in our imports would tend to contract our export markets.

Examination of the available data does not indicate that the drop in employment is causally related to the trend in imports for individual industries. Data

on the textile industry, one of those which has seen a significant amount of postwar unemployment, might be cited in illustration. A reasonable comparison might involve, for example, the trend of employment between the second quarters of 1948 and 1949, in the light of the trend of imports between the preceding quarters of each of these years. If employment declined following a rise in imports, this might suggest that the rise in imports had something to do with the decline in employment. Actually, this was not the case. Between the second quarters of 1948 and 1949 employment in the manufacture of broad-woven fabrics of all fibers declined, in the aggregate, by roughly 14 percent. The import figures for the first quarters of 1948 and 1949 also show a general decline of about 5 percent in the dollar value of cotton, synthetic, silk, and wool textiles in combination. The foregoing figures are aggregates, of course. The trend in individual commodity imports varied considerably during the same periods, showing various degrees of decline, and in a few instances, such as cotton-print cloth, cotton handkerchiefs, and silk cloth, showing a rise. Imports of textiles are very small compared with domestic production and consumption (less than 1 percent, in fact, in 1948 and 1949). The figures suggest that imports as well as domestic employment were both affected by the unsettled condition of the industry, related to temporary slackening of demand in the economy as a whole, rather than by any aspect of our foreign-trade policy.

I think it is also fair to say that if reductions in import duties had had any significant effects upon domestic employment, this would inevitably have shown up in a flood of applications and in actions under the escape clauses which are included in all of our trade agreements negotiated during the war and postwar years. Under these clauses, the Tariff Commission, if it finds after investigation that imports threaten serious injury to a domestic industry, can recommend to the President the taking of action to increase import duties. During the postwar period the Tariff Commission has not yet found occasion to make such recommendation to the President.

Our policy of seeking the general removal of quotas and discriminations is, of course, the kind of policy which is directed at expansion of trade and employment. It is perfectly true that a great many barriers against our exports have been in effect during the postwar period (quotas or exchange regulations which operate against the interest of United States exporters) primarily as a result of dollar shortages abroad. These discriminations largely exist in spite of our own foreign-trade policy, however. It is hoped that active pursuit of this policy, by such actions as the ratification of the charter for an International Trade Organization, and by stabilizing trade conditions through encouraging a gradual increase of imports into the United States, thus helping to narrow the dollar gap, will minimize the discriminations in the future.

How significant do you believe the Marshall plan has been in bolstering our domestic economy?

Any answer to this question would be essentially speculative, since it would involve a whole series of assumptions as to the course that the domestic employment situation might have taken in the absence of the Marshall plan. Two observations should be made, however.

First, it appears quite clear that the domestic economy, during the postwar period, was strong enough to sustain a very high level of employment regardless of our foreign-aid programs. Wartime savings led to substantial backlogs of demand for all kinds of goods and services, some of which still persist. In some industries, readjustments to peacetime production have resulted in declines in employment. It is worth recalling that during the debate on the Marshall plan in 1947 there was little fear expressed that unemployment would ensue if the plan were not put into effect. Rather, it was widely feared that the plan might contribute substantially to the inflationary forces at work in the economy.

Second, it was not the purpose of the Marshall plan, as adopted by the Congress, to bolster the economy against any feared threat to employment at home. It has, of course, been a standard Communist line to maintain the contrary. The purposes of the Marshall plan are too well known to require restatement here. Obviously, the Marshall plan contributes to the maintenance of employment both at home and abroad at a high and increasingly productive level; it is clearly important to our own economic health to prevent collapse of western Europe. This positive approach to the question of employment is an entirely different concept from the idea that a "subsidization of exports" was necessary to prevent our economy from going into an immediate collapse.

Indeed, it is probable that without the Marshall plan there would have been further Communist inroads in Europe and even greater dollar shortages. Either

of these situations would have caused greater discrimination against United States exports, with possible effects upon employment in our export industries.

During 1949 one of the incidental results of the Marshall plan was to lend support to our domestic employment level during the period of inventory readjustment; the extent of this support is difficult to assess. A precipitate curtailment of Marshall plan aid during the 1949 drop in employment might well have had adverse effects upon our export industries. In the absence of Marshall plan expenditures, however, tax rates might well have been lower and domestic purchasing power increased.

An illustration of the complexity of estimating the effects of Marshall plan expenditures upon domestic employment may be found in the special study of this problem carried on by the Bureau of Labor Statistics last spring for the Economic Cooperation Administration.

American Federation of Labor reply:

Imports of foreign goods have had no appreciable over-all adverse effect on domestic employment. Our foreign-trade policy has provided an added stimulus to employment in the export industries, for with the acute dollar shortage the ability of foreign countries to purchase from us is limited to the extent of our imports from them, plus our loans and grants-in-aid. Our imports declined this year during the same period in which domestic employment declined, indicating that the United States market demand for foreign goods was apparently being largely met at existing prices and exchange rates. The decline in employment has tended to reduce imports, rather than imports having reduced employment. The recent devaluation may have some adverse effects on domestic employment in some lines, insofar as it makes American products more expensive overseas and foreign products more competitive here. Although it is impossible to tell at this stage how extensive those effects will be, they should not be too serious, provided domestic prosperity is maintained. Any adverse effects in the short run will be more than outweighed by long-run gains, insofar as it may contribute to the easing of the dollar crisis and expanding world trade.

The various foreign aid programs since the end of the war have supplemented the extraordinary level of domestic demand, and delayed the inevitable readjustment. A large part of our exports in 1946 and 1947 were made possible through loans, UNRRA, and other emergency relief programs, and the liquidation of gold and dollar assets by foreign countries. In 1948 the cessation of UNRRA and the dollar exchange shortage led to a decrease in exports, so that in that year the inauguration of the Marshall plan tended to support a declining volume of exports, rather than to increase our shipments abroad.

Under the Marshall plan the export surplus resumed its rise, after about a year of steady decline, in the last quarter of 1948. The increase in exports continued, while imports declined, during the first half of this year. This small increase in the export surplus provided a slight offset to the general drop in production and employment in this country.

Since ERP payments are now probably past their peak, it seems likely that the greatest effect of the foreign aid program upon the domestic economy has already been felt, and no direct added stimulus to domestic employment can be expected from that quarter in the near future. Long-run prospects of beneficial effects on domestic employment and production as a result of the foreign aid program will hinge on the ultimate realization of its basic aims—the expansion of trade, the elevation of world living standards, and the development of backward areas.

However, if this country is to contribute substantially to the general expansion of world trade, it must maintain a high and growing level of employment and demand in order to provide a market for the products of other nations. Greater prosperity and employment from expanded world trade can only develop from the precondition of a high level of internal prosperity, employment, and consumer demand.

Congress of Industrial Organizations reply:

It is impossible to isolate foreign trade and more particularly its current impact upon employment from the total foreign economic policy of this country and, indeed, from its political foreign policy. As a whole, it is clear that the foreign economic policy that has been pursued by the United States in the last few years is calculated to effect long-term permanent expansion in world trade on a multilateral basis with consequent net gains to employment in this and other countries. Taking a somewhat limited view of the situation, the spending entailed in the

Marshall plan, and certainly the need to import cannot be disassociated from this, far outweighs in job importance any rise or potential rise in imports. In 1948 and 1949 and presumably on into 1952, at least, the spending involved under the Marshall plan is a very powerful stimulant to employment and production in the United States. Fortunately, too, the whole program is desirable politically and, therefore, we rank it as a very favorable element in our economy.

Question 6. What do you believe would be the effect of a fourth round of wage increases on the level of employment?

Department of Commerce reply:

The over-all effect of a general fourth round of wage increases would be to reduce employment. Many small businesses are now operating close to the break-even point and cannot afford any cost increases. If any costs, including labor costs, should be substantially increased, these enterprises would be required to increase prices or go out of business. With buyer resistance still manifest, it is hard to see how prices could be substantially increased.

Department of Labor reply:

The answer to this question must begin with some analysis of the nature of wage movements in the postwar period and particularly in this fourth postwar year.

During the first three postwar years, the general level of money wages moved sharply upward. This movement, however, was by no means uniform among plants and industries. The term "round," in the sense of a broadly uniform wage movement throughout the economy, is a dangerously misleading concept. Even in manufacturing, less than half of the workers received the so-called pattern increase of 18.5 cents an hour in the first postwar year, and some factory workers obtained no increase at all. In many of the nonmanufacturing industries, of course, diversity of wage movement was greater than in manufacturing. Divergences from any general pattern of wage increase were even more marked in the second and third postwar years.

The money wage increases of the first three postwar years occurred as part of a general inflationary movement. Advances in the level of consumers' prices largely canceled out the average gains in money wages. By the close of the third postwar year, increases in the money wages of some groups of workers had failed to keep pace with the rise in living costs.

Beginning roughly with the fourth postwar year, the increase in the level of consumers' prices halted; in fact, a slow downward movement began. Unemployment developed in some sectors of the economy. In this economic climate, wage tendencies have been markedly diverse during 1949. No important changes in money wages are likely to occur in some industries, including textiles, apparel, footwear, and lumber. On the other hand, wage increases have been common in a wide range of industries in which wage determination is largely on a local labor-market basis (bakeries, breweries, dairies, construction, warehousing and trade, trucking, local transit, and others). The settlements in steel and autos, revolving so largely around pensions and welfare plans rather than increase in money rates, have had the effect in many cases of postponing the effective date of the change to 1950. In these cases, as a consequence, there will be no change in compensation in 1949. Among unorganized workers in general, significant changes in money wages are unlikely to occur, except where those wages are below the new 75-cent minimum.

In this fourth postwar year, therefore, any simple generalizations with respect to the effect of a fourth round of wage increases on the level of employment would appear inappropriate. In particular establishments and industries, money wage increases are occurring through collective bargaining or employer personnel administration. By and large, these adjustments should not have an adverse effect on the general level of employment. On the contrary, the net effect of these selective adjustments should be to increase the effective demand for goods and services, on the assumption that, for the most part, the increases can be absorbed within existing cost structures because of increasing productivity. This assumption appears reasonable partly because many of the increases are moderate in character and because the general inflationary movement, within which upward price adjustments could readily be made, appears largely to have spent itself.

To the extent that the wage movement in the fourth postwar year takes the form of provision for pensions or other welfare benefits, no immediate addition to purchasing power will result. On the other hand, business costs will be affected.

If these additional costs, as in the case of wage rate increases, can be largely absorbed within the existing price structure, the level of employment should not be generally affected. For the reasons indicated above, the assumption that substantial cost absorption will occur would appear to have validity.

In our economy, wage decisions largely reflect the judgments of employers and workers as to the adjustments that are proper and reasonable. The diversity of wage settlements among plants and industries in this fourth postwar year indicates that close attention has been paid to their economic consequences. It is on this process that we must place major reliance for the establishment of levels and structures of wages that contribute to high employment and the maximization of output.

American Federation of Labor reply:

There is a large element of fallacy in the whole popular concept of "rounds" as applied to wage negotiations, insofar as it implies that a more or less sudden and uniform upward impetus is applied to wage levels generally at a certain period each year. Wage negotiations are a continuous and decentralized process, and their results are determined by a complex of factors that vary from situation to situation, from time to time, and from industry to industry.

The term "would be" in the question seems to imply an element of suspense that does not in fact exist. Wage negotiations and settlements have been taking place all year, practically every day in the year, and the great majority of settlements have involved well-earned and justified wage increases, with no adverse effects on employment or the soundness of the economy. As for more recent weeks, a summary by the Bureau of National Affairs of more than 175 wage settlements reported for many different industries during the 2-week period ending September 12 reveals that only 2 cases involved decreases, about 30 cases involved no wage increases but did provide for additional benefits or for later reopening on wages, and in the remaining 145 cases, substantial wage increases ranging up to 30 cents an hour, were granted.

Reduced to essentials, the gist of the opinions expressed by the main body of business "economists" and editorialists generally seems to be that a "farsighted" and "responsible" trade-union policy is one which foregoes a wage increase during a period of prosperity, in order to prevent inflation, and accepts a wage decrease during a period of depression, in order to reduce the cost of production. Needless to say, we are not impressed by the logic of such arguments.

Insofar as any valid general observation can be made in answer to the question, it can be said that an economy in which wages, living standards, and conditions of employment steadily advance and improve is the most conducive to sustained high-level employment. There is no apparent reason why this process of improvement should be halted at this time, and it can only be relied upon to go forward under free collective bargaining. The adjustment of wage levels can safely be left to free collective bargaining, and free collective bargaining is the only means by which this function can be carried out realistically and progressively over the long run.

It should also be noted that sustained upward pressure on the part of wages, where downward competitive pressure on prices exists, places a premium on efficiency, and stimulates and encourages improvements in technology and technique. Industrial and technical progress has never been sustained where these pressures were absent and labor was cheap and weak in bargaining power. In a very real sense, increases in productivity are as much a product of, as they are the occasion for, high wages over the long run. The intrusion of wage levels on profit margins in competitive industries is a strong factor in inducing industry to invest in more efficient and productive facilities to protect its margin, and it assures an expanding market for the increased output. Industry tends to stagnate where wage levels are static and margins are guaranteed.

Congress of Industrial Organizations reply:

A fourth round of wage increases in those industries which are capable of paying them (and in spite of the slight recession which has occurred in 1949, this would take in most industries in the United States) would, we believe, have a salutary effect upon the economy and on the general level of employment. This would be particularly true if, as seems possible in the light of existing market conditions, such a round of increases were accomplished without any subsequent price increases, with the net result of effecting a redistribution of income toward the middle and lower ends of the income ladder.

Question 7. What specific changes would you advocate in the existing unemployment insurance and relief programs?

Department of Commerce reply:

The specific changes which should be made have already been proposed to the Congress in the President's program with regard to such changes.

Department of Labor reply:

The most important changes in the unemployment insurance program that I would recommend would be with respect to improvement in the benefit amounts and duration, and eligibility and disqualification provisions for benefits now existing in the State laws. In order to secure adequate benefit programs, it appears necessary to enact additional minimum standards in the Federal law which the States must meet in order to secure approval of their laws. Under present legislation, the Federal unemployment tax equal to 3 percent of the first $3,000 of individual's earnings in a year is levied on employers in commerce and industry with some exceptions to be discussed later. If a State passes an unemployment insurance law which meets certain standards, employers in that State can receive credit for their contributions under the State law up to 90 percent of the Federal tax. If certain additional minimum standards were required by Federal legislation in order for a State to secure approval of its law for tax credit purposes, it would be an effective device to secure adequate unemployment insurance benefits in all States. Since the Federal legislation was passed because of the concern of the National Government with the problem of unemployment, it is of national concern that State unemployment insurance laws not only exist but adequately and effectively provide a basic income to individuals who are involuntarily unemployed.

A minimum Federal standard with respect to the benefit amount payable is necessary because, although there have been increases in the benefits payable in many States, these increases have not kept pace with wage increases and increases in the cost of living. Thus, no State pays a maximum, for persons without dependents, of more than $26, and 19 States have a maximum of $20 or less. As a result, the proportion of claimants eligible for the maximum benefit is more than 85 percent in several States and the proportion eligible for the maximum in the country as a whole is 60 percent. For the country as a whole, the average benefit payable was $20.09 in May 1949, which is only about 35 percent of average weekly wages in employment covered by unemployment insurance. In two States, the average benefit was below $14. This, plainly, is substantially below an adequate floor of protection to wage earners and their families against the risk of unemployment.

It would also be desirable that all States pay minimum additional allowances for dependents. This would universalize a trend that is well begun in the States. Eleven States have enacted dependent's allowances, six States adding such allowances this year. Without such allowances, the States are in the dilemma that if they pay benefits high enough to meet the nondeferrable expenses such as food, utilities, and rent of claimants with families, the benefits of persons without dependents may be so high in relation to wages as to weaken the incentive to find work. By graduating the allowances for persons with one, two, or three dependents, the benefits are kept below an incentive-weakening level without putting them below the subsistence level of wage earners with families of different size. Dependents' allowances are also an economical way of providing adequate benefits, since they are paid to only a portion of the claimants.

A Federal standard requiring the States to pay benefits for a minimum duration of time also is necessary if benefits are to be adequate in duration. Such minimum duration should be sufficiently long to compensate the bulk of unemployed individuals for the duration of their unemployment except in periods of long and serious unemployment. On the other hand, duration of benefits should not be so long that the incentive to find work is weakened through the habitual receipt of such benefits. It seems to be the increasing judgment of the States that a potential duration of 26 weeks meets these objectives. At present 13 States meet this standard. On the other hand, 29 States have a duration of 20 weeks or less and 1 State a duration of only 12 weeks.

All but 15 States also have an additional limitation on the duration of benefits in that the duration of benefits to which each individual is entitled depends upon the wage credits earned by him through employment in a specified base period, so that many unemployed persons in these States are cut off from benefits through exhaustion of their wage credits before reaching the over-all maximum duration set by the State law. The Federal standard should require that the maximum duration be available to all unemployed individuals who meet the

minimum qualifying requirements. In no case, however, should total benefits exceed total former wages earned in the base period.

As a result of the limitations on duration of benefits in the various States, during 1948, 27.5 percent of the beneficiaries in the country as a whole drew all the benefits to which they were entitled. In New York the only State which provides 26 weeks potential duration to all claimants, the exhaustion ratio was 15.8 percent.

It should be emphasized that my recommendation is that minimum standards be established by Federal legislation, with the States left free to pay benefits higher in amount or longer in duration than the standards.

If minimum standards were established for benefit amount and duration, it would be necessary to establish maximum qualifying requirements beyond which a State may not go in testing the unemployed person's eligibility for benefits by past earnings or employment. Such a standard would be necessary because there is a tendency for the States to increase their eligibility requirements when they liberalize benefits so that an increasingly smaller number of unemployed can qualify for benefits. Such a tendency would be accentuated if Federal minimum benefit standards were established, unless there were such a safeguard of maximum requirements above which the State could not go in its eligibility requirements.

A much stronger tendency on the part of the States, which must be checked if the system is not to be seriously undermined, is to establish ever more stringent disqualification provisions. There are two ways in which disqualification provisions in the State laws can be made more severe: (1) by broadening the reasons for disqualification, and (2) by making the penalties for disqualification more stringent.

With respect to the reasons for disqualification, this applies particularly to disqualification for voluntary leaving without good cause, discharge for misconduct, or refusal of suitable employment. In 18 States, the "good cause" for leaving work is restricted to good cause connected with the work or attributable to the employer or employment. In these States good personal cause for quit does not relieve a claimant from disqualification.

With respect to the penalties applied when a person is disqualified, the usual practice is to disqualify unemployed persons for a specified number of weeks after which he becomes eligible for benefits if he has not found a job. This is on the assumption that his continued unemployment is no longer related to the reason for his severance from employment. An increasing number of States are disqualifying an individual for the duration of unemployment and are either reducing the individual's benefit rights or canceling all wage credits of the individual if any of the reasons for disqualification for benefits occurs. As I have said, the increased stringency of these provisions is undermining the system in that a large number of genuinely unemployed persons are disqualified from benefits. It appears to be necessary to define by Federal law fair and reasonable cause for disqualification and reasonable limits as to the time for which an unemployed person can be disqualified.

On the other hand I believe that more authority should be given the Federal administration to see that the States have methods of administration which will result in the effective prevention, detection, and punishment of fraud and willful misrepresentation so that benefits will be paid only to persons entitled thereto.

If minimum benefit standards are required of the States, the question arises as to their ability to finance such benefits. Such financial studies as we have made indicate that all of the States, except a very few, have sufficient reserves to pay 26 weeks of benefits in a year with up to a maximum of at least $30 a week and allowances for dependents, unless a long period of high unemployment occurs. However, if the Federal Government requires minimum benefits, it should be prepared to underwrite the State fund even if only a few States would need Federal assistance in meeting their benefit costs. I believe the best way of accomplishing this is to provide for a Federal reinsurance fund to be financed out of the 0.3 percent collected under the Federal Unemployment Tax Act. Collections from this tax should be earmarked and the proceeds used both for grants for State administration under title III of the Social Security Act and for Federal administration of employment security and any other balance remaining used for reinsurance. While earmarking seems to me to be feasible, this matter is still under study. In addition, the amounts authorized to be appropriated for the loan fund now provided under title XII of the Social Security Act should be available for reinsurance purposes. This loan fund was created in 1944 to enable States to borrow from the Federal Government should their funds near exhaustion. The reinsurance device would be much more effective since the States hesitate to com-

mit themselves to pay adequate benefits if there is danger of their going in debt to do so. A reinsurance fund would also serve to equalize the cost of heavy unemployment in the country in times of heavy unemployment when unemployment is due to national, rather than local, causes.

In addition to strengthening the benefit provisions in the State unemployment-insurance system, the coverage of the system should be extended if it is adequately to protect all workers against unemployment. At present only 7 out of 10 employees are covered by unemployment insurance. This is due partly to the fact that a considerable number of small employers are exempted from coverage and large groups of employees are excepted from coverage, including agricultural workers, domestic servants, Government workers, employees of nonprofit organizations and certain other minor groups. The coverage of the Federal unemployment tax was further narrowed in 1948 by a rigid definition of the employee relationship.

The Federal unemployment tax applies only to employers who employ at least eight workers in at least 20 weeks in the year. The only reason that small employers were excluded in the original Social Security Act was that it was considered too difficult an administrative problem for the States to cover them at the outset. Nevertheless, employees of small firms are as subject to unemployment as employes of larger firms—in fact, they are probably more subject to unemployment, because of the high rate of "deaths" of small businesses. Recognizing this need 29 States have extended coverage beyond the limitation of 8 or more still present in the Federal act, and 17 of them cover all firms regardless of size. All but four of the States which place any limitation on the size of firm covered have legal provisions for covering all firms regardless of size if and when the Federal unemployment tax is extended to cover small firms. Extension of coverage of the Federal tax to employers of one or more persons is therefore long overdue. The Federal Advisory Council of the Bureau of Employment Security has recommended such extension, as have many other bodies, including the advisory council on social security of the Senate Committee on Finance in 1948.

Unemployment benefits should also be provided for Federal employees. There is considerable unemployment created among Federal workers by the completion of temporary jobs, reductions in staff due to appropriation reductions, and for other reasons. Such benefits could either be provided through a system of Federal benefit provisions but delegating the administration to State employment security agencies, or the benefits could be paid according to the provisions of State law if the benefit standards recommended above are adopted by Congress. In either case, the Federal Government should pay the entire cost.

There are certain other groups to whom coverage should be extended in the immediate future. These include those groups to whom coverage was extended under old-age and survivors insurance in H. R. 6000, just passed by the House of Representatives, such as agricultural workers in borderline industrial employment, including packing and processing, and commission salesmen and others who were excluded by the narrow definition of the employer-employee relationship provided in Public Law 348 in 1948. General extension of coverage to agricultural workers and domestic service should probably be delayed until some experience is gained in connection with their coverage under old-age and survivors insurance as is provided in H. R. 6000. Coverage of State and local government employees will have to be left to the initiative of the States because of lack of Federal power to tax State and local governments.

With respect to relief of the unemployed, although this is in the jurisdiction of the Federal Security Agency, I would recommend that Congress extend its system of grants-in-aid for public assistance to include a grant-in-aid program for general assistance as was proposed in H. R. 2893. Such a program is necessary because of the fact that unemployment insurance cannot be expected to compensate all unemployed persons for all unemployment. Such a program will be necessary as long as there are limitations on the coverage of unemployment insurance. Even with universal coverage, some persons will not be able to meet the qualifying requirements and some may require supplementary assistance in addition to insurance benefits. Also, there are limits to the length of time that unemployment benefits can be paid and be legitimately related to previous employment and earnings. A residual program of public assistance is therefore necessary for the unemployed, as it is necessary for the aged, to supplement the insurance program.

American Federation of Labor reply:

The American Federation of Labor concurs in the criticisms expressed by the advisory council to the Senate Committee on Finance in its report on unemployment insurance last year. In this report the following five major deficiencies were pointed out:

"(1) Inadequate coverage: Only about 7 out of 10 employees are now covered by unemployment insurance.

"(2) Benefit financing which operates as a barrier to liberalizing benefit provisions: The present arrangements permit States to compete in establishing low contribution rates for employers and therefore discourage the adoption of more adequate benefit provisions.

"(3) Irrational relationship between the contribution rates and the cyclical movements of business: The present arrangements tend to make the contribution rate fluctuate inversely with the volume of employment, declining when employment is high and when contributions to the unemployment-compensation fund are easiest to make and increasing when employment declines and when the burden of contributions is greatest.

"(4) Administrative deficiencies: Improvement is needed in methods of financing administrative costs, provisions for determining eligibility and benefit amount in interstate claims, procedures for developing interstate claims and methods designed to insure prompt payments on all valid claims and to prevent payments of invalid claims.

"(5) Lack of adequate employee and citizen participation in the program: Workers now have less influence on guiding the administration of the program and developing legislative policy than they should, and some employees, employers, and members of the general public tend to regard unemployment compensation more as a hand-out than as social insurance earned by employment, financed by contributions, and payable only to those who satisfy eligibility requirements."

We are also in agreement with most of the recommendations made by the council to meet these deficiencies. The American Federation of Labor is particularly in favor of the establishment of a single national system of unemployment insurance. Unemployment is essentially a national problem and is not an appropriate area for State operation. Many workers move from State to State in their search for work and the job markets cut across State lines. The maintenance of 51 separate systems, each with its own reserve fund, is actuarially unsound. Experience has also proven that the effectiveness of the various State plans has been diminished by the growing restrictions on benefits and the progressive changes in the benefit provisions of State laws have not kept pace with increasing wages and prices. The experience rating provisions of State laws has served as a device for lowering the contribution rate of employers under the guise of being a reward for providing regular employment, with a consequent great loss to the unemployment compensation trust fund. The level and duration of benefit payments are inadequate under most of the present State systems.

We also favor a national unified system of free public employment offices under the direction of the United States Employment Service—not cut up into separate State agencies. It should be financed by adequate Federal appropriations and be guided by Federal civil service standards as regards wages, working conditions, and tenure for its employees; this service should be a National and not a State function.

Congress of Industrial Organizations reply:

Unemployment is a national problem. In our highly integrated society it is generally an outgrowth of the activities of corporations, industries, and labor markets which operate on an interstate basis. Attempting to deal with what is obviously a national question by artificial State measures is not an intelligent approach.

Separate State systems are a constant threat to the improvement of benefits, standards, or administration of unemployment compensation. To the extent that it improves its own unemployment compensation law, a State places the companies and industries within its own borders at an unfair competitive disadvantage. The pitfalls inherent in a State approach are rather neatly exemplified by the current plight of Connecticut. Because unemployment has hit hardest in those consumer-goods industries which are the industrial backbone of Connecticut, this State's unemployment compensation funds are in bad condition. Connecticut's experience (and it isn't unique) illustrates what we have long contended, that no single State in our interrelated national economy is a sound or proper actuarial unit in the field of unemployment.

Separate State laws in this field have encouraged such undesirable developments as merit-rating. Merit-rating, or experience-rating as it is sometimes called, runs counter to all basic economic policy, so far as employment questions are concerned. Thus, it imposes higher taxes on firms at the very time business activity is declining, and tax relief should be in order; and, on the other hand, it

levies the lowest tax rates on employers at times when activity is highest, and reserves can be accumulated without creating any hardships.

Finally, merit rating is based on the fundamentally unsound notion that unemployment is basically a problem for the individual firms or industry. At the present time when the textile industry is in distress, for example, it is most heavily burdened by unemployment-compensation taxes.

The present 51 systems operate to discriminate against workers in many respects. Thus, for no sound reason a worker who can qualify for unemployment-compensation benefits in one State would find that if he had resided in a neighboring State the same qualifications would not leave him eligible for benefits.

Furthermore, the existence of separate State systems frequently imposes hardships on workers who have moved across interstate lines. Either their benefits are reduced and/or the length of the period for which they can draw benefits is shortened.

In the light of these problems and reasons, we believe the present crazy quilt of 51 separate systems should be replaced by a national unemployment insurance law, to be geared in with a national employment service.

Although we do not believe it would prove an adequate substitute for a national system, President Truman's proposal for national minimum benefit standards does point in the right direction. It should be amended to include certain uniform administrative standards as well.

As an additional interim measure we favor an immediate provision of benefits up to 52 weeks in a calendar year out of Federal funds, provided States meet certain minimum benefit standards.

So far as public assistance is concerned, we believe that Federal grants should be provided for general assistance to all types of needy persons, not just the aged, the blind, and dependent children. We also feel there should be more liberal matching provisions for the poorer States, no ceilings, and Federal standards to see that needs are met and resident requirements and liens on property are removed.

Question 8. Do you believe that repeal of the excise and luxury taxes currently in effect would contribute to a reduction in unemployment? In what industries, and to what degree, would you expect such a repeal to be most effective?

Department of Commerce reply:

Wartime excises have had been cited in nearly every area of unemployment as one of the causes of unemployment. It is said that such taxes cause sales resistance and, therefore, slow replacement of retail inventories. The industries which have most strongly urged the repeal of wartime excise taxes include costume jewelry, furs, and leather goods (bags and luggage).

Repeal of the excise and luxury taxes would stimulate demand for the products upon which such taxes are imposed. As a consequence, it would create some additional employment in the industries and trades thus affected. The repeal of such taxes would in effect be the same as a corresponding reduction in the prices of these goods which would be sizable enough to influence the demand for these products.

Department of Labor reply:

Yes, I believe repeal of the wartime excise taxes would help reduce unemployment in the industries affected by such taxes.

There is no question that these taxes generally have had the effect of reducing sales, production, and employment in these industries. This is exactly the purpose for which they were imposed during the war. Unquestionably these industries have been adversely affected since the war by the continuation of the tax. Excise taxes of 10 to 25 percent necessarily result in lower sales. There is now no longer any reason, as there was during the war, for discouraging employment in these industries.

Repeal of these wartime excise taxes would have a beneficial effect on sales production, and employment in these industries. It is no accident that many of these industries have not fared as well in the postwar competition for the consumer's dollar. Not only have these regressive taxes raised consumers' living costs, but they have discouraged expenditures for these commodities.

It is a well-known fact that the serious unemployment situation in many of the cities of the country during this year has been aggravated by the effect of these

taxes on industries which provide an important number of jobs in these areas. For example, a substantial part of the unemployment in the Providence area—one of the hardest hit communities in the country—is due to the severe unemployment in the jewelry industry. Much of the unemployment in Bristol and Waterbury is in the clock and watch industry. Much of the unemployment in Bridgeport is in the appliance industry.

We cannot estimate how much sales and employment in these industries would rise as prices were curtailed, with repeal of these taxes. But that they would rise is certain. Presumably the effect would not be sufficient to solve completely the serious problems of unemployment in those areas where such industries are concentrated. It would, nevertheless, help.

We recognize this will involve a loss of revenue which may have to be made up in other ways. Other types of taxation are less objectionable from the standpoint of a more equitable distribution of the burden of taxation as between taxpayers. Recommendations on the subject of taxation will be made to the Congress by the President in the near future.

American Federation of Labor reply:

This question suggests an even larger problem relating to our general tax structure. What is needed today is a complete revision of our entire tax structure aimed at making it conform more exactly to equitable tax principles. Except in a period of threatened or actual inflation, there can be no excuse for placing heavy tax burdens on low-income groups. For a healthy economy, taxes must be levied according to the "ability to pay" concept, with chief reliance for governmental revenues placed upon the progressive income tax.

With specific regard to excise taxes, it is clear that a tax which is added to the final prices paid by consumers for any service or commodity inevitably reduces the demand for that item and in turn, the employment of workers engaged in its production. Even if consumers shift their purchases to items which are not subject to direct excise and luxury taxes, there will be a considerable impact on the workers in the industries which are subject to these taxes, although there may not be any over-all loss in employment. This, in itself, is important because in many industries now burdened with excise taxes, there is a large proportion of highly skilled workers who are unable to shift to other industries and occupations without very serious loss of income.

Furthermore, the burden of sales and excise taxes is added at some level to practically all goods that move in commerce, and is reflected ultimately in virtually all prices to consumers, even where there is no direct tax on the particular item in the final transaction. Multiple taxation and cumulative additions to the final price result from the pyramiding of sales and excise taxes at different stages in the process of production and distribution, and in the combination of Federal, State and local excise taxes. Regardless of anything that might be said as to the actual incidence of these taxes, there is no question but what the net effect on employment is adverse. Taxes of this style should be reduced and eliminated wherever it is at all feasible to do so. Among the Federal excise taxes that should be repealed as promptly as possible are those on oleomargarine, the transportation of persons and property, toilet preparations, electric-light bulbs, electrical energy, matches, tires and inner tubes, and luggage.

The excise taxes to be reduced or eliminated should be selected on the basis of regressivity, and the pervasiveness of their effects on price levels generally. Those taxes which fall upon every day necessities of low-income groups should be the first to be abandoned.

In the light of these conclusions as to the harmful effects of these taxes, it is important to examine what purpose they are meant to serve. It should be noted that during the stress of the war-time emergency Congress adopted new excise taxes and increased certain others to raise revenue, to conserve needed materials, and to save manpower. The fact that provision was originally made for automatic termination of such taxes 6 months after the end of the emergency indicates recognition by Congress that they were considered as temporary levies when enacted, and should be readjusted downward as speedily as possible.

Although many of the current excise taxes are labeled "luxury taxes," this classification is hardly applicable. Gasoline, ordinary amusements, telephone services, inexpensive jewelry, and luggage can hardly be classed as luxuries. Taxes on these commodities inevitably hit consumers in the lower and middle income brackets, and therefore, are actually regressive, falling with heaviest effect on the lowest income families. Removal of these regressive excise taxes would stimulate business activity and lead to higher employment in such industries as transporta-

tion, communication, jewelry, luggage, etc. The question of excise taxes on genuine luxuries should be given further study.

This step should be taken in conjunction with a complete revision of our tax structure so that any resulting loss of revenue could be balanced by increased revenue from more equitable methods of taxation.

Congress of Industrial Organizations reply:

The repeal of excise and luxury taxes would be wise on many grounds. Indirectly, of course, it would aid all industries by raising the income level generally and it would provide particular assistance for lower and middle income groups upon whom such unfair taxes bear with particular weight. We believe all wartime and excise luxury taxes and all other excise taxes not regulatory in character should be repealed.

It is quite possible that the repeal of luxury and excise taxes would have a direct effect of at least some limited proportion upon such industries as leather goods, costume jewelry, and the like.

Question 9. Unemployment is much more severe in some areas than in others. Are there any Federal policies which are contributing to this situation? For example, the effects of the wage determinations under the Walsh-Healey Act? What changes would you recommend in any such Federal policies?

Department of Commerce reply:

In general, unemployment has been more severe in some areas than in others, principally because the more affected areas are predominantly those in which employment is concentrated in manufacturing—the segment of the economy most affected by the recent downward trend in production and employment. The decline in manufacturing production is associated with the shift from inventory accumulation to inventory liquidation. Thus, it does not appear that Federal policies are responsible for the local unemployment situations.

Department of Labor reply:

There is a very wide range of Federal policies which contribute to the increase or decrease in total employment in some areas as compared with other areas. Among these are Federal policies relative to the amount and character of purchases; the location, character, and volume of public works and of Federal loans; the location of installations of the National Defense Establishments; national defense considerations as to the location of strategic industries; and the nature and level of subsidy payments. Other policies are suggested in other questions asked by the subcommittee and are discussed in my replies to those questions.

Some of these policies are based on considerations deemed to be more important than the effect on employment in local areas. The location of military establishments and strategic industries, for example, may in many instances need to be dictated by defense needs. Cuts in civilian personnel at defense establishments must also be governed by defense requirements and budgetary limitations. Defense funds are for defense alone, and not for unemployment relief. Nevertheless, I believe that the effect on employment and unemployment needs to be weighed very carefully along with other factors. I have so stated in a letter to the Secretary of Defense, as a result of which he has directed that this factor be carefully considered in making future cuts. A copy of this correspondence is attached.

The effect on employment and unemployment should, I believe, be added to the factors to be considered by the Reconstruction Finance Corporation in making loans and in determining the terms and other conditions of such loans. It seems that great weight should be given to the desirability of assisting business enterprises in areas where there is great unemployment.

With particular respect to Federal purchases of materials and equipment, the volume and character of such purchases cannot be dictated by the level of unemployment in any industry, but by current military and civilian needs of the Government. If those needs, for example, were to consist largely of airplanes, Federal purchasing could not be diverted to textiles because demand in that industry is slack and unemployment is increasing at a particular time.

However, with respect to Federal needs for the products of a particular industry, I believe that a great deal of attention should be paid to the extent of unemployment in particular areas in the negotiation and awarding of contracts. Recently

the Comptroller General has ruled that in the event of equal or tie bids, consideration should be given to firms in distressed labor areas in determining to whom the awards should be given, instead of the previous general practice of awarding by lot. This is undeniably a step in the right direction.

In addition to the policies relating to distressed areas, I believe that there would be considerable benefit to Federal procurement in rationalizing requirements, centralizing procurement, and anticipating future requirements to the fullest extent possible. These policies should not only result in the Government's being able to meet its requirements cheaper at higher quality levels, but should also have a distinctly more beneficial effect on leveling out seasonal and cyclical employment fluctuations than is achieved at present.

Present legislation in the Walsh-Healey Public Contracts Act requires manufacturers to pay not less than the prevailing minimum wages, as determined by the Secretary of Labor, when manufacturing articles or equipment for the Government on contracts which exceed $10,000. This requirement makes it possible to protect an industry from a minority competing unfairly for Government contracts by paying substandard wages. This policy is I believe an essential element in the sound administration of a Federal procurement program. My policy is to proceed as rapidly as possible to make prevailing minimum wage determinations for all manufacturing industries having a substantial volume of contracts subject to the Walsh-Healey Public Contracts Act.

Current determinations of prevailing minimum wages will help to prevent such unemployment as may be traceable to a shifting of Federal purchases to low-wage firms. To the extent that the serious unemployment areas are high-wage areas, therefore, current determinations will be of benefit. To be concrete, the region with the most serious unemployment at the present time is New England. New England establishments appear in general to be paying wages at least as high as those contained in determinations made before the war. On the other hand, in some scattered pockets and areas, wages are very much lower than in New England. Government purchasing, I am convinced, should not be forced to contribute toward making ghost towns of New England communities while creating boom towns elsewhere founded on substandard wages.

On a national basis, of course, neither the Walsh-Healey Act nor the determinations under it cause unemployment. On the contrary, the act and the determinations under it help to shore up fair labor standards in industries subject to the act and thus contribute toward the maintenance of a sound economy. On a local basis, the act and determinations under the act might result in somewhat less employment in some communities and somewhat more employment in others, in line with the policy of the act to prevent firms with substandard labor practices from bidding unfairly for Government business.

American Federation of Labor reply:

The apparent implication of these questions is that Federal policies, such as the Walsh-Healey Act and the current amendments to the Fair Labor Standards Act, are forcing the low-wage sectors of industry to raise wages, and that in order to do so they have been forced to curtail employment.

The facts of the present economic recession simply do not bear out this contention. Unemployment has not been particularly great in areas where wages have risen or are likely to rise as a result of Federal legislation. The textile industry provides a good example of this. In recent months unemployment has not been particularly severe in the South where wages have been the lowest, but in the Northeast, particularly New England, where wages have always been so high that they have been entirely unaffected by Federal legislation of the Walsh-Healey type. One reason why the plants in the South have fared relatively well is because wage increases in these plants have forced improved efficiency and technology, thereby improving their competitive position in the industry.

Arguments such as these which try to link together Federal minimum wage laws and increasing unemployment, are based on the false assumption that all workers who are paid a substandard wage are not worth more than this amount to their employer. However, the truth is that these workers receive low wages not because their productivity is low, but because their bargaining power is weak. Because many of them are employed at trades and occupations where unionism has not become effective, these workers are faced with the alternative of accepting substandard wages or remaining unemployed.

Considerable evidence regarding the impact of Government wage standards on employment is already available. Studies made of the effect of the original Fair Labor Standards Act show that very few workers lost their jobs when the

minimum wage became effective. In many industries increases in the minimum wage approved through the industry-committee procedure affected as many as 40 to 50 percent of the entire industry; yet in only a very few cases did increases of this type bring any substantial lay-offs. Instead, it brought increased buying power to millions of low-wage workers and thereby helped to put our economy on a sounder basis and broadened the market for the products of our farms and factories.

Government policy regarding labor standards needs to be strengthened, not weakened. The recent amendments of the Fair Labor Standards Act raising the minimum wage to 75 cents an hour is a step in the right direction, although Congress took a backward step in removing many workers from the coverage of the law. What is now needed is new legislation to include these and other workers under the law, particularly employees of large department stores and hotels, workers in agriculture processing, and those engaged in large-scale industrialized farming.

Minimum wages under the Walsh-Healey Public Contracts Act should be revised as promptly as possible. The Federal Government should not allow its purchases to be used as the means for subsidizing the employer who pays sub-standard wages.

Congress of Industrial Organizations' reply:

In spite of all the talk that conservative economists have engaged in in the past decade or so, no one has been definitely able to demonstrate that the wage determinations either under the Minimum Wage Act or the Walsh-Healey Act have had any significantly unsatisfactory effect upon employment. To the contrary, in our own experience we have seen that lifting up the bottom of the wage structure in many southern towns frequently has created a near revolution in living standards and general community welfare.

Implicit in the view that the Walsh-Healey Act or the Fair Labor Standards Act contribute to unemployment in any important sense is the ancient and outmoded theory of economics that believes the only cure for depression and recession is wage cutting and further unemployment. The same antiquated theory also holds that there is no such thing as involuntary unemployment.

Events have demonstrated that true economic leverage does not come from pursuing policies based on this type of economic theory. Indeed, the Walsh-Healey Act, the Fair Labor Standards Act, and the influence of the trade-union movement have, we believe, already acted as pegs and brakes in slowing down the recession of 1949.

Question 10. Unemployment is much more severe in certain areas than in others. Would you advocate Federal policies, for example, strengthening USES, to aid and encourage labor to move to more promising areas? If so, what specific policies would you favor?

Department of Commerce reply:

As indicated in the answer to question 9, the local problems are tied to the national situation with a few exceptions, such as that of the anthracite regions, where the local problem is a continuing one rather than a situation connected with the recent business slump. Consequently, any policy either by government or business which strengthens general economic activity would help the areas currently affected. More exactly, an increase in production in those manufacturing industries most affected by the changed inventory policy of business would contribute most to the solution of local unemployment problems. However, actions such as those suggested in the President's midyear report can contribute to the alleviation of temporary distress in such areas.

Labor is, and should be, free to determine for itself where the best possibilities exist. The Bureau of Employment Security should be made as effective a mechanism as is possible for the adjustment of the labor force, and to facilitate essential shifts of labor between occupations and areas.

Department of Labor reply:

If unemployment is high in an area but there is every evidence that the condition is only temporary, then State and local full employment programs (see Community Programs to Combat Unemployment and Secretary Tobin's letter attached) and actions similar to the current President's program are recommended. These steps are necessary to avoid the possibility of temporary local

recessions "snowballing" into a larger national depression. As indicated, special efforts should be made such as the continued encouragement and stimulation of private enterprise through liberalized loans, and the redirection of Federal and State procurement, and the retiming of public works.

If there is every likelihood that unemployment in an area will continue at high levels, then the following additional steps are recommended:

(1) The problem should be recognized and the area made fully aware of it. There should be no attempt made to understate its impact or its implications for the future. Workers, employers, civic groups and city government alike should be made to face the facts realistically.

(2) Labor market information concerning the depressed community should be disseminated to all other communities throughout the country with a view to encouraging employers to locate in the depressed community or conversely with a view to encourage expanding employers to recruit in the community. Similarly, labor market information concerning areas that are expanding or have unfilled labor demands should be channeled to the distressed areas and disseminated, particularly to workers, unions, and civic organizations so that persons would be encouraged to move to areas of better employment opportunity.

(3) The Employment Service should be strengthened and more adequately staffed and equipped to provide a speedy and effective labor clearance program. Particularly the expanded program should provide for a flow of orders from employers whose needs cannot be met locally to the distressed area. Similarly, applicant clearance of outstanding unemployed work seekers in the distressed area should be made to areas of labor stringency or shortage.

(4) Since employment and occupational readjustment will have to be undergone by many of the workers who leave a distressed area, an adequate program of vocational retraining should be offered them in those areas where employment opportunities exist.

(5) The Department of Labor should work most closely with other Federal agencies concerned with programs that may offer opportunities for unemployed workers. This should be true not only of programs developed for the distressed areas themselves but of those undertaken elsewhere that cannot be staffed locally. In those cases obviously workers from distressed areas should be given an opportunity to fill the vacant jobs.

American Federation of Labor reply:
(See answer to questions 11 (*a*) and 11 (*b*).)
Congress of Industrial Organizations reply:

The strengthening of the employment service is a desirable and necessary end, aside from any particular questions of special critical unemployment areas, etc. Any pointing up of policy to achieve full employment would certainly seem to demand a well-staffed and well-functioning national employment service. The problem of unemployment is clearly a national one. In pursuit of full employment, at the least the general directing of our labor force by a voluntary national employment service should be an agreed-upon end.

It may be worth while also to explore the possibility of providing special travel allowances and special housing assistance for workers and their families when opportunities to move from declining to growing areas are presented. Of course, it is clear that this should be tied in with a national employment service.

In connection with the possibility of travel allowances and helping workers to migrate to new jobs in more progressive areas, consideration should also be given to the possibilities of retraining workers for new jobs. In this connection, too, in some cases such retraining might go hand in hand with the encouragement of new enterprises in the depressed areas. Certainly, as we suggest in our answer to question 11, bringing new enterprise to the depressed areas would be more economical, socially and otherwise, than moving workers out.

Furthermore, the Nation always seems to come up against the fact that in periods when any number of individual areas are depressed, large-scale opportunities are lacking in other areas. Thus, while it is theoretically possible to encourage workers to move out of declining areas, practically it is all but impossible to match up any large numbers of them with decent jobs elsewhere.

Question. 11 (a) Do you believe that the Federal Government has a special responsibility to those communities which are now suffering a major degree of unemployment as a result of the wartime expansions which occurred there, and which were necessary in the prosecution of the war effort? What policy would you recommend the Federal Government take toward such areas? (b) Even in periods of high economic activity there are certain areas of the country which suffer from a relatively high degree of unemployment as a result of certain indigenous factors present in the localities. This might result from exhaustion of natural resources, as has occurred in the anthracite region of Pennsylvania, or perhaps from the movement of a dominant industry from one locality to another, or from other factors. Do you believe the Federal Government has a special responsibility to such communities, and if so, what specific suggestions would you make for handling them?

Department of Commerce replies:

It is difficult to answer this question without a clear definition of the word "responsibility" upon which depends the determination of the Federal Government's obligation toward communities suffering a major degree of unemployment. In its effort to promote the general welfare, the Federal Government should certainly give attention to areas where unemployment is severe, and specific steps which can be taken and which are now being taken are as follows: Special informational assistance with regard to Government contracts for bidding; accelerating the time schedule and otherwise giving high priority to Federal public works planned for those areas and mobilizing the special technical services of the Federal Government to make them available to the communities in developing their long-range economic and industrial possibilities.

[In reply to 11 (*b*):]

The answer to "responsibility" is the same as the answer to the preceding question. With reference to specific suggestions, they are also included in the above answer.

Department of Labor replies:

I feel that the Federal Government has the responsibility to assist States and localities in alleviating heavy unemployment wherever it exists no matter what the cause may be. The policy recommended toward such areas is outlined in the answer to question 10.

American Federation of Labor replies:

These questions are considered together since they are so closely related.

It is quite true that at any particular time unemployment is more severe in certain areas than in others. By the term "areas," we mean not only geographical localities but also industrial groups. Frequently, increases in unemployment are largely confined to certain industries. The recent increase during the spring and summer of 1949 was particularly marked in such industries as textiles, leather, and apparel. This, in turn, meant those parts of the country in which these industries were concentrated were the ones which were hardest hit.

An analysis of the degree of unemployment among the various parts of the country and in various industries often provides the key to possible remedial measures that need to be taken to bolster our economy. An analysis of this sort may indicate that part of the problem involves specific localities, which (as question 11 (*a*) suggests) have undergone a drastic wartime expansion. Certainly, the Federal Government has a responsibility to these communities. Since it sponsored the wartime expansion, it has a responsibility to make certain that wherever possible these wartime facilities are properly converted to peacetime uses. In many cases this has been done. Where it has not already been done, the Federal Government must be prepared to forego a substantial monetary return for these facilities in order to derive the maximum over-all benefits from uses of the wartime plants.

Analysis of the unemployment rates in various parts of the country will undoubtedly reveal (question 11 (*b*)) that in certain areas of the country unemployment appears as a permanent problem.

These are generally one-industry sections of the country in which employment in the particular industry has been steadily declining.

In this situation, the question arises (set forth in question 10) whether it would be wise to "encourage labor to move to more promising areas." After careful consideration, we feel it is far better to work toward the solution of this problem by bringing new industries to the idle workers rather than transferring the workers to other sections of the country.

It is, of course, true that many workers, particularly younger people, faced with a situation of this sort will want to leave the area for better employment opportunities elsewhere. These people should not be encouraged to stay; in fact, the USES should expand its facilities so that these people will have complete information about job opportunities in other sections of the country.

However, many people in a so-called distressed area will not want to leave their families, friends, and associations in the community. Far better than encouraging them to make this change would be a program to bring new industry into the locality. Much can be done by the communities themselves. Some of the cities in the Pennsylvania anthracite-coal-mining area, for example, have done excellent work in attracting new plants to their region.

Government policy can also contribute toward the solution of this problem. For the short run, public works, public buildings, and a farsighted public contracts policy will help the area obtain new business. For the long run, Government should encourage the establishment of such facilities over which it has some control (such as plants for national defense) in these distressed areas. It may also be possible for the Federal Government to loan money to these localities for proper planning and community facilities so that new industry would be attracted to the area.

If, after these measures have been taken, a substantial degree of unemployment still prevails in these distressed areas, possibility of further Government action should then be explored. This Government action should not involve a loan, which would only saddle the worker with a new debt in a new job, but some method whereby the burden of travel expenses, and other obstacles to the movement by workers from distressed areas to new communities of their own choice, might be minimized or eliminated.

Congress of Industrial Organizations replies:

In an economy as complex and interrelated as ours, it is extremely difficult to isolate the question of unemployment or full employment for selected areas. Attempts to get at a particular group of communities frequently are self-defeating in that they come up against the national forces that are involved. Thus, many of the community and area pockets of unemployment are but reflections of the depression on a national scale that have hit certain industries and occupations.

Anyone considering programs to aid so-called stricken localities should, therefore, keep in mind the limitations under which such programs inevitably operate.

Recognizing these limitations, we believe that President Truman's program of trying so far as possible to concentrate Federal procurement in stricken areas may be of some help, and is certainly worth exploring. Indeed, we believe that this program might be pursued more boldly to include forward purchasing of certain items so as to relieve what may be temporary slackness in some selected areas.

Loans to new enterprise and, in some cases, to older firms in the stricken areas may be a worth-while investment. Certainly rather than see the dissipation of experienced labor and managerial forces, as well as valuable plant and equipment that are already available in combination in the older areas, this avenue should be explored.

In the future, for example, when considering loans and other types of assistance of the character which were made to Kaiser-Frazer and Lustron, why should the RFC, or some other appropriating agency, not be guided by the needs of communities in New England for new plants and industry? I merely mention these two corporations and this area as examples. Other opportunities involving important new enterprises may present themselves in the years ahead.

As suggested in the answer to question 10, in some instances ways and means of encouraging moves out of these depressed areas might be developed. Travel allowances, retraining programs, etc., are possibilities in this respect.

In the final analysis, however, the only acceptable views in this field are that the Federal Government and its agencies must be geared to an acceptance of a total responsibility to establish conditions and policies that will result in sustained full employment and prosperity. In commenting on questions 4, 7, 10, and 11, we have indicated some of the specific types of assistance we would recommend in the interim period as more effective national policies are being developed.

THE SECRETARY OF COMMERCE,
Washington 25, December 16, 1949.

Hon. EDWARD J. HART,
Chairman, Subcommittee on Unemployment, Joint Committee on the Economic Report, House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: With further reference to your letter of September 8, 1949, the list of questions which you enclosed has been given most careful consideration within the Department of Commerce. Some of the questions which you asked have been answered by subsequent events. I enclose herewith a memorandum prepared by my staff containing replies to each of your questions.

There is also enclosed herewith a copy of my interim report to the Assistant to the President, dated August 26, 1949, which presents my preliminary observations resulting from my recent field trips. My final report has not yet been prepared, but I expect to submit it within a few weeks; I shall be happy to furnish the committee with a copy of my final report as soon as it is available.

May I state that the problem of unemployment cannot be solved by a mathematical formula as to what is serious or alarming or normal, nor can any solution be permanent. It must be explored at any given time in terms of those who are out of work, their present location and possible mobility, as well as their skills and capabilities. Facts must also be obtained as to why these particular people are unemployed. Solutions must properly be approached on an industry-by-industry basis. Except as a temporary relief measure, in the absence of anything better, putting people to work at tasks other than those for which they have particular qualifications does not help the economy. Our real objective should be to maintain prosperious conditions and thus avoid the need to meet the problem of an alarming unemployment situation.

Sincerely yours,

CHARLES SAWYER,
Secretary of Commerce.

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