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**EMPLOYMENT PROBLEMS OF WOMEN,  
MINORITIES, AND YOUTHS**

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**HEARINGS**  
BEFORE THE  
**SUBCOMMITTEE ON ECONOMIC GROWTH**  
OF THE  
**JOINT ECONOMIC COMMITTEE**  
**CONGRESS OF THE UNITED STATES**  
NINETY-FOURTH CONGRESS  
FIRST SESSION

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JULY 7 AND 8, 1975  
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# EMPLOYMENT PROBLEMS OF WOMEN, MINORITIES, AND YOUTHS

MONDAY, JULY 7, 1975

CONGRESS OF THE UNITED STATES,  
SUBCOMMITTEE ON ECONOMIC GROWTH  
OF THE JOINT ECONOMIC COMMITTEE,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:08 a.m., in room 1202, Dirksen Senate Office Building, Hon. Lloyd M. Bentsen, Jr. (chairman of the subcommittee), presiding.

Present: Senator Bentsen.

Also present: William R. Buechner, Lucy A. Falcone, Robert D. Hamrin, and Courtenay M. Slater, professional staff members; Michael J. Runde, administrative assistant; and M. Catherine Miller, minority economist.

## OPENING STATEMENT OF CHAIRMAN BENTSEN

Chairman BENTSEN. These hearings will come to order this morning. This is the fourth in a series of hearings concerning unemployment in this country and the economic impact that we are having on it.

We are particularly dealing today, and tomorrow, with the impact of unemployment on minorities, women, and youths.

Last month we heard the administration say that the recession has bottomed out. But the employment figures show that we have increased unemployment in this country from 7.6 million to 8.6 million last month; 1 million more Americans who are jobless, who are out of work.

We in the Congress have been trying to do something about this kind of senseless tragedy of unemployment, by passing a public housing bill, by a jobs bill; but the President's answer to that has been to turn his back on unemployment. His answer has been no, no—veto.

He says that what he is doing is being fiscally responsible, by saving the American taxpayer \$6 billion. But I do not see how putting people out of work—with people not paying taxes, picking up unemployment compensation, and going on welfare—is fiscally responsible. The budget deficit we have today is not because of Federal spending, but because of recession. Every time we reduce unemployment by 1 percent in this country, we pick up \$16 billion in tax revenues and unemployment compensation that we do not have to pay. The President's vetoes are just going to prolong the recession.

Among the unemployed, the hardest hit are minorities, women, and youths. If unemployment stays at between 8½ to 9 percent until the end of next year, as many economists have predicted, total joblessness

among blacks will be about 18 percent, including both the officially unemployed and those who have given up the search, the discouraged workers. You are going to see joblessness among women at 12 percent. And money to women is not just pin money any more—there are over 7 million American families today who are headed by women. If we keep up the current rate of unemployment, you are going to see joblessness among black youths at approximately 50 percent. You are going to see it among all youths at over 20 percent.

Now, what have you got, when you say to someone who has listened to his commencement address, who is getting ready to leave high school, who is going out to the great challenge, who is going to be a part of life, and who gets out there and there is no job. And you say, come back in 1, 2, 3, or maybe 4 years, and we will have a place for you. What do you do with those people in that period of time? You do not put them on a shelf, and you do not icebox them. They go on unemployment compensation for awhile, and when that runs out, they go on welfare.

So what happens to you when you are on welfare 2, 3, and 4 years? Does it become a way of life? Is that what we are looking to?

I am saying that this kind of an unemployment rate will have long term social, political, and economic impacts on this country. People want to be on payrolls, not drawing unemployment compensation. That is the reason for these hearings, to see what we can do.

We want to be able to tell young people, middle-aged people who are too young to retire and who some employers think are too old to rehire, that society has a productive role for them to fill. And I hope that you will have some answers for us this morning.

With that, we welcome as our first witness, Mr. William Lucy, secretary-treasurer of the American Federation of State, Federal, and Municipal Employees of the AFL-CIO. We have also on the panel, Bernard Anderson; Charles Perry; Barbara Bergmann, professor of economics, University of Maryland; and Ronald Brown, director, Washington Bureau of the National Urban League.

Mr. Lucy, if you would start off, please, and we will let each of you proceed with your testimony.

### **STATEMENT OF WILLIAM LUCY, PRESIDENT, COALITION OF BLACK TRADE UNIONISTS**

Mr. LUCY. Thank you, Mr. Chairman.

My name is William Lucy, and I am secretary-treasurer of the American Federation of State, Federal, and Municipal Employees —

Chairman BENTSEN. Now, we have a lot of people out in that audience who want to hear what you are going to say, and I particularly, too, up here, so if you will speak directly into that microphone, and speak loud enough where we can hear you, we will appreciate it.

Mr. LUCY. Thank you, Mr. Chairman.

As I also indicated, I am president of the Coalition of Black Trade Unionists, an organization representing black unionists, of some 45 international unions.

There are some 3 million black trade unionists, and we represent one of the largest groups within the labor movement, and certainly within the black and poor communities. From bitter experience, we

know the impact that the current economic policies have had on both sectors of American society.

We commend you, Mr. Chairman, and your colleagues for calling these hearings to shed some light on the impact of our current economic situation. The present situation of staggeringly high and widespread unemployment fosters an environment of frustration, group tensions, personal alienation, and social pathology. No public relations pronouncements about the economy being on the recovery can hide the economic, social, and psychological dislocations caused by the current situation.

My testimony will deal with several key points. First, how certain groups of our population are bearing a disproportionate share of the burdens caused by recession, inflation, and unemployment.

Second, how the administration's policy of focusing on inflation as the No. 1 economic problem and of cavalierly ignoring the severity and dangers of unemployment is unsound economically, morally, and socially.

Third, how the emphasis on limiting the size of the budget is simply a smokescreen for blocking vitally needed programs in social and economic areas.

Fourth, what measures we think are needed to deal with our economic problems, to harness our idle manpower and industrial capacity, and to meet some of America's vast unmet needs.

The national unemployment rate of 9.2 percent in May, the figure which all too many economists and policymakers focus on, registered the highest level since 1941. Close to 1 million construction workers and 2.6 million workers in manufacturing industries were unemployed in May 1975. In each case, the totals are more than double the levels of a year ago. Four million blue-collar workers are jobless, 13 percent of their numbers.

Financial difficulties also are forcing many local governments to lay off large numbers of workers, who were once thought to be immune from economic downturns. The number of unemployed government workers rose from 250,000 last year to 750,000 in May. And these figures do not reflect additional layoffs that have come or will come as the new fiscal year begins in many localities.

Official statistics released by the Government also reveal that some 3.9 million workers were on part-time schedules although available for and wanting full-time work. Over 1 million workers have been without a job for 27 weeks or more, and 1.6 million have been unemployed for 15 to 26 weeks. In each case, these totals are at postwar highs.

Yet the administration grasps at fractional percentage increases in output as part of its pitch that the economy is recovering, despite the fact that output is some 15 percent below last year's level. Fully one-third of the industrial capacity is now idle.

The burdens and hardships of unemployment, however, do not fall evenly on all racial, ethnic, occupational, age, and sex groups within the work force. This, Mr. Chairman, is not an equal opportunity recession. Minorities, women, youth, and blue-collar workers are bearing a significantly disproportionate share of the economic loss and deprivation and psychological damage which unemployment brings.

Compared to a rate of 8.5 percent for all whites, minority unemployment was 14.7 percent in May. That represents a total of over 1½ million minority workers.

High unemployment among minorities also concentrates in poor rural areas and in our major cities. For example, Cleveland's overall unemployment rate was 10.9 percent in December, while its black unemployment rate was 17 percent, and unemployment has worsened since then. The Cleveland Plain Dealer has reported that for every five who lost jobs, three were black. This was in their issue for February 9, 1975. Unemployment in Newark is 9.7 percent, but in some black neighborhoods it is running as high as 50 percent. While unemployment for Hidalgo County, Tex., was 8.8 percent and for Cameron County 9.4 percent in January, it is closer to 20 percent if discouraged workers and the underemployed are considered.

Black workers know all too well that what happens to other workers hits them first, and hardest. The interruptedness of black employment gives minority workers fewer benefits on the job than their white co-workers and less tenure when large-scale layoffs begin during full-fledged recessions. The bitter but entirely accurate saying, "last hired, first fired," sums up the tragedy of black gains in employment. Advances for minority workers are tenuous during the best of times, and this uncertainty has disastrous results during the worst of times. For this reason, full employment must be the keystone of any public policy aimed at reducing inequality.

Among minority youth aged 16 to 19, some 400,000 could not find jobs in May. That is about 40 percent of their number in the work force.

As Prof. Bernard Anderson of the Wharton School of Economics has pointed out, the current job situation is so bleak that hundreds of thousands of black youth have stopped looking for work and therefore are not counted in the official tally of the unemployed. If only one-half of these discouraged young blacks were included in the count, their unemployment rate would jump to some 60 percent.

Mr. Chairman, if the Nation accepts the President's plan for a depression decade, half a generation of black youth will reach their midtwenties without ever having held a secure and productive job. I assure you that some steps must be taken to deal with it: in this regard the President's plan mocks the purported good will of his speech at the NAACP convention just a few days ago.

Mr. Chairman, I cannot understand for the life of me, the hypocrisy of blaming the poor and then taking steps that indicate you are relegating them to a position of being unproductive in the total work force. The arguments, the dismal statistics on unemployment of substantial numbers of our labor force and the idle capacity of our industrial resources call for active, aggressive, and substantial programs to put America back to work.

Instead, however, the Nation is being brainwashed with the notion that a Federal deficit of approximately \$60 billion cannot be exceeded without reigniting inflation. In effect, the administration has thrown in the sponge as far as its ability to manage the economy more effectively and to reduce the ranks of the unemployed.

I believe in your opening statement. Mr. Chairman, you spoke of the tax structure unemployment figures. I think that if the current levels

of unemployment are continued, a deficit of \$70 to \$80 billion would be used just for that.

I think it goes without saying that where workers are out of work and the tax revenues are the proof of that, certainly it will go to stimulate additional jobs in the area of consumer goods, et cetera.

The President, and I regret to say, the Congress, both the Senate and the House, in their resolutions, sort of started from the same assumption. And I suspect that what we could say in conclusion is that, it seems to me that a policy that dictates a level of unemployment going on to 1980 of some 5½ to 6 percent, is a policy, it seems to me, that is simply out of step with the times.

I regret sometimes that we are so economy-minded when it comes to the needs of people yet we would, without hesitation, vote for the same kinds of deficits we were talking about for military procurement. I would suggest that our attention ought to be turned to the needs of our people, as opposed to the tremendous pressures for defense.

Chairman BENTSEN. Mr. LUCY, let me say that I do not think this country can go on with deficits of \$70 billion over a period of time, without wrecking this country's economy. But the reason I think we have this kind of deficit is because of the recession and because of people being out of work, and people being off of payrolls and drawing unemployment compensation. People would much rather be holding down a job and be productive. And what a great difference it is to have people who are in a position where they are part of the mainstream, part of the action, instead of going down to draw an unemployment check or draw welfare. I do not want that to be the great American dream. The great American dream is someone who is a part of the scene, who is participating.

And if we took unemployment back to where it was in 1973, when it was 4.7 percent, we would wipe out almost all of this deficit.

Mr. LUCY. Mr. Chairman.

Chairman BENTSEN. Go ahead, Mr. Lucy.

Mr. LUCY. We, as a nation, must become committed to the achievement of some reasonable levels of unemployment within the near future. By the "near future" I do not mean 3 or 4 years from now, but within the next year or so. And by "reasonable levels" of unemployment, I completely reject figures of 5, 6, or 7 percent as the best we can accomplish.

Unless we substantially reduce unemployment, programs of affirmative action, better access to jobs for minorities and youth, will add up to nothing more than playing the game of musical chairs, where we change the jobholders but we do not increase the number of jobs and where we exacerbate racial tensions and divide different groups in our society.

In our complex economic system, no single program can be expected to provide a single solution to the intricate problems we face. The following, however, should be high on your priority list of programs which would promote a meaningful and speedy return to the full utilization of manpower and resources and which would lay the groundwork for sound long-range economic growth.

First, the National Commission of Technology, Automation and Economic Progress, after a full year of study and analysis in 1966, recommended a major public service employment measure that called



for a 5-year program, beginning with 500,000 full-time jobs in the public sector. By this we mean housing, education, the other benefits that we mean as services. Depending on the conditions and the experiences in the labor market, the number of jobs would be increased above that level.

More recently over 100 representatives of a broad cross-section of the American economic spectrum, including business, labor, the academic community, and various interest groups participated in the development of a three-tier program for public service employment, offered by the National Planning Association in July of 1974.

The first tier of the association's proposal was intended to deal with structural unemployment problems and to assist persons whose lack of education, skill, or other personal characteristics prevented them from getting and holding decent jobs, even in periods of healthy economic activity. The second tier was linked to the business cycle, and was countercyclical in nature. When unemployment rose above 4 percent this program would become operative. The third tier was designed to help local communities and regions which, for special reasons, suffered disproportionately high rates of unemployment regardless of the national unemployment rate. Under present circumstances that program would cost about \$12 billion.

Even more recently this committee recommended that 500,000 jobs be financed by the Federal Government and be administered by State and local governments when unemployment reached 6 percent. The program would rise to 1 million jobs at an 8 percent unemployment rate. In addition 500,000 public service jobs would be administered by the Federal Government when unemployment reached the 8-percent rate. An equal number of jobs would be financed for each percentage point the rate exceeded 8 percent. In short, there would now be 2 million public service jobs in place under those recommendations.

Special assistance to State and local governments must be enacted as a countercyclical economic measure. Just as recession has sharply reduced revenues at the Federal level, it also has sharply sliced tax receipts for State and local governments. At the same time, the unprecedented inflation of recent years has forced these governmental units to spend more for personnel and other costs. The result has been a severe financial crunch which can be relieved only by reducing vitally needed governmental services or by raising local taxes. The first recourse cannot be tolerated in terms of keeping our communities viable. The second method severely offsets the stimulus achieved through the tax cuts adopted by Congress at the Federal level.

Measures to promote economic competition must be pursued. It has long been recognized that in a large number of industries a few firms dominate production and abuse their market power through fixing prices regardless of the market situation. At the end of last year the full Joint Economic Committee noted that a significant part of the inflation suffered in 1974 grew out of such administered pricing policies in industries like steel, aluminum, chemicals, oil, and auto. Many of these industries raised their prices by more than 25 percent during 1974, as soon as the remnants of control were lifted, despite the fact that, even under controls, increases in production costs had largely been incorporated in earlier price increases.

The oil companies especially have been guilty of setting unreasonable prices without expanding the oil supply. Unless a vigorous pro-

gram can be instituted to restrain the abuse of pricing power which prevails in concentrated industries, it will be virtually impossible to achieve reasonable price structures, higher employment and production and effective competition in the private sector.

An active labor market policy should be combined with a sound income maintenance program. Typically in a dynamic economy such as ours, there are economic dislocations taking place regularly in the private sector because of technological change, shifts in markets, changes in industrial structures, trade and other factors in the public sector because of changes in public policy.

While society as a whole may benefit from such changes through a better product, wider choices, and improved services, the workers who are laid off and must adjust, do not receive sufficient assistance to carry them through these burdens. Methods to relocate displaced workers should be improved to help smooth their transition. At the same time, adequate programs of income maintenance are necessary supplements to cushion the shock for many workers during the period of transition to new jobs.

Broad-scale coordinated planning is needed. None of the above recommended programs can be viewed in isolation. As noted, the forces in our economy are extremely diverse and intricate and policies aimed at harnessing them must be carefully developed and integrated. Government must take a new leadership in assuring that the various policies will be carefully coordinated to promote sound economic growth.

Mr. Chairman, I would like to conclude by observing that this Congress has a mandate from the people to change the so-called business as usual concept of things. That requires decisive and courageous action, not the rubber stamp of approval on the administration's plans for a decade of depression for working people. We ask you and the Congress not to allow the administration's plans for human misery to become a bipartisan approach to depression.

Thank you very kindly.

Chairman BENTSEN. Thank you very much, Mr. Lucy.

[The prepared statement of Mr. Lucy follows:]

#### PREPARED STATEMENT OF WILLIAM LUCY

Mr. Chairman, my name is William Lucy, and I am President of the Coalition of Black Trade Unionist—an organization representing black workers in 45 international unions.

We represent meatcutters in Chicago, garment workers in New York, steel workers in Bridgeport, hospital workers in Milwaukee, and oil workers in Texas.

There are three million black trade unionists—and we represent one of the largest groups within the labor movement and within the black community. From bitter experience, we know the impact that the current economic policies has had on both sectors of American society.

We commend you, Mr. Chairman, and your colleagues for holding these hearings to investigate measures to restore full employment. A healthy, dynamic, expanding economy is crucial if all our citizens are to enjoy a decent standard of living, realize their full potential, and actively participate in a society where harmony and cooperation among all groups prevail.

The present situation of staggeringly high and widespread unemployment fosters an environment of frustration, group tensions, personal alienation and social pathology. No public relations pronouncements about the economy being on the recovery can hide the economic, social and psychological dislocations which affect the unemployed and which threaten the very fabric of our Nation.

My testimony will deal with several key points:

First, how certain groups of our population are bearing a disproportionate share of the burdens caused by recession, inflation and unemployment.

Second, how the Administration's policy of focusing on inflation as the number one economic problem and of cavalierly ignoring the severity and dangers of unemployment is unsound economically, morally, and socially.

Third, how the emphasis on limiting the size of the budget is simply a smoke screen for blocking vitally needed programs in social and economic areas.

Fourth, what measures are needed to deal with our economic problems, to harness our idle manpower and industrial capacity, and to meet some of America's vast unmet needs.

#### EXTENT OF THE PROBLEM

During the past several months, the full Joint Economic Committee and this subcommittee have heard a parade of witnesses recite the stark statistics on overall unemployment and on how particular groups have borne the brunt of the failure of this economy to provide jobs for those who are able, willing and seeking work.

The national unemployment rate of 9.2 percent in May—the figure which all too many economists and policymakers focus on—registered the highest level since 1941.

Close to one million construction workers and 2.6 million workers in manufacturing industries were unemployed in May 1975. In each case the totals are more than double the levels of a year ago. The rate of unemployment is a striking 21.8 percent (an all-time recorded high) among construction workers, and 12.3 percent among manufacturing workers.

Four million blue collar workers are jobless—13 percent of their numbers. A sub-group of this category, non-farm laborers, with heavy numbers among minorities have a 17.7 percent rate of unemployment.

Financial difficulties also are forcing local governments to lay off large numbers of workers, once thought to be immune from economic downturns. In May of this year the Department of Labor reported 4.9 percent unemployment among public sector workers; that is up 50 percent over last year. The number of unemployed government workers rose from 250,000 last year to 750,000 in May. And these figures don't reflect additional layoffs that have come or will come as the new fiscal year begins in many localities.

Official statistics released by the government also reveal that some 3.9 million workers were on part-time schedules although available for and wanting full time work. Slack work, material shortages and other economic factors caused their short work week schedules.

Another revealing gauge of the seriousness of unemployment are the figures on duration of unemployment. Over one million workers have been without a job for 27 weeks or more and 1.6 million have been unemployed for 15 to 26 weeks. In each case these totals are at post-War highs.

Yet the Administration grasps at fractional percentage increases in output as part of its pitch that the economy is recovering, despite the fact that output is some 15% below last year's level. Fully one-third of the industrial capacity is now idle.

The burdens and hardships of unemployment, however, do not fall evenly on all racial, ethnic, occupational, age and sex groups within the work force. This is not an equal opportunity recession. Minorities, women, youth and blue collar workers are bearing a significantly disproportionate share of the economic loss and deprivation and psychological damage which unemployment brings.

Unemployment among women continues to be higher than that for men. In May it stood at 8.3 percent compared to 7.3 percent for men.

The figures for minorities and youth are even more devastating. Compared to a rate of 8.5 percent for all whites, minority unemployment was 14.7 percent in May. That represents a total of over one and a half million minority workers.

High unemployment among minorities also concentrates in poor rural areas and in our major cities. For example, Cleveland's overall unemployment rate was 10.9 percent in December, while its black unemployment rate was 17 percent, and unemployment has worsened since then. The Cleveland Plaindealer has reported that "for every five who lost jobs, three were Black" (Feb. 9, 1975). Unemployment in Newark is 9.7 percent, but in some black neighborhoods it is running as high as 50 percent. While unemployment for Hidalgo County, Texas was 8.8 percent and for Cameron County 9.4 percent in January, it is closer to 20 percent if discouraged workers and the underemployed are considered.

Black workers know all too well that what happens to other workers hits them first—and hardest. The interruptedness of black employment gives minority

workers fewer benefits on the job than their white coworkers and less tenure when large-scale layoffs begin during fullfledged recessions. Last to be hired during booms, minority workers are first to be laid off during recessions. The bitter but entirely accurate saying, "Last hired, first fired" sums up the tragedy of black gains in employment. Advances for minority workers are tenuous during the best of times—and this uncertainty has disastrous results during the worst of times. For this reason full employment must be the keystone of any public policy aimed at reducing inequality. The current economics of exclusion, with its tolerance of unemployment, is fundamentally racist.

Among minority youth aged 16 to 19, some 400,000 could not find jobs in May. That's about 40 percent of their number in the workforce.

As Professor Bernard Anderson of the Wharton School of Economics has pointed out, the current job situation is so bleak that hundreds of thousands of black youth have stopped looking for work and therefore are not counted in the official tally of the unemployed. Were only one-half of these discouraged young blacks included in the count, their unemployment rate would jump to some 60 percent!

Mr. Chairman, if the nation accepts the President's plan for a Depression Decade, half a generation of black youth will reach their mid-20's without ever having held a secure and productive job. I assure you that the black community and the labor movement will not accept this injustice. The President's plan mocks the purported good will of his speech at the NAACP Convention. His plan would slam the doors of opportunity shut on black workers.

#### THE BUDGET ARGUMENTS

These dismal statistics on unemployment of substantial numbers of our labor force and the idle capacity of our industrial resources call for active aggressive and substantial programs to put America back to work.

Instead however, the nation is being brain-washed with the notion that a federal deficit of approximately \$60 billion cannot be exceeded without re-igniting inflation. In effect, the Administration has thrown in the sponge as far as its ability to manage the economy more effectively and to reduce the ranks of the unemployed.

Repeatedly the reason cited for less vigorous federal action is that a higher budget deficit would be ruinous, because it would feed inflation and be too large to finance. But the Administration has steadily raised the figure on what it considered to be a manageable budget. Early in January, officials leaked the news that the deficit might hit \$45 billion. A few weeks later the deficit was projected at \$52 billion when the President released his budget for the coming year. Shortly thereafter on national television the President drew the line at the \$60 billion figure.

Most economists argue that the capacity to finance deficits without adding to inflation depends on many factors—among them monetary policies, levels of taxation, and private decisions on pricing, spending, and investment.

It is an absurd oversimplification to maintain that the deficit alone dictates the rate of inflation.

Arthur Okun, former Chairman of the Council of Economic Advisors, did not hesitate to endorse a number of government spending programs, which theoretically could bring about an \$80 billion deficit—a total which he considered to be economically sound in light of present depressed conditions.

Even such increases in federal spending, however, would not create such a large budget deficit. The resulting expanding economy would generate revenues far greater than the new outlays. Each one percent reduction achieved in unemployment yields some \$16 to \$17 billion more to the government from a combination of increased revenues and lower outlays. Even President Ford noted in his budget that if the nation achieved a 5.5 percent unemployment rate for 1975 (the 1974 average) instead of 8 percent plus, tax receipts would be some \$40 billion higher, while outlays for unemployment compensation, welfare, food stamps and the like would be some \$15 billion lower.

As for the President's argument that a larger deficit would be too great a burden to finance, the economic facts of the post-War period demonstrate clearly that today the country is in a far stronger position financially than in earlier decades. Since 1945 the federal debt has approximately doubled, but output of goods and services—the real measure of our capability to carry the debt—has grown by more than six times.

Unfortunately for the nation, both the Senate and House Budget Committees, while expressing some concern about persistently high unemployment, appear to

be prisoners of the same misguided thinking about budget deficits. As a result, their recommended spending levels were basically the same as the Administration's, and unemployment under their projections for next year differ by less than a one percentage point from those of the Administration.

The consequence of accepting the Administration's arguments about the deficit are grim indeed. Unemployment would remain above 6 percent through 1979 and by 1980 reach 5.5 percent. In effect the Administration, and the Congress, if it accepts the Administration's assumptions, would be abdicating their responsibilities under the Employment Act of 1946 to adopt programs which would "promote maximum employment and purchasing power."

#### PROGRAM RECOMMENDATIONS

In discussing programs which could foster a return to full employment, certain facts must be kept in mind. To begin with a growth in the total output of goods and services (gross national product) of at least 4% a year is required just to keep pace with the increases in our labor force and the improvement of output per man hour, or productivity.

Economists are fairly well agreed that 3% additional growth is required to reduce the unemployment level by about 1%. Thus, we would need a 7% growth during the coming year just to reduce unemployment from its excessive 9% level to about an 8%. Keeping that in mind, we can scarcely be moved by the Administration's enthusiasm over the possibility of a 6% growth in our total output in the coming year.

We, as a nation, must become committed to the achievement of some reasonable levels of unemployment within the near future. By the "near future" I do not mean three or four years from now, but within the next year or so. And by "reasonable levels" of unemployment, I completely reject figures of 5, 6 or 7 percent as the best we can do.

Unless we substantially reduce unemployment, programs of affirmative action, better access to jobs for minorities and youth, will add up to nothing more than playing the game of musical chairs, where we change the job holders but we do not increase the number of jobs and where we exacerbate racial tensions and divide different groups in our society.

In our complex economic system, no single program can be expected to provide a single solution to the intricate problems we face. The following, however, should be high on your priority list of programs which would promote a meaningful and speedy return to the full utilization of manpower and resources and which would lay the groundwork for sound long-range economic growth.

1. A substantial program of public service employment should be enacted which triggers increased public service jobs as unemployment rises. As far back as 1966, the National Commission on Technology, Automation and Economic Progress, a blue ribbon committee of business, labor, academic, and civic leaders, identified over five million jobs in the public arena in such fields as health, education, urban renewal and social services, which would contribute constructively to our unmet needs and improve the quality of life. A number of such measures have been proposed which would provide such a program, all of which deserve serious consideration.

First, the National Commission of Technology, Automation and Economic Progress, after a full year of study and analysis in 1966, recommended a major public service employment measure that called for a five year program, beginning with 500,000 full-time jobs in the public sector. Depending on the conditions and the experiences in the labor market, the number of jobs would be increased above that level.

More recently over 100 representatives of a broad cross-section of the American economic spectrum, including business, labor, the academic community, and various interest groups participated in the development of a three-tier program for public service employment, offered by the National Planning Association in July of 1974.

The first tier of the Association's proposal was intended to deal with structural unemployment problems and to assist persons whose lack of education, skill or other personal characteristics prevented them from getting and holding decent jobs, even in periods of healthy economic activity. The second tier was linked to the business cycle, and was countercyclical in nature. When unemployment rose above 4% this program would become operative. The third tier was designed to help local communities and regions which, for special reasons,

suffered disproportionately high rates of unemployment regardless of the National unemployment rate.

As for financing, the first tier the NPA report ("A Public Service Employment Program: Effective Manpower Strategy") called for the allocation of one-half of 1% of the total federal budget. The amount of funds for the second tier would be a separate allocation of the same size ( $\frac{1}{2}$  of 1% of the federal budget) that would be triggered whenever unemployment moved into the range of 4 to 5%. Additional amounts equaling one half of 1 percent of the federal budget would be allocated for each one percentage point the unemployment rose above 4%. "How much would that program provide under present circumstances?" Based on an approximate \$350 billion federal budget, the first tier would now yield \$1.7 billion. The second tier (based on a 9.2% unemployment rate) would generate an expenditure of 3% of the budget, or \$10½ billion.

Even more recently this Committee recommended that 500,000 jobs be financed by the federal government and be administered by state and local governments when unemployment reached 6%. The program would rise to one million jobs at an 8% unemployment rate. In addition 500,000 public service jobs would be administered by the federal government when unemployment reached the 8% rate. An equal number of jobs would be financed for each percentage point the rate exceeded 8%. In short, there would now be two million public service jobs in place under the JEC recommendations.

2. Special assistance to state and local governments must be enacted as a countercyclical economic measure. Just as recession has sharply reduced revenues at the federal level, it also has sharply sliced tax receipts for State and local governments. At the same time, the unprecedented inflation of recent years has forced these governmental units to spend more for personnel and other costs. The result has been a severe financial crunch which can be relieved only by reducing vitally needed governmental services or by raising local taxes. The first recourse cannot be tolerated in terms of keeping our communities viable. The second method severely offsets the stimulus achieved through the tax cuts adopted by Congress at the federal level. Under such circumstances, a major infusion of financial assistance, such as that in S1539, to local governmental units is urgently needed.

3. Sound monetary policy covering the growth in both the money supply and interest rates should be pursued. The Federal Reserve Board should not be allowed to restrict the expansion of the economy, when it does indeed get underway, by policies which inhibit the pace and size of the economic growth.

A necessary component of such sound monetary policy calls for the channeling of credit to fields of high priority, such as housing, public facilities, and community economic development. Helping fill the huge housing deficit serves the needs of millions of families and creates needed employment opportunities. Providing credit to local governments will enable them to build and improve facilities, projects which they have been forced to postpone. Bolstering community economic development can help stem further deterioration in our inner cities by providing hard-to-come-by needed capital for minority businesses and can help such communities become more economically viable.

4. Categorical assistance programs in such needed priority areas as health, education, social services, environmental control and transportation, should be expanded, despite what the Administration says about budget deficits. High interest rates on the national debt, increased spending on defense plus continued rises in income transfers, due largely to the growing number of eligible recipients, are making up the bulk of rising federal expenditures. They absorb most of the increase in federal spending the Administration is willing to accept, leaving tiny sums for a whole gamut of social and economic programs. Congressional acquiescence to the Administration's attempt to limit the size of the deficit deprives the Congress of the ability to set and fund national priorities and objectives.

5. Measures to promote economic competition must be pursued. It has long been recognized that in a large number of industries a few firms dominate production and abuse their market power through fixing prices regardless of the market situation. At the end of last year the full Joint Economic Committee noted that a significant part of the inflation suffered in 1974 grew out of such administered pricing policies in industries like steel, aluminium, chemicals, oil and auto. Many of these industries raised their prices by more than 25% during 1974, as soon as the remnants of control were lifted, despite the fact that, even under controls,

increases in production costs had largely been incorporated in earlier price increases. The oil companies especially have been guilty of setting unreasonable prices without expanding the oil supply. Unless a vigorous program can be instituted to restrain the abuse of pricing power which prevails in concentrated industries, it will be virtually impossible to achieve reasonable price structures, higher employment and production and effective competition in the private sector.

6. An active labor market policy should be combined with a sound income maintenance program. Typically in a dynamic economy such as ours, there are economic dislocations taking place regularly in the private sector because of technological change, shifts in markets, changes in industrial structures, trade and other factors and in the public sector because of changes in public policy.

While society as a whole may benefit from such changes through a better product, wider choices, and improved services, the workers who are laid off and must adjust, do not receive sufficient assistance. Methods to relocate displaced workers should be improved to help smooth their transition. Federal programs on manpower should recognize the problems posed by such dislocations and offer a variety of programs as is done in a number of Western industrial countries. At the same time, adequate programs of income maintenance are necessary supplements to cushion the shock for many workers during the period of transition to new jobs.

7. Broad-scale coordinated planning is needed. None of the above recommended programs can be viewed in isolation. As noted, the forces in our economy are extremely diverse and intricate and policies aimed at harnessing them must be carefully developed and integrated. Government must take a new leadership role in assuring that the various policies will be carefully coordinated to promote sound economic growth.

Mr. Chairman, I would like to conclude by observing that this Congress has a mandate from the people to change "business as usual." That requires decisive and courageous action, not the rubber stamp of approval on the Administration's plans for a Decade of Depression for working people. We ask you and the Congress not to allow the Administration's plans for human misery to become a bipartisan one.

Thank you.

Chairman BENTSEN. I wonder what the President thinks happens to these people and their families while they are out of work. Does he think that they do not have any problems economically apart from the personal tragedies involved?

Those people are on welfare, they draw unemployment and they add to our deficit. And from a totally fiscal standpoint, that is no gain. Now, we could put these people on welfare in public service jobs, and what a great difference it would make to the productivity of society.

Let me turn to another problem. I have been disturbed by reports that some local governments who are hard-pressed financially are laying off their regular, long-time civil servants on the one hand, and then they are turning around and hiring different people under the Emergency Public Service Jobs program.

When we passed this legislation we passed it with the idea that it was going to mean a net increase in the number of people that would be hired and that it would take up some of this unemployment.

Do you have any suggestions for how we resolve that?

Mr. LUCY. Well Mr. Chairman, as I think that you are well aware, we propose, when I say we, our organization proposed to the Congress what we call a countercyclical support program which is somewhere along the lines of revenue sharing made available to the State and local government—some \$5 billion to assist in continuing that level of service through this economic downturn.

Our concerns were the same as yours, that employees who were skilled, had tenure, were being laid off because of the tax shortfall at the local level and new employees were being hired under Federal support programs. At the time when a continuation of local service is

necessary, it obviously spoke to the point that the Federal Government should step in with some assistance in the revenue area. Our proposal would have created, I believe, something on the order of 500,000 jobs tied into unemployment levels in certain areas. The only way I can see that the equity can exist in the system at the same time the various communities throughout the country can receive the levels of service that they need is that the Federal Government support through a program of countercyclical aid revenues to the State and local government.

So I do not mean just the revenue-sharing approach but really moneys earmarked for public service jobs to be phased down when the economy turns around.

Chairman BENTSEN. What would you do—tell me one thing that you would do—when you have areas of high unemployment at the same time you have areas where you have very low unemployment? One country I know in Europe gives a mobility allowance. If a person cannot find work near home they are given financial support to move to a new locality where work is available.

What do you think of that?

Mr. LUCY. I think that certainly is one approach to the problem. I think there is possibly going to be two views taken. One obviously is a means of subsidies in terms of moving to where jobs happen to be. Second, I think there might well be a need to take a whole new look at what we consider useful work.

We have by and large been sort of based on our auto steel economy. I suspect maybe we ought to go back to the level that we once were which means that there is going to be a job mix so that the floor is stable. And I would say that there are a number of occupations in the area of human services that are needed in any community irrespective of the geography. I think, if we take a look at the kind of training programs that can deal with some of the shortcomings of individuals who I spoke of in the statement, they could be trained to provide a very useful service even in their own localities.

Chairman BENTSEN. Well, we hear a lot of jokes about the Civilian Conservation Corps and WPA. But I still know there were an awful lot of people who were put to work under those programs and we ended up with lasting investments in the future of the country.

I was in Buffalo, N. Y., the other day looking at their swimming pool built back during the WPA days. And somebody told me that much of the waterfront of Chicago was improved, that the WPA did it.

Some foreign countries, and it seems that we should, have standby public works to be put onstream when they have high unemployment in an area, and that is productive labor for people.

Mr. LUCY. I think, Mr. Chairman, judging from the comments that I have heard and some of things that have been written and given the levels of unemployment today and certainly the disproportionate impact at that level, there are people who are saying that any kind of jobs that will provide a salary that will give the opportunity to live with dignity and worthwhile employment, and I think that as a public policy we need to take that view. There are other pieces of legislation before the economists now which set out the need for a public policy of full employment. I believe one of the members of this committee is a cosponsor of that piece of legislation.

I just happened to think, Mr. Chairman, we have not come as a public body totally committed to the concept that there should be a



job for everyone who is willing and able and desires work. I think that while there are a number of areas that can be taken, a number of kind of jobs programs, I think the first initial step should become committed to the need of the total employment program.

Chairman BENTSEN. Barbara Bergmann, professor of economics at the University of Maryland.

Ms. Bergmann.

**STATEMENT OF BARBARA R. BERGMANN, PROFESSOR OF  
ECONOMICS, UNIVERSITY OF MARYLAND**

Ms. BERGMANN. I should like to address myself today to three inter-related issues.

One, should public policy push the economy more vigorously towards full recovery?

Two, what are the proper instruments of a recovery policy?

Three, how can groups which do relatively poorly in the labor market, women, blacks, and other minorities, be helped to do better during the recovery period and in the longer run?

I have recently heard that some people are saying, "unemployment affects only 9 percent of the people, while inflation affects 100 percent." I recently found out that our President is saying that. The moral the people who say that seem to draw is that we had better not be too vigorous in fighting unemployment lest we bring on ourselves far more serious trouble. I believe that this point of view badly underestimates the serious human consequences of our present low level of activity. It is overly pessimistic with respect to our chances of following a vigorous recovery policy without thereby worsening inflation.

The unemployment rate is currently running at 9 percent of the labor force, and some people would take that to mean that 91 percent of the population is unaffected by recession.

Past experience has shown that in a year in which unemployment averages 9 percent, the percentage of labor force participants who suffer a period of unemployment is not 9 percent, but 25 to 30 percent. Furthermore, almost 7 percent of the employed blue collar and service workers are currently on short hours involuntarily. Business suffers too: Corporate profits are down 36 percent from their peak. In sum, it is no minor fraction of our people who are affected by low demand. Millions who are not yet suffering directly are suffering from the fear that they may be next to lose the job or the business on which they depend for maintaining their standard of life, keeping up their credit rating, maintaining their rectitude, and freedom from criminal activity, I might add, their marital stability, their independence and their self-respect.

But how about inflation? Can we move vigorously against unemployment without making that problem significantly worse? I believe the answer is that we can.

Price rises have many causes—excess monetary demand for goods or for labor, actions of business firms which push up profit rates, actions by labor unions which push wages ahead of productivity, conspiracies here or abroad to push up prices. In addition, inflationary episodes can cause price rises many months or years after the initial impulse has occurred, because the pass-through of increased costs may take a long period to work itself out.

I have to tell you that I believe we will see significant inflation in the months ahead, if for no other reason than this phenomenon of delayed pass-through of cost increases. Of course, that is not all. The Arabs seem to be about to increase the price of oil again. The building trades unions are receiving hefty wage increases, despite the fact that unemployment in the building trades is on the order of 30 percent. Unfortunately, all of these unpleasant things will go on whether the U.S. Government is inactive in fighting unemployment or vigorous in fighting unemployment. It will have very little effect.

A vigorous policy of fighting unemployment might significantly increase our problem with inflation—but only if it were carried to the point at which labor got to be in short supply, and goods and services got to be in short supply. Given the deepness of the present hole we are in with respect to the demand for labor and the demand for goods and services, I do not believe that this is a serious likelihood this year, and the President's own projections would bear this out.

As you know at the beginning of the Nixon administration, the unemployment rate was below 4 percent. Now, President Ford projects that by 1980 we won't be back there. So I would draw the conclusion that the inflation we are inevitably going to suffer through should not deter us from more vigorous policies against unemployment than those we are currently following. We will have some inflation, but this is no reason to suffer passively with the unemployment problem, which in truth is far more grievous than the inflation problem in terms of the human misery it causes.

Turning to the issue of instruments for recovery, let me give you a list of projects I would urge be given increased funding. Mass transit projects, particularly those in which additional Federal funds can be spent within the next 3 years are certainly worth doing. Public service employment, particularly that targeted on the disadvantaged, should be funded on an increased basis. Federally run or subsidized child care facilities are needed. I know that recent revenue-sharing experience revealed many drawbacks, yet I believe that it is essential that funds go out to the State and local governments that are being forced in the absence of these funds to lay off police, fire, and sanitation workers and to reduce other vital services. And I must say that every employee fired by the State or local government means an additional employee fired somewhere else because of the "multiplier effect."

More funds for environmental improvements should be allocated. Despite the failures of our public housing programs, I continue to believe that a Federal program to upgrade our housing stock is necessary and feasible. It has worked well in Europe and can work here.

There is one policy which is being talked up a great deal as a recovery instrument, toward which I would urge considerable skepticism. That is a policy of having the Government subsidize capital formation. Vice President Rockefeller has advocated this and Secretary Dunlop recommended capital formation to your committee in recent testimony as an important road to recovery.

Unfortunately, policies which are designed to encourage capital formation invariably take forms which funnel money from poor taxpayers and middle-class taxpayers to rich taxpayers and rich nontaxpayers. In fact, they create rich nontaxpayers. For this reason alone, we should be suspicious of them. If these policies worked, and

if we had no alternative policies which worked, then I think we might overlook their adverse distributional impact. However, it is far from clear that these policies do work.

A number of years ago, the Brookings Institution commissioned studies by six well-known economists on the effect on business investment of the investment tax credit.<sup>1</sup> Unfortunately, these eminent practitioners could reach no consensus on the effects. We can all agree, however, that the investment tax credit has had the effect of shoveling billions in tax money in the direction of those who are at the upper end of the income scale.

Investment in business plant and equipment seems to flourish in an environment of high and growing demand for goods and services, and to wither, even though subsidized, in periods like the present. Raising the demand for goods and services through public expenditure programs which buy things our country needs would seem a sounder, fairer, and more feasible way to stimulate recovery.

I would like to turn now to the labor market problems of women, blacks, and other minorities and to appropriate public policies to deal with their problems during the recovery period and in the longer run. First, it is worth reminding ourselves that these groups are not small or marginal. Women, blacks, and other minorities add up to 46 percent of the labor force. This 46 percent suffers, not merely from relatively high unemployment rates in good times and bad, but from rates of pay on the order of 60 percent of those earned by white males. For the most part they are relegated by employers to jobs with little chance for advancement; they are not considered when promotion possibilities open up, they are excluded from on-the-job training opportunities. When, as a result, they have relatively high rates of turnover, this is used to argue their inferiority, and to explain away their unemployment problems.

I believe that the labor market problems of blacks and women stem most importantly from the phenomenon of occupational segregation: in plain words, their main problem is that there are certain kinds of jobs which blacks and women have a hard time getting hired for or promoted into, regardless of their qualification or their potential. Blacks and women are largely excluded from intercity trucking, for example, although many of the former and some of the latter have considerable experience driving trucks. Women and blacks are very poorly represented in the crafts jobs. Women and blacks are very poorly represented in administrative and managerial jobs, including those in the Federal Government and those in educational institutions.

A group of my students recently did a survey of shoestores in the metropolitan area. They found that there were no women selling men's shoes and virtually no women selling women's shoes, and of course, no women in managers' jobs in men's or women's shoestores. These exclusions are not based on the fact that blacks and women could not do these jobs, did not have the education or the experience. The white male student who participated in the experiment was offered a number of jobs, while the white female who represented herself as having identical qualifications was not.

The exclusions of blacks and women from a chance at a high number of jobs is based on old-fashioned but still potent ideas of what place

<sup>1</sup> G. Fromm, "Tax Incentives and Capital Spending," the Brookings Institution, 1971.

is proper for blacks and what place is proper for women. It is these exclusions which cause the high unemployment rates and low wage rates for these groups, and which create in large part the syndrome of welfare dependency to which members of these groups are prone and which are a burden on our pocketbooks, our patience, and our conscience.

The system whereby 46 percent of our labor force is de facto declared ineligible for certain jobs also creates inflationary pressures as recovery progresses.

And I may say that the record of this administration, and the Nixon administration, going back to 1968, and in fact back to the second Johnson administration, shows very poor management of the economy. We need and can have much better management of the economy. The long-run cure must run in terms of the maintenance of high levels of demand for labor and an end to exclusion from work on the basis of race or sex.

Many commentators on our labor market problems recommend training programs, public service employment programs, welfare, workfare or negative income tax payments as the answer to the pathology evident in our labor market. I am in favor of all of these in our present circumstances as they are a lot better than nothing and as long as it is recognized that they are not fundamental cures. The longrun cure must run in terms of the maintenance of higher levels of demand for labor and an end to exclusions from work on the basis of race or sex.

Congress has given us the laws to end these exclusions. What has been missing is the leadership, the formulation of an appropriate strategy for carrying out the law, and the budget funds to support the administrative effort necessary. The recent General Accounting Office report on the state of things at the Labor Department's Office for Federal Contract Compliance<sup>1</sup> tells us of the effort that needs to be made and is not now being made, although Secretary Dunlop did not see fit to mention this deficiency in his testimony to you. The law is not being enforced, to the detriment of our social and economic fabric, as well as respect for the law.

And let me end by saying that only if these laws are enforced will we be able to break that "last hired, first fired" syndrome which plagues us every time. And so, what we need, in summary, is a much more vigorous policy to increase the demand for goods and services and of labor, and an end to the nonenforcement to Federal law against discrimination.

Chairman BENTSEN. Thank you, Ms. Bergmann, for an excellent statement.

You do go and speak to the fact that the Congress has passed laws, but that enforcement has been lacking. I think that that's right.

Congress cannot provide leadership. That is not the role of Congress. We can pass legislation, but the Executive has to provide the leadership and implementation of it. You have made an excellent statement.

I certainly agree that you can fight unemployment and inflation—that you can do it at the same time. When you are using 60 to 65 percent of your productive capacity; when you have 8.6 million people out

<sup>1</sup> "The Equal Employment Opportunity Program for Federal Nonconstruction Contractors Can Be Improved," by the Comptroller General of the United States, Apr. 29, 1975.

of work, actually more than that out of work, when you add those that have given up looking for jobs; when the consumer confidence index factor is down—that is when you can stimulate an economy and not have inflation, because as you come out of recessions, and hopefully we will, you increase productivity. You spread your cost of operations over more units of production, and that helps curb inflation.

I would have to briefly differ with you on one of your points. That is the one concerning stimulating capital investment. Right now, when we are operating at two-thirds of capacity, you say why stimulate capital investment?

Between 1965 and 1973, the United States put the smallest percentage of its disposable income in capital investment of any major nation in the world. In 1973 and 1974 we were faced with some severe shortages of productive capacity in some of our basic industries, and I mean basic industries such as steel, chemicals, aluminum, and paper. I think we could run up against a brick wall, once we get the economy stimulated, since there may be some severe limitations in some basic industries unless they have the cash flow that is necessary for investments. And I surely don't want to take it from the poor and give it to the rich. But there has to be a cash flow available in the way of capital, which leads firms to improve their capacity and increase their capacity. So, in the basic industries, at that point I differ.

Otherwise, I endorse your statement.

I would like to call Mr. Perry and Mr. Anderson. If you gentlemen would go ahead.

**STATEMENT OF BERNARD E. ANDERSON, ASSOCIATE PROFESSOR OF INDUSTRY, INDUSTRIAL RESEARCH UNIT, THE WHARTON SCHOOL, UNIVERSITY OF PENNSYLVANIA, ACCOMPANIED BY CHARLES R. PERRY, ASSOCIATE PROFESSOR OF MANAGEMENT AND INDUSTRIAL RELATIONS**

Mr. ANDERSON. Senator, I am Bernard Anderson, associate professor of industry in the Wharton School, University of Pennsylvania. I am accompanied here this morning by Charles Perry, associate professor of management and industrial relations in the Wharton School. We have submitted for publication in the record of these hearings a lengthy statement setting forth our views on manpower programs. But in the interest of time, I would like to read a brief statement, and then entertain whatever questions you might have on the substance of our remarks.

Chairman BENTSEN. Mr. Anderson, we will take your entire statement for the record, and we will be pleased to accept your summation.

Mr. ANDERSON. Thank you very much.

Chairman Bentsen and members of the Subcommittee on Economic Growth, we want to express our pleasure on being asked to testify before you on labor market policies for full employment. Charles Perry and I will focus on the results of our research on the impact of manpower programs on minorities and women.

In 1973, at the invitation of the U.S. Manpower Administration Office of Research, we undertook a study designed to analyze and consolidate the existing empirical evidence bearing upon the impact of major categorical manpower programs in existence prior to the passage of the Comprehensive Employment and Training Act of 1973.

The existing evaluative literature on manpower programs consists of literally hundreds of individual studies conducted by many different individuals for many different purposes. Our survey of this extensive and diverse literature revealed the existence of about 250 studies with some empirical data on the economic impact of programs other than the experimental and demonstration projects. These studies, prepared between 1964 and 1972, constitute the basic source of information for our assessment of the impact of manpower programs on minorities and women. In addition to the evaluative studies, however, we also analyzed some of the operating statistics maintained by the Manpower Administration.

The basic assumption underlying the manpower policy has been that barriers to meaningful participation in the labor market are likely to persist for many individuals if they do not receive assistance through Government subsidy and support. The central purpose of such policy has been to enhance the competitive position of individuals facing barriers to employment such as the lack of job skills, deficiencies in basic education, lack of job market information, sociopsychological handicaps, the inability to obtain supportive services such as counseling, child care, and transportation to jobs. Despite these needs, the major manpower programs adopted to implement manpower policy have been highly diverse in terms of specific goals, primary target groups, administrative structures, and operating characteristics. In order to gain a clear view of the differential impact of manpower programs, we found it useful to develop a classification scheme in which each major manpower program would be classified into one of four categories based upon the services they provided to their clientele.

The first category is skill training programs, which include MDTA institutional training, and MDTA on-the-job training. The second category is job development programs, which emphasize the increase in the pool of job opportunities available to the disadvantaged or other specifically identified groups having employment problems. The four major programs in this category are Job Opportunities in the Business Sector, Public Service Careers, Apprentice Outreach program, and Public Employment program.

The employability development program, category No. 3, includes those programs which emphasize the removal of psychological, environmental, educational, and institutional barriers to full participation in the labor market. These programs include Opportunities Industrialization Centers, Concentrated Employment program, Work Incentive program, and the Job Corps.

Finally, the category work experience programs provide income for youth and the elderly through various types of part-time work opportunities. The two major programs are Neighborhood Youth Corps and Operation Mainstream.

During the 1960's, manpower policy moved increasingly toward minority and female target groups. Between 1965 and 1972, about 9 million people participated in the major federally funded programs. Of the total number, 4.1 million or 45.8 percent were black; 461,000, or 5.2 percent, were other nonwhite minorities; and 3.9 million, or 43.9 percent, were women. Slightly more than 7 of every 10 enrollees, including minorities and women, were under 22 years of age, and somewhat more than 3 of every 4 had less than a full high-school education.

The impact of manpower programs on minorities and women will depend not only on their level of participation, but on their pattern of participation across programs. As a general rule, programs which emphasize the acquisition of job skills should be expected to generate greater short term gains in employment and earnings than programs which emphasize removal of other types of barriers to full participation in the labor market. In this context, data on minority and female enrollment by program provides a less optimistic picture of potential economic gains. Specifically, the data show that although minority and women trainees were numerically significant in most manpower programs, they were heavily concentrated in programs having a limited emphasis on the acquisition and development of marketable occupational skills.

Nearly 2.4 million blacks, or 57.9 percent of all black enrollees, were in the work experience programs, the most dominant of which was the Neighborhood Youth Corps. In contrast, proportionately fewer minorities and women compared to all others participated in the programs emphasizing skills training.

Within the time available, it is not possible to present a detailed summary of the results of our research. Instead, we have submitted a lengthy statement for publication in the record of these hearings. In addition, an even more complete report on our findings will be available in our book on the Impact of Government Manpower programs, to be published by the Industrial Research Unit at the end of this month. The following comments present only the broadest conclusions drawn from our research.

Number one, the available data are inadequate for determining the impact of manpower programs on the post-training wage rates, annual earnings, and employment experience of programs participants. Almost all studies were plagued by small sample size, incomplete or inappropriate research methodology, and the absence of an adequate control group useful for comparing the gains among manpower program participants. Evaluative studies containing information on the post-training experiences of those in the Job Development and Employability Development programs are few in number. This greatly reduces the information on program impact on minorities and women, because they were heavily concentrated in job and employability development programs.

Number two, the limited data which are available on economic impact by race or sex generally indicate that manpower programs have had a limited but positive effect on minorities and women. Further, the data suggest that the relative gains of women from manpower training have exceeded similar gains of minorities. Women have experienced larger gains than their male counterparts in a number of programs, and particularly in those programs which had the more significant overall impact on participant earnings.

The pattern of absolute and relative economic gains of female participants in various manpower programs indicates that they have been the beneficiaries of relatively high returns to skill training. The most visible evidence of such returns is found in the net earnings and wage rate gains of women in MDTA training programs. Supporting evidence can be found in the wage rate gains of female participants in other programs such as OIC, WIN, and the Job Corps. The key to these returns seems to be in the fact of high and rising demand in

those fields in which women were trained, namely the clerical and health-service fields.

The pattern of absolute and relative economic gains of minority group participants indicates that they have benefitted most from job development programs. The strength of these programs in serving minorities may be their ability to widen the access of jobs available to minority workers through modification of employer hiring practices.

Employability development and work experience programs seem to have had the least impact in improving the labor market status of female and minority group participants. In large measure, the impact of these programs is constrained not only by the weakness of program services in relation to the needs and problems of the young and the disadvantaged, but also by the greater strength of labor market barriers confronting minorities and women.

Number three, the economic impact is only one dimension of the possible outcomes produced by participation in manpower programs. Noneconomic benefits, such as habits of health and nutrition, educational achievement, social attitudes, job satisfaction, self-confidence, and good citizenship, may be as important, if not more important, than short terms economic benefits from training. Unfortunately, however, we have almost no reliable evidence on the noneconomic effects of the manpower programs, and cannot estimate what such effects might be for minorities and women.

In conclusion, if information regarding the post-training experience of manpower program participants is considered necessary for the formulation and implementation of manpower policy, a much larger investment in research on impact evaluation must be made. Although the state of the art in evaluation methodology is still being refined, much useful information can be obtained from carefully structured studies performed by skilled and experienced manpower research specialists. The lack of systematically-collected followup data currently presents a major barrier to the process of evaluation, and will continue to limit the value of program impact assessment if measures are not taken to modify current practices for record keeping in manpower service delivery agencies. This is especially important at the present time, because of the greater decentralization of manpower planning and implementation under CETA. If more resources are devoted to the collection and analysis of data on the post-training earnings and employment experience of manpower participants under CETA, perhaps future evaluators will have a far more reliable data base on which to make judgments regarding the impact of manpower programs on minorities and women.

[The prepared statement of Mr. Anderson and Mr. Perry follows:]

PREPARED STATEMENT OF BERNARD E. ANDERSON AND CHARLES R. PERRY

#### I. INTRODUCTION

This report summarizes the results of a review of existing evaluative studies of categorical manpower programs in existence prior to the implementation of the Comprehensive Employment and Training Act of 1973 (CETA). The purpose of the review was to analyze and consolidate existing empirical evidence on the impact of pre-CETA manpower programs on minorities and women. The review was undertaken with the support of the Manpower Administration of the U.S. Department of Labor.

The existing evaluative literature on manpower programs consists of literally hundreds of individual studies conducted by many different individuals and



and organizations for many different purposes. A survey of this extensive and diverse literature revealed the existence of about 250 studies with some empirical data on the impact of programs other than the experimental and demonstrative projects. These studies, prepared between 1964 and 1972, constitute the basic source of information for our assessment of the impact of manpower programs on minorities and women.

Our research focused on the direct program impact on enrollees, and did not extend to derivative effects on institutions or society. Primary emphasis was placed in direct economic impact on enrollees such as post-training wage rates, annual earnings, and employment stability. An effort was made to identify and assess noneconomic impacts on program participants, but the effort met with little success because few studies devoted any attention to such noneconomic effects as habits of health and nutrition, educational achievement, social attitudes, job satisfaction, self-confidence, and good citizenship. The noneconomic impact of manpower programs on the individual well-being of participants, while potentially significant, remain unsubstantiated by rigorous empirical evidence.

A realistic assessment of economic impact requires recognition of the basic differences among categorical manpower programs in their scope, purpose, organizational structure, and geographic location during the 1960s. The impact of the programs on minorities and women was also influenced by the special labor market problems of these groups and the degree to which minorities and women participated in programs having different purposes and operational characteristics. In order to consolidate existing data on program enrollment by race and sex, and to analyze and interpret the results of the evaluative literature, it is necessary to construct a typology of manpower programs reflecting their policy and organizational variations.

## II. MANPOWER POLICIES AND PROGRAMS

The basic assumption underlying manpower policy has been that barriers to meaningful participation in the labor market are likely to persist for many individuals if they do not receive assistance through government subsidy and support. The central purpose of such policy has been to enhance the competitive position of individuals facing barriers to employment such as the lack of job skills, deficiencies in basic education, lack of job market information, socio-psychological handicaps, and the inability to obtain supportive services such as counseling, child care and transportation to jobs. Despite this common base, the major categorical manpower programs adopted prior to the passage of CETA were highly diverse in terms of their specific goals, primary target groups, administrative structures and operating characteristics. However, they may be classified into four major categories on the basis of the services they provided to their clientele.

A. *Skill Training Programs.* These programs emphasize occupational skill training relevant to the local labor market. Two major programs comprise this group:

1. MDTA Institutional Training. Provides classroom instruction, remedial and skill training, training allowances, some supportive services.

2. MDTA On-the-Job Training. Jobless and underemployed workers are hired and trained at the employer's work site and are paid by the employer.

B. *Job Development Programs.* Programs in this group emphasize the increase in the pool of job opportunities available to the disadvantaged or other specially identified groups having employment problems. There are four major programs in this category:

1. Job Opportunities in the Business Sector (JOBS). Created in 1968 to encourage the private business sector to hire, train, and retain the disadvantaged unemployed. Employers may be subsidized under contract with the U.S. Department of Labor, or may pledge to hire a specific number of disadvantaged persons without cost to the government. Supportive services may be added to the employer's contractual commitment in order to enhance the employability of the disadvantaged.

2. Public Service Careers (PSC). Provides work experience for the disadvantaged in local, state, and federal government agencies. On-the-job training and supportive services are also provided.

3. Apprenticeship Outreach Program (AOP). A recruiting, counseling, and placement program designed specifically to increase minority participation in apprenticeable trades, mainly in the construction industry. Operated by various

community based organizations. Civil rights groups, and trade unions under contract with the U.S. Department of Labor.

4. **Public Employment Program (PEP)**. Provides federal support to state and local governments to hire the unemployed in "transitional" public service jobs under the Emergency Employment Act of 1971. The program differs sharply from other manpower programs because it attempts to increase labor demand rather than to improve the quality of labor supply through job training. Federal guidelines on participation in the program do not require an emphasis on recruiting the disadvantaged, poor, or minorities.

C. **Employability Development Programs**. These programs emphasize the removal of psychological, environmental, educational, and institutional barriers to full participation in the labor market. Included are :

1. **Opportunities Industrialization Centers (OIC)**. A predominantly black self-help job training program which emphasizes self-motivational and attitudinal preparation as well as limited occupational training for entry level jobs.

2. **Concentrated Employment Program (CEP)**. A program designed to coordinate and concentrate manpower efforts to attack problems of the very hard-core disadvantaged in urban or rural areas that have serious problems of unemployment or subemployment. Provides outreach, counseling, supportive services, work training, and placement.

3. **Work Incentive Program (WIN)**. Created through amendment of the Social Security Act to provide job training and supportive service for employable AFDC recipients. Employers may receive a tax credit of up to 20 percent of the first year's wages, and the federal government will finance 90 percent of training costs of WIN participants.

4. **Job Corps**. Provides both residential and nonresidential training and education for disadvantaged men and women aged 16 through 21 who are out of work and lack marketable job skills. The Job Corps concentrates on disadvantaged youth having the most serious problems of employability.

D. **Work Experience Programs**. Programs in this group provide income for youth and the elderly through various types of part-time work opportunities. The two major programs are :

1. **Neighborhood Youth Corps (NYC)**. Emphasizes orientation and work experience for in-school and summer participants and skill training for out-of-school youth. Attempts to assist young people to remain in school until completion of high school, or barring that, to provide them with the minimum necessary to get into the labor market.

2. **Operation Mainstream (OM)**. Focuses on part-time jobs primarily for the elderly in local, private, and public organizations. The jobs are expected to improve the quality of life in the community.

### III. MINORITIES AND WOMEN IN MANPOWER PROGRAMS

During the 1960s, manpower policy moved increasingly toward minority and female target groups. Initially, MDTA focused on the unemployment problems of experienced members of the work force and served a predominantly male and nonminority clientele. As the problems of worker displacement and long term unemployment abated in response to accelerated economic growth, the focus of MDTA and other newer programs shifted to the persistent unemployment problems of low-income and disadvantaged workers with a concomitant increase in service to minorities and women.

TABLE 1.—MANPOWER PROGRAMS, NUMBER AND PERCENT OF ENROLLEES BY SELECTED CHARACTERISTICS IN MAJOR MANPOWER PROGRAMS, SUMMARY, FISCAL YEARS 1965-72

[Numbers in thousands]

Program	All enrollees, total <sup>1</sup>	Minorities				Sex, women		Age, under 22 years		Education, less than 12 years		Received public assistance	
		Black		Other		Total	Percent	Total	Percent	Total	Percent	Total	Percent
		Total	Percent	Total	Percent								
MDTA-institutional.....	1,184	466	39.4	48	4.1	530	44.8	494	41.7	668	56.4	162	13.7
MDTA-OJT.....	626	174	27.8	19	3.0	190	30.4	221	35.3	299	47.8	32	5.1
Neighborhood Youth Corps:													
In-school <sup>2</sup> .....	4,070	1,948	47.9	216	5.3	1,840	45.2	4,070	100.0	3,966	97.4	1,318	32.4
Out-of-school <sup>3</sup> .....	917	420	45.8	46	5.0	437	47.7	903	98.5	800	87.2	272	29.7
Concentrated employment program.....	469	307	65.5	35	7.5	199	42.4	193	41.2	307	65.5	64	13.6
Work incentive program.....	406	160	39.4	18	4.4	256	63.1	98	24.1	261	64.3	403	99.3
Job opportunities in the business sector.....	313	192	61.3	25	8.0	99	31.6	144	46.0	195	62.3	48	15.3
Job Corps <sup>3</sup> .....	233	140	60.0	23	9.9	63	27.0	233	100.0	213	91.4	79	33.9
Public employment program.....	305	79	26.0	9	3.0	85	27.9	70	23.0	82	26.9	37	12.1
Public service careers <sup>4</sup> .....	112	51	45.5	(5)	(5)	72	64.3	23	20.5	40	35.7	22	19.6
Opportunities industrialization centers.....	163	146	89.6	8	5.0	114	69.9	54	33.1	122	74.8	102	62.6
Apprentice outreach.....	22	19	86.4	2	9.1	(5)	(5)	20	90.9	2	9.1	(5)	(5)
Operation Mainstream <sup>6</sup> .....	90	20	22.2	12	13.3	23	25.6	3	3.3	69	76.7	18	20.0
<b>Total.....</b>	<b>8,910</b>	<b>4,122</b>	<b>46.3</b>	<b>461</b>	<b>5.2</b>	<b>3,908</b>	<b>43.9</b>	<b>6,526</b>	<b>73.2</b>	<b>7,024</b>	<b>78.8</b>	<b>2,557</b>	<b>28.7</b>

<sup>1</sup> 1st time enrollees.

<sup>2</sup> Neighborhood Youth Corps total includes September 1965 to August 1970 data and fiscal years 1971 and 1972 figures.

<sup>3</sup> Job Corps total includes June 1968, calendar year 1968, and fiscal years 1970, 1971, and 1972 figures.

<sup>4</sup> Public service careers total includes data for fiscal years 1970-72 only, due to absence of socioeconomic distribution for previous years.

<sup>5</sup> Not available.

<sup>6</sup> Operation Mainstream total includes data for fiscal years 1968-72 only due to absence of socioeconomic distribution for previous year.

Source: Derived from the following: U.S. Department of Labor, "Manpower Report of the President": 1968, table F-8, p. 314—1969, tables F-8, p. 244; F-10 and F-11, p. 247; F-12, p. 249; F-15, p. 252—1970, tables F-9, p. 312; F-10, p. 313; F-11, p. 314; F-13 and F-14, p. 316; F-19, p. 321—1971, tables F-10, p. 309; F-11, p. 309; F-12, p. 310; F-13 and F-14, p. 311—1972, table F-8, p. 268—1973, tables F-1, p. 227; F-5, p. 231; F-8, p. 234. U.S. Department of Labor, Manpower Administration, public employment program statistics. OIC National Institute, "Annual Report 1971-72."

Between fiscal years 1965 and 1972, about nine million persons participated in the major federally funded manpower programs (Table 1). The great majority of enrollees in the programs were poor or disadvantaged.<sup>1</sup> Of the total number of enrollees during the eight year period, 4.1 million or 45.8 percent were black, and 3.9 million, or 43.4 percent were women. Slightly more than 7 of every 10 enrollees (72.4 percent), including minorities and women, were under 22 years of age, and somewhat more than 3 of every 4 (77.9 percent) had less than a full high school education.

Aggregate enrollment figures provide only a very crude and perhaps misleading index of the potential impact of manpower programs on the labor market status of minorities and women. The short run economic benefits accruing to participants in any manpower program may be heavily influenced by factors such as the level of economic activity, location of the program, characteristics of the enrollees, and period of time during which the post-program economic effect is measured. In addition, the basic differences among manpower programs in types of services provided generate differential expectations regarding the level and structure of economic benefits for program participants. Thus the impact of manpower programs on minorities and women will depend not only on their level of participation but on their pattern of participation across programs.

As a general rule, programs which emphasize the acquisition of job skills should be expected to generate greater short term gains in employment and earnings than programs which emphasize the removal of other types of barriers to full participation in the labor market. The farther a manpower program moves from emphasis on the acquisition of marketable job skills, the lower may be the expected short-term economic benefits derived by its enrollees from participation. These expectations flow from the generally observed positive correlation between the level of wages and the skill level of occupations in most labor markets.

Most programs that do not emphasize skill acquisition have been disproportionately directed toward disadvantaged workers with few marketable job skills. Such programs are confined to attempts to expand job opportunities for the disadvantaged by removing nonskill barriers to employment. This strategy may generate an increase in the pool of jobs available to disadvantaged workers, but to the extent that the program does not raise individual employee productivity, the jobs obtained are likely to pay relatively low wages.

In this context, data on program enrollment provides a less optimistic picture of the potential economic impact of manpower programs (Table 2). Specifically, the data show that over 50 percent of all trainees were in work experience programs having a limited emphasis on the acquisition and development of marketable occupational skills. Minority and female trainees, although numerically significant in most manpower programs, were also heavily concentrated in work experience programs. Nearly 2.4 million blacks or 57.9 percent of all black enrollees were in the work experience programs, the most dominant of which was the Neighborhood Youth Corps.

Variations in enrollment between population groups were widest in the skills training programs, where non-minority trainees had proportionate dominance, and in the employability development programs, where relatively more blacks than any other group were enrolled. This enrollment pattern probably reflects the high concentration of employability programs in inner-city poverty areas where large numbers of blacks reside.

TABLE 2.—DISTRIBUTION OF ENROLLMENT AMONG MAJOR PROGRAM GROUPS

	Nonminority	Blacks	Females
All programs.....	100.0	100.0	100.0
Skill training.....	27.2	15.5	18.4
Job development.....	8.4	8.3	6.6
Employability development.....	11.7	18.3	16.2
Work experience.....	54.5	57.9	48.8

<sup>1</sup> According to the U.S. Department of Labor, a disadvantaged person is defined as a poor person who does not have suitable employment and who is either (1) a school dropout, (2) member of a minority group, (3) under 22 years of age, (4) 45 years or older, or (5) handicapped.

## IV. EVALUATING PROGRAM IMPACT

There are three dimensions to an evaluation of the economic impact of manpower programs. The first centers on benefits to the individual; the second on benefits to associated individuals; and the third, on benefits to society at large. In the following discussion, only benefits to the individual will be evaluated, with the major focus placed upon the ability of manpower programs to enhance the labor market status and performance of enrollees.

Three variables have generally been used to measure the economic impact of manpower programs on individual participants: 1) annual earnings; 2) hourly wage rates; and 3) employment stability. Annual earnings provides the most comprehensive measure of labor market performance and clearly constitutes the variable of greatest immediate concern to the individual, the family, and society as a whole, and is the focus of this report. Hourly wage rates and employment levels provide insight into relative labor market status and constitute indices of individual productivity, employability, and economic potential. However, the reliability and validity of these measures of labor market status and human capital are heavily influenced by the condition and the structure of labor markets.

*Control groups*

The key to assessing program impact is the measurement of change in the economic status of individuals which is uniquely attributable to participation in the program. In order to isolate all other influences that might generate change in the status of enrollees, a control, or comparison group should be selected. Ideally, the control group should match the program participants in almost every socio-economic, educational, and psychological dimension. Without an adequate control group as a base of comparison, it would be virtually impossible to conclude that any observed change in the status of program participants was attributable to their training experience.

The selection of an adequate control group has been one of the most difficult methodological problems confronting manpower programs evaluators. Questions of equity have prevented use of the preferred method of control group construction—random assignment. In lieu of this approach at least seven types of groups have been used by investigators, each of which has certain advantages and limitations for program evaluative purposes.<sup>2</sup>

1. Random selection from unsuccessful applicants to the program
2. Program completers who did not use the training
3. Dropouts from the program
4. Qualified interested non-enrollees
5. Qualified non-applicants
6. Friends, neighbors, and relatives
7. Social security records

*Evaluation studies of manpower policy*

The evidence discussed below on the economic impact of manpower programs on minorities and women is based on the review and assessment of 252 evaluative studies. Table 3 shows the number of studies reviewed for each program. In addition to the evaluative studies, about ninety books, journal articles, and unpublished manuscripts were reviewed as background information on the structure and operation of manpower programs, evaluative methodology, and other issues related to program assessment.

<sup>2</sup> Einar Hardin, "Benefit-Cost Analyses of Occupational Training Programs: A Comparison of Recent Studies," in G. G. Somers and W. D. Wood (ed.), *Cost-Benefit Analysis of Manpower Policies* (Madison, Center for Studies of Vocational Education, 1969), pp. 97-118.

TABLE 3.—SUMMARY OF EVALUATIVE STUDIES

Program	Total	With economic impact data	With data on minorities and/or women	With control group	With race/sex control groups
All programs.....	252	62	44	20	9
MDTA (institutional and OJT) <sup>1</sup> .....	64	20	14	6	5
Neighborhood Youth Corps.....	43	2	2	5	2
Job Corps.....	42	2	1	1	0
Opportunities industrialization center.....	12	6	1	1	0
Concentrated employment program.....	16	11	7	2	0
Work incentive program.....	35	14	13	2	0
JOBS.....	5	2	1	1	1
Operation Mainstream.....	5	1	0	1	0
Public service careers.....	10	1	0	1	0
Apprentice outreach.....	4	2	2	1	1
Public employment program.....	16	1	1	0	0

<sup>1</sup> Includes Olympus Research Corp., "The Total Impact of Manpower Programs: A Four City Case Study," Report submitted to Office of Policy, Evaluation and Research, Manpower Administration, U.S. Department of Labor, contract No. 43-8-008-47, August 1971. The study include data on 4 manpower programs in addition to MDTA.

Source: Data in author's possession.

The evaluative studies varied widely in their scope, time of enrollee observation, and methodological approach to the evaluative process. In most cases, the studies were little more than descriptive analyses of program operations and enrollment characteristics, with little or no useful information on the post/training labor market experience of enrollees. Evaluative studies containing information on the post/training experiences of participants in the Job Development and Employability Development Programs are virtually nonexistent. The paucity of useful evaluations of such programs greatly reduces the information concerning program impact on minorities because they were heavily concentrated in the job and employability development programs.

Less than one of every four studies provided post-training data on minorities and women and slightly less than one of every ten used a control group to compare the post/training experience of program participants with comparable individuals who did not receive manpower training services. In almost every case in which a control group was used, there were valid reasons to question the comparability of the controls and the treatment group. The inadequacy of the selection of control groups was so serious as to cast doubt on the major conclusions of program impact reported in some studies. In short, although there is a large number of studies available for review, few, if any, provide a comprehensive and reliable base of information from which firm conclusions might be drawn regarding the economic impact of manpower programs in general, and the impact on minorities and women in particular.

#### V. THE IMPACT OF TRAINING ON EARNINGS

There are a limited number of "total impact" studies which have attempted to assess the overall impact of various sets of manpower programs and manpower services on specific target populations or in specific communities. The most thorough of these studies, and the only one to provide extensive quantitative data on a substantial number and range of programs, is the Olympus Research Corporation study, "The Total Impact of Manpower Programs: A Four City Case Study."<sup>3</sup> Although this study does not contain

<sup>3</sup> Olympus Research Corporation, "The Total Impact of Manpower Programs: A Four-City Case Study," report prepared by Office of Policy, Evaluation and Research, Manpower Administration, U.S. Department of Labor, Contract No. 43-8-008-47, August 1971.

comparison groups, its results do provide an interesting and useful overview of the participant economic impact of the multiplicity of manpower programs in operation in most major labor markets.

The Four Cities study is unique in that it attempts to utilize its data on participant labor market experience to assess the relative economic impact of specific types of manpower program services. This assessment encompassed both those programs for which follow-up data on participants had been collected and those which were evaluated on a subjective basis without benefit of follow-up data. The results of this assessment are consistent with the general expectations regarding the impact of manpower programs outlined above and may be summarized as follows:

1. "The follow-up data provide a resounding testimonial for skill training. Across the board, those who obtained skill training came through with better employment stability and earnings than those who received only non-skill training."<sup>4</sup>

2. "There is no evidence which leads to the conclusion that placing people in prevocational training makes any difference one way or another." However, although the data "... mixed with respect to orientation and prevocational training," they did provide strong support for the value of basic education and language training—most notably, English as a second language—in enabling individuals to apply existing skills or to learn new ones.<sup>5</sup>

3. Job development programs are desirable and have positive individual impacts, but are too limited in their effective scope to have a major impact. Specifically, the JOBS programs was judged to have had a positive influence on individuals and to represent a desirable approach, but, "experience in the Four Cities suggests the program will never enroll enough employers or employees to have more than a minor impact." In a more general vein, the study reported that, "despite relatively tight labor markets in all of the cities, there simply were not employers hungrily waiting with attractive jobs in easily accessible locations which they were willing to offer manpower program participants."<sup>6</sup>

4. Work experience programs have been successful in providing needed income and a modest measure of self-esteem for participants, but have not had and could not reasonably be expected to have a measurable labor market impact. In general, such programs were characterized as "last resorts" for those "unlikely to make it in the regular labor market" which are justified by the lack of viable alternatives.<sup>7</sup>

The Four Cities study reported that participants in the various manpower programs included in the scope of its review generally enjoyed substantially higher annual earnings in the year after training than they did prior to their entry into those programs and concluded that, "manpower programs had, in general, a substantially positive impact upon the employment and earnings of their enrollees."<sup>8</sup> However, the study also reported that, "the average enrollee who worked following training was still earning at a rate of \$3,000 per year," and concluded that, "poverty had been made substantially more comfortable, but not eliminated."<sup>9</sup>

The study revealed no consistent differences among ethnic groups with respect to pre-training/post training changes in average earnings or wage rates, but did find consistently greater gains for women than for men. This difference, however, was viewed only as supportive of "the more general proposition that low wage rate and low income groups are more likely to improve than a high wage-income group," and not regarded as sufficient to justify a conclusion that, "either sex is a better prospect for improvement through manpower training."<sup>10</sup>

### *Skill training*

There are a number of studies of MDTA trainees which utilize comparison groups and provide estimates of the net earnings impact of training. For the most part, these estimates range between \$250 per year and \$800 per year and are concentrated between \$400 and \$500 per year. (Table 4). The most notable exceptions are the two Department of Labor studies based on Social Security data and comparison groups drawn from the Social Security Continuous Work

<sup>4</sup> *Ibid.*, Vol. I, p. 81.

<sup>5</sup> *Ibid.*, Vol. I, pp. 80-81.

<sup>6</sup> *Ibid.*, Vol. I, p. 83.

<sup>7</sup> *Ibid.*, Vol. I, p. 86.

<sup>8</sup> *Ibid.*, Vol. I, p. 78.

<sup>9</sup> *Ibid.*, Vol. I, p. 7.

<sup>10</sup> *Ibid.*, Vol. II, Chapter 22, p. 42.

History Sample, both of which have been questioned on methodological grounds.<sup>11</sup>

Five of these studies also provide estimates of the net earnings impact of MDTA training by sex and race. In general, these estimates indicate that women and minorities did experience substantial gains in income as a result of training and that those gains, and particularly those of black women, compared favorably with the net gains of their race/sex counterparts in training. (Table 4). The most notable deviation from this pattern appears in Sewell's findings of no impact for female institutional trainees in his primarily black sample. His finding may be traced to the fact that few such trainees elected to utilize their acquired skills in the labor market, although they do appear to have utilized them in a nonmarket context.<sup>12</sup>

TABLE 4.—MDTA: NET ANNUAL EARNINGS IMPACT OF TRAINING INSTITUTIONAL AND ON-THE-JOB PROGRAMS BY SEX AND RACE

[Trainees versus controls]

Study and type of training	Impact, overall	Males		Females	
		White	Nonwhite	White	Nonwhite
Hardin and Borus <sup>1</sup> (60-200 hr courses): Institutional.	\$250	+\$557	+\$1,151	+\$895	+\$1,095
Main: <sup>2</sup> Institutional.....	410				
Department of Labor <sup>3</sup> (1964):					
Institutional.....	70	-48	+129	+132	+211
On-the-job training.....	310	+350	+551	+291	+620
Sewell: <sup>4</sup>					
Institutional.....	295		+429		0
On-the-job training.....	600		+384		+756
Smith: <sup>5</sup> Institutional.....	416				
Prescott and Cooley: <sup>6</sup>					
Institutional.....	600	+719	+587	+527	+624
On-the-job-training.....	800	+842	+755		
Department of Labor <sup>7</sup> (1968):					
Institutional.....	0	-676	-732	-368	-364
On-the-job-training.....	0	+88	+44	+104	+300

<sup>1</sup> Einar Hardin and Michael Borue, "Economic Benefits and Costs of Retraining" (Lexington, Mass.: D. C. Heath, 1971), p. 162.

<sup>2</sup> Earl D. Main, "A Nationwide Evaluation of MDTA Institutional Training Programs" (Chicago, Ill.: National Opinion Research Center, University of Chicago, 1966), p. 56.

<sup>3</sup> U.S. Department of Labor, "Changes in the Duration of the Post-Training Period and in Relative Earnings Credits of Trainees: The 1965-69 Experience of MDTA Institutional and OJT Trainees, Class of 1964," unpublished report, 1971.

<sup>4</sup> David O. Sewall, "Training the Poor: A Benefit-Cost Analysis of Manpower Programs in the U.S. Antipoverty Program," (Kingston, Ontario, Canada: Queen's University, Industrial Relations Center, 1971), p. 85.

<sup>5</sup> R. E. Smith, "An Analysis of the Efficiency and Equity of Manpower Programs," unpublished Ph. D dissertation, Georgetown University, 1971, p. 85.

<sup>6</sup> Edward C. Prescott and Thomas F. Cooley, "Evaluating the Impact of MDTA Programs on Earnings Under Varying Labor Market Conditions," mimeographed report prepared for Office of Policy, Evaluation and Research, Manpower Administration, U.S. Department of Labor, contract No. 83-47-71-01, April 1971, p. 11.

<sup>7</sup> U.S. Department of Labor, "Highlights: Some Findings From a Follow-Up Study of Pre- and Post-Training Earnings Histories of 215,000 Trainees Participating in Two 1964 and Four 1968 Training Programs," unpublished study, 1971.

### Job development

There are two studies of job development programs which provide a basis for estimates of the net earnings impact of participation in such programs. One of the Department of Labor studies of 1968 JOBS enrollees included a comparison group drawn from the Social Security Continuous Work History Sample and yielded estimates of earnings advantage to participants of about \$300 per year for those in the contract segment of the program and of about \$700 per year for those in the non-contract segment.<sup>13</sup> The study of AOP in the nation's capital revealed that the completers experienced gains in weekly earnings which

<sup>11</sup> A statement of methodology is to be found in, David J. Farber, "Methods of Calculating Measures Used in Manpower Training Follow-up System:" a critique of this methodology in, Herman P. Miller, "Critique of David Farber's Method of Evaluating the Gains in Earnings of MDTA Trainees;" a reply to this critique in, David J. Farber, "A Reply to the Miller Critique of the M.A. Method of Evaluating the Gains in Earnings of MDTA Trainees;" and a further analysis of this approach in Orly Ashenfilter, "Progress Report on the Development of Continuous Performance Information on the Impact of the Manpower Development and Training Act." All are unpublished U.S. Department of Labor documents.

<sup>12</sup> Sewell, *op. cit.*, pp. 72-74.

<sup>13</sup> U.S. Department of Labor, "First Annual Follow-up, JOBS Contract and Non Contract Program," *op. cit.*



exceeded those experienced by dropouts by almost \$10 and those recorded by individuals not admitted to the program by about \$22.<sup>14</sup>

The study of 1968 JOBS enrollees provides the only concrete data on the net earnings impact of participation in a job development program by race or sex. These data clearly indicate that the JOBS program generated significant gains for its female and minority group participants—gains which generally compared very favorably with those of their male and non-minority counterparts in the program. Specifically, these data reveal the following ranges of net annual earnings impact by race and sex :

White males—\$0 (contract)—\$665 (non-contract).

Black males—\$120 (contract)—\$690 (non-contract).

White females—\$207 (contract)—\$625 (non-contract).

Black females—\$745 (contract)—\$980 (non-contract).

#### *Employability development*

There are two studies of the net earnings impact of participation in the Job Corps which constitute the only sound basis for assessment of the basic economic impact of employability development programs. Cain estimated earnings impact from wage rate data on corpsmen and a comparable group of youth with no Job Corps experience six months after termination from the program and computed annual earnings differentials in favor of corpsmen of \$187 to \$260.<sup>15</sup> Resource Management Corporation conducted a separate analysis of the same national samples eighteen months after termination and found that the earnings advantage of corpsmen was not significant.<sup>16</sup>

The only available basis for estimating the net annual earnings impact of the other employability development programs is to be found in the data from the Four City Study on pre-training trends in the labor market experience of the trainee groups in OIC, WIN and CEP. Four sets of estimates of net earnings effect were calculated based on different extrapolations of these pre-training trends. The result was a range of estimates of \$110 to \$500 with an average of about \$300. Unfortunately, the available data did not permit similar estimation of earnings impact by race or sex.

#### *Work experience*

There are two comparison group studies of NYC participants based on post-program earnings alone, both of which reveal only negligible differences between participants and their "controls". A study of participants and eligible non-participants in NYC out-of-school programs in five urban areas in Indiana revealed that, on the average, participants earned \$316 more in 1967 than did eligible non-participants, but this difference was not found to be statistically significant.<sup>17</sup> A nationwide study of participants in sixty in-school and summer programs revealed virtually no difference between participants and a matched sample of individuals from the same school with respect to total earnings in the post-high school period.<sup>18</sup>

Both of these studies also provide some insight into the net earnings impact of participation in NYC by race and sex. The former study revealed positive earnings returns for each hour of participation for male enrollees but only negligible increments in earnings as a result of participation for female enrollees.<sup>19</sup> The latter study provided some highly tentative confirmation of this pattern and also suggested that minorities may have gained more than non-minorities.<sup>20</sup>

#### VI. CONCLUSION

Nonwhites, especially black workers, registered impressive gains during the 1960 period when manpower programs were being developed and redirected

<sup>14</sup> Markley Roberts, "Pre-Apprenticeship Training for Disadvantaged Youth: A Cost-Benefit Study of Training by Project Build," report prepared for the Office of Policy, Evaluation and Research, Manpower Administration, U.S. Department of Labor, Contract No. 91-09-20-29, May 1970, p. 151.

<sup>15</sup> Glen G. Cain, *Benefit/Cost Estimates for Job Corps* (Madison, Wisconsin: Institute for Research on Poverty, University of Wisconsin, September 1968), p. 45.

<sup>16</sup> Resource Management Corporation, *op. cit.*

<sup>17</sup> Michael E. Borus *et al.*, "A Benefit-Cost Analysis of the Neighborhood Youth Corps: The Out-of-School Program in Indiana," *Journal of Human Resources*, Vol. V, No. 2 (Spring 1970), p. 147.

<sup>18</sup> Gerald Somers and Ernest Stromsdorfer, *Cost Effectiveness Studies of the Neighborhood Youth Corps In-School and Summer Programs* (Madison, Wisconsin: Industrial Relations Research Institute, University of Wisconsin, July 1970), p. 64.

<sup>19</sup> Michael E. Borus *et al.*, *op. cit.*, p. 149.

<sup>20</sup> Somers and Stromsdorfer, *op. cit.*, pp. 151-183.

toward the economic problems of minorities. The gains were especially evident among young black families. There is little evidence, however, that manpower programs played a major role in these gains. The primary contribution of manpower programs has been to facilitate entry into the labor force and different labor markets through varying combinations of outreach, training and placement, with the more traditional function of fostering upward mobility within the labor market being less in evidence. Within this framework, the impact of manpower programs has been most pronounced in those programs which have focused on skill training and job development and least significant in those programs which have been confined to pre-vocational training or work experience—the very programs which have served the highest concentrations of youth, minorities and women.

The limited data which are available on economic impact by race or sex generally indicate that manpower programs have had a limited, but positive, effect in breaking down the labor market barriers confronting minorities and women. Further, the data suggest that the relative gains of women from manpower training have exceeded similar gains of minorities. Women have experienced larger gains than their male counterparts in a number of programs and particularly in those programs which had the more significant overall impact on participant earnings; minorities, on the other hand, do not appear to have experienced earnings gains comparable to those of their non-minority counterparts in a similarly substantial number or favorable range of programs.

The pattern of absolute and relative economic gains of female participants in various manpower programs indicates that they have been the beneficiaries of relatively high returns to skill training. The most dramatic evidence of such returns is to be found in the net earnings and wage rate gains of women in MDTA training programs. Supporting evidence can be found in the superior wage rate gains of female participants in other programs with some skill training components—most notably, OIC and, to a lesser extent, WIN and Job Corps. The key to these returns, however, might not lie in the intrinsic value of skill training but in the fact of high and rising demand in those fields in which most women were trained—the clerical and health-service fields. In this respect, it must be noted that low rates or labor force participation among female trainees and particularly among WIN trainees constituted and is likely to continue to constitute a major constraint on the overall impact of skill training.

The pattern of absolute and relative economic gains of minority group participants indicates that they have benefitted most from job development programs such as JOBS and AOP. The strength of these programs in serving minorities may be traced to their impact on discriminatory hiring standards and practices—an interpretation which receives some support in the fact that women also fared reasonably well in both JOBS and PEP. The major limitation on the impact of these programs rests on their limited scope and sensitivity to changing labor market conditions and to shifting programmatic priorities. However, even if the direct economic gains of minority (and female) participants in these programs are only transitory, it is not clear that there are no longer run benefits to those participants in terms of enhanced access to and standing in the primary labor market.

The relative weakness of employability development and work experience programs in improving the labor market status of female or minority group participants is disappointing, but perhaps inevitable. In large measure, the impact of these programs is constrained not only by the weakness of program services in relation to the needs and problems of the old, the young and the severely disadvantaged, but also by the greater strength of the labor market barriers confronting minorities and women. Thus, it may be unfair or unrealistic to judge such programs on the basis of their short-run economic impact alone and more appropriate to view them as long-run investments in social and human capital.

The relative importance of employment gains in explaining the earnings gains of manpower program participants has potential implications for the stability and duration of the economic benefits of training. Specifically, to the extent that the employment effect is dominant, the long-run gains from training will be heavily dependent on the quality of the jobs on which participants are placed in terms of vulnerability to changing economic conditions, transferability of experience and skills acquired on the job and opportunity for advancement. There is little detailed data on this dimension of the post-program labor market experience of participants, but the information which is available does *not* suggest

that substantial percentages were placed in areas of growing demand, in jobs with substantial skill requirements or training content or in positions with real potential for advancement.

#### VI. SUGGESTIONS FOR FUTURE RESEARCH

On the basis of the evidence contained in this study, several comments might be made regarding future research on manpower program evaluation. First, in the assessment of program impact on individual participants, much more attention should be devoted to the noneconomic benefits of training. This is especially important in measuring the effectiveness of manpower training for minorities, because the limited job mobility and high unemployment of such groups are attributable not only to inadequate job skills, but also to personal attitudes, deficient health care, incomplete societal acculturation, and many personal environmental conditions which limit the range of opportunity for full participation in the labor market. If minority group status is amenable to improvement from participation in work and training programs, the changes in noneconomic conditions, such as work attitudes, health care, and physical environment, are likely to represent a major component in the overall advancement of the group. Such program effects should be identified and measured by research investigators more systematically than is the current practice.

Second, future research on impact evaluation might be more valuable to program planners and administrators if greater attention were devoted to the link between specific combinations of manpower services and observed economic and noneconomic outcomes. Despite the large volume of evaluative research reviewed for this study, there is little evidence to suggest how alternative combinations of services affect the post-training experiences of program participants. In the discussion above, this question was approached very broadly by attempting to group together programs whose manpower service mix were similar. Such a procedure, however, is not very satisfactory for purposes of program planning because the variation in the content and quality of manpower services within specific categorical programs tends to be very wide. As manpower policy moves toward greater decentralization under the Comprehensive Employment and Training Act of 1973, one of the major tasks confronting program evaluators will be to determine which kinds of services "work" best in achieving predetermined goals of increased earnings and employment for the disadvantaged unemployed.

A third consideration is that the difficulty of reconciling the results of research conducted by separate investigators suggests the need for clearer standards for evaluative research. Research studies on the impact of manpower programs inevitably focus on different labor markets, population target groups, and time periods. All too often, however, the studies also differ dramatically in their definition and methodology for measuring program outcomes. As a result, instead of adding to the cumulative storehouse of knowledge regarding the effectiveness of work and training programs, the studies provide little general or generalizable information on program outcomes. Greater comparability in research methodology would mitigate this problem and should be encouraged.

The results of our study strongly support the need for time series or longitudinal type data on participant earnings and employment status. If the collection of such information can be incorporated in the implementation of CETA, perhaps future evaluators will have a far more reliable data base on which to make judgments regarding the impact of manpower programs on the post-training status of enrollees.

Mr. ANDERSON. Now, I would like to add just one statement, Mr. Chairman, to these prepared remarks. I want to take this opportunity to call attention to what I consider to be one of the major problems associated with the effects of the current recession; and that is the disastrous impact on this economic travail on minority youth. Mr. Lucy very graciously quoted me a minute ago on my estimate of what the rate of unemployment really is among black youths, and I would like to add just a little bit to that.

The Bureau of Labor Statistics estimates that the rate of unemployment among black youth 16 to 19 is somewhere in the neighborhood of 40 percent. That fails to take into consideration the fact that over the past two and a half decades, there has been a dramatic decline in

the degree of labor force participation among young blacks. Let me just give you an example of this. In 1950, about 60 percent or thereabouts of young black males 16 to 19 were in the labor force. That means they either had jobs, or they were looking for jobs, compared to about 64 percent—

Chairman BENTSEN. Give me those percentages again.

Mr. ANDERSON. These are estimates. About 60 percent of black males 16 to 19 years of age in 1950, I think the statistics show, either were employed or were seeking employment. That means that they were members of the labor force, compared to about 64 percent among young white men. Now, between 1950 and 1974, the labor force participation rate among young white males 16 to 19 has either been above 50 percent or above 60 percent; while the labor force participation rate among young black males has continued to decline precipitously, to the point where it is now around 47 percent. What that means then, you see, is that the 40 percent unemployment rate among young black males is 40 percent of the 47 percent who are either employed or seeking work; that is, over half the young black males in this country today between 16 and 19 either do not have jobs or are not looking for jobs. And, if we add one-half of those who are not in the labor force, the rate of unemployment among young black males today would be at least 65 percent. And I submit to you that unemployment must be defined in terms of those who do not have jobs, and there are warm bodies out there somewhere that do not have jobs, and they want to work.

If you want to know if they want to work, look at what has happened around this country when the summer youth employment program was announced. In Philadelphia alone, the day after the jobs were announced—and there were, I think, 11,000 jobs to be available—approximately four times as many young people applied for those jobs as there were jobs available, and a substantial proportion of those young people were black teenagers.

Now, there is another dimension to this that I think does not get enough attention, and that is, the statistics that I have just mentioned to you have been getting worse over the past two decades. This is not the result, mainly, of the current recession. The position of young blacks in the labor force has continued to deteriorate, in good times and bad, over the past two decades; if you will look at the statistics during the 1960's, when we supposedly approached full employment, you will find that even in those times the employment conditions among black teenagers continued to deteriorate. I would say again, and emphasize that if the economic projections of our forecasts are correct, and the Wharton Economic Forecast, which is one of the more accurate of this type, estimates that the rate of unemployment through 1976, the aggregate rate of unemployment, will be in the neighborhood of 8.2 percent.

Now, if we projected that through 1977, through 1978, 1979, and 1980, what we are saying is that a large number of those young blacks who are in the inner city cannot look, cannot expect to find any jobs available for them until they become adults. And I believe that there will be a connection between the joblessness as teenagers and the incidence of unemployment when they become adults.

And I simply wanted to call your attention to this.

Chairman BENTSEN. I could not agree with you more. And it is not just black teenagers. It is white teenagers, too. But to a substantially greater degree among black teenagers. You are talking about unemployment being well over 15 percent, well over.

You are talking about substantially more than that. That becomes a way of life for a person. You know they get that commencement address, and they are already to go out there and change the world and be a part of the system.

But they go for 2, 3, 4 years without a job. Everybody has to be someplace, as the saying goes. And so he is on welfare. And you are supporting him. And that becomes a way of life for him. Then finally, you know, he gets turned off to the system. He gets turned off to the Government. He is not a participant. He has a lot of time on his hands, nothing to do but go down and pick up that welfare check. And yet when he gets to be an adult, he has got it set in his mind already as to what the system is. It is pretty hard for him get encouraged enough to go out and look for a job. He has been turned down, turned down, and society has had no productive role for him to fill. And I think that is a very dangerous thing for this country of ours. I think the social, political, and economic consequences are long lasting. There is a psychological impact there that we are going to be paying for, for years to come.

That is why I think it is terribly important that we find a productive role for everyone, somewhere where they can participate, where they can be on payrolls, not drawing unemployment compensation or welfare, and participating in the system.

And that is why I think to settle for these levels of unemployment can be a disastrous thing for this country of ours in the long run and a danger to the whole system.

Let me ask you this, Mr. Anderson and Mr. Perry, we have people today who say—some economists and policymakers alike—it is more difficult to reach full employment today than it was 20 years ago because of the change in the age and sex composition of the labor force.

Now, do you think that is true? Mr. Perry, Mr. Anderson, either one of you?

Mr. PERRY. I think much of your question goes back to some of things that Ms. Bergmann was mentioning. As long as we do have occupational segregation and as long as there are structural barriers to full utilization of our respective work force across the ranges of occupation, across the ranges of industry it is likely that as we approach full employment, that we will encounter sectors in which we really have overemployment sooner than we did 10 years ago.

To the extent that we find certain groups are excluded from meaningfully participating in competing for jobs, there will be this kind of tension created in the labor market which will enhance the amount of inflation we are likely to encounter at any level of aggregate demand.

Clearly, in this respect, I think that, I guess I am a little more optimistic about the role that manpower and training programs have to play than Ms. Bergmann, but I do not feel that they can be the solution in and of itself—more effective civil rights enforcement and more effective training and basic education programs, because breaking down occupational segregation really has to go, I think, beyond the

kinds of civil rights enforcements we have conceived of thus far, breaking down those stereotypes, reinforce occupational segregation.

They are breaking down now slowly, not rapidly enough, but I think we do have to face the prospect that over some intermediate run we are likely to have to tolerate somewhat greater rates of inflation to achieve full employment. Given the changing composition of our labor force coupled with the inevitable changes in the structure demand for labor in our economy, clearly the tolerance of everybody for that added margin of inflation will differ dependent upon the viewpoint.

There is a role in that respect for manpower training programs, particularly training programs, I think, that are linked more effectively not only to the labor market demand for labor but to our basic educational system.

Chairman BENTSEN. Do you think we are going to have to settle for a 5- or 5½-percent unemployment goal as some economists are claiming?

Mr. ANDERSON. I think there is a different sense in which that statement is often made. If you look at the Economic Report of the President for 1975, there was a chapter on unemployment in which the argument to which you draw attention was made. That is in part a statistical artifact; that is, if the proportion of groups in the labor force who are prone to unemployment increases, there will be necessarily an increase in the aggregate level of unemployment. And over time, there has been an increase in the proportion of members of the work force who are prone to unemployment.

This has been due to the increase in labor force participation of women, the increased proportion of young people in the labor force who tend to be prone to unemployment. Now, I think that the policy prescription that comes from those statistical facts, is not clear. That is to say, it depends on what you want to do about the problem.

I would tend to argue the following, that if, in fact, we have in the labor force larger numbers of individuals who are prone to unemployment, what that should mean is that we redouble our efforts to deal with the special employment problems of those groups. It should not mean that we continually redefine upward the full employment-unemployment rate which has been the pattern of the Council of Economic Advisers ever since the 1960's.

The Kennedy Council set 4 percent as the interim target. A little later on we got 5 percent as the interim target. Now, much to my dismay, some of my colleagues in the economics profession are talking about 6 percent as the target for full employment. I think that is a defeatist attitude. I think when we get to the point in this country where we write off millions of people as being unemployed that this Nation is going to be in very serious difficulty.

Chairman BENTSEN. Mr. Perry, did you have some formal comments that you wanted to add?

Mr. PERRY. No; I think the statement of Mr. Anderson that he wrote summed up our comments.

Chairman BENTSEN. Mr. Ronald Brown, director of the National Urban League.

Mr. Brown.

**STATEMENT OF RONALD H. BROWN, DIRECTOR, WASHINGTON  
BUREAU, NATIONAL URBAN LEAGUE, INC.**

Mr. BROWN. Thank you very much, Senator Bentsen, and of course it is a pleasure for the National Urban League to have the opportunity to appear before the subcommittee this morning on an issue that we consider to be most crucial.

I would like to make one minor correction for the record and that is, as you well know, I am director of the Washington Bureau of the National Urban League. Vernon Jordan is director of the National Urban League, I would not want to replace him without his knowledge.

I will proceed with my statement with some minor changes from the original text.

At our 1974 annual conference, we selected the theme of Full Employment as a National Goal because of our strong convictions that unless and until there are decent jobs at decent wages for every American capable of work, our Nation will continue to be haunted by the spectre of a growing number of persons for whom there are no useful roles in our society.

The primary issue raised by that theme was one that America cannot continue to avoid. That issue focused on whether we are willing to tolerate an untenable situation in which people cannot find work and, therefore, must resort to other means to survive, or, will we accept employment as one of the guaranteed rights of a people in a democratic society committed to life, liberty, and the pursuit of happiness.

The Full Employment Act of 1946 established a national policy that all citizens able and willing to work should, in fact, be afforded useful employment opportunities. Subsequent interpretations of this legislation suggested that an unemployment rate of 4 or 5 percent was acceptable. However, the National Urban League has long adhered to the premise that no level of unemployment can be considered an acceptable one. At a Black Economic Summit meeting last year, where the Urban League served as one of the coconveners, the major black national organizations noted that:

One of the success measures of any economy or system of government is its ability to provide meaningful jobs in the public and private sector at an equitable and adequate wage for all citizens who are willing and able to work. Full employment is our goal.

The reason I quote from that conference is that it was a very historic and important one. I think you can appreciate the fact that black people and other minorities were fairly well excluded from the economic summitry that was taking place, that was sponsored by the administration. We felt it necessary to convene the major black organizations from across the country to make recommendations to have input into that process.

These are critical times for millions of Americans. And despite the political whims of a national administration which is bent more toward reducing inflation than on putting people back to work, we strongly believe that both are of such significant import that they deserve equal attention, thought, and action.

According to data recently compiled by our research department, black unemployment soared to a record 2.9 million persons in the first quarter of 1975. Using a hidden unemployment index, based on a formula devised by the Joint Economic Committee, our research indi-

icates the unemployment rate for blacks has increased from 21.1 percent in the last quarter of 1974 to 25.8 percent for the first quarter of this year. Even the U.S. Department of Labor, which does not take into account the discouraged worker who has dropped out of the labor market or part-time workers who want full-time jobs, has stated that the black jobless figure reached a record 1.5 million, pushing the official jobless rate to 14.2 percent.

Senator Bentsen, the accurate figures are approximately double what the Department of Labor has publicly reported.

Assertions that individual unemployment is primarily a transitory problem are indeed sheer nonsense.

A primary reason for the significant increase in the number of labor force dropouts is that many are staying unemployed for much longer periods of time. Between the fourth quarter of 1974 and the first quarter of this year, the number of American workers unemployed for 3 months or more doubled from 1 million persons to 2 million, causing the proportion of workers unemployed for 15 weeks or more to go from 1 out of 5—or 18 percent—to 1 out of 4.

The most specific employment problem confronted by minorities, poor people, and inner city residents during periods of high unemployment is, perhaps, the stark fact that the emergency jobs legislation which has been proposed by the Congress has been primarily directed toward generating relief for recently unemployed persons with prior attachment to the labor force, while failing to adequately recognize and provide for what we have long called the hard-core unemployed.

We are speaking of the youth seeking work for the first time, and particularly inner city youths from low-income families in need of skills training and work experience. We are speaking of the unemployed older worker who has not yet reached the age of retirement and social security eligibility, but who has been prematurely ejected from the labor market by a youth-oriented society. We are speaking of the chronically underemployed worker who has had to content himself with part-time work and a part-time salary when he needs and wants full-time employment. We are speaking of the Vietnam-era veterans and rural youth. We are speaking of people residing in poverty pockets with substantially high unemployment rates. And, finally, we are speaking of the discouraged worker who has just plain dropped out of the labor force.

The diverse pieces of legislation which have been drafted to provide relief to this country's jobless have fallen far short of the mark seeking to address the particular problems of urban minorities. First of all, across-the-board allocation of funds does not allow such funds to be directly targeted to areas with substantial high unemployment rates. Second, triggering mechanisms for releasing funds for unemployment programs have been based on national aggregate unemployment rates which do not take into account the historical pattern of black unemployment, which begins earlier, lasts longer, and rises to levels which are twice that for whites.

In reference to your query as to how well existing training programs are serving the needs of urban minorities, I would like to share with you some of the preliminary findings of an informal inquiry among our 103 local Urban League affiliates of prime sponsor hiring practices under titles II and VI of the Comprehensive Employment and Training Act of 1973 as amended.



First, a high percentage of the program participants are unemployed, but are not economically disadvantaged.

Second, the average wage for white participants is higher than that for minority participants, since the former are receiving more professional and technical jobs than minority participants, who are generally receiving low level, unskilled jobs with minimum potential for training and upward mobility.

Third, minority participation under title VI is significantly lower than that under title II.

Fourth, job distribution is uneven and does not appear to reflect proportionate distribution of regular employees in a given local agency or among agencies.

Fifth, nonprofit, community-based organizations are not being used to their fullest potential, if at all, in carrying out CETA.

Sixth, veterans are receiving a disproportionately high number of the jobs, while Vietnam-era veterans are receiving few.

We are also concerned about the absence of specified transitional goals in present manpower legislation as the unemployment rate recedes, as we certainly hope that it will. In addition, we believe time credit assurances should be provided to public service program participants so that time accrued in such jobs is credited to permanent civil service jobs. Built-in training and test preparation should be ongoing to enable program participants to be better prepared to pass civil service examinations.

The experience of the Urban League movement through the on-the-job training and outreach programs has shown that economic and social benefits are returned to the total economy from even small Federal expenditures for employment programs.

We have gone on record as favoring three means by which to establish a full employment policy.

First, the Government must provide the incentives to the private sector to hire people again. If business can obtain enormous tax breaks to buy labor-saving machinery, then why can it not also get incentives to take care of the very human problem of unemployment?

Second, we advocate a revised, updated form of WPA-type program to put people back to work through a massive public works program to build the homes, schools, roads, bridges, and other things, particularly in the inner city, that our Nation greatly needs.

Third, there must be a massive public service employment program which guarantees to each and every person capable of work, a decent job at a decent wage. It is simply a disgrace, by our assessment, to have 16 million people unemployed in this country if you count those that have dropped out of the labor force that we have created only 300,000 jobs in our public service employment programs.

But, the most overriding concern in establishing a full employment policy should be that it not continue a practice of benign neglect insofar as this Nation's minority and poor people are concerned. In a period of high inflation such as we are now experiencing and decreased Federal expenditures, a disproportionate burden in fighting inflation is being placed upon those who most need the assistance that our government provides.

One of the tragedies here, Senator Bentsen, as we all realize, we have a cyclical economy. We further realize that every time there is an economic downturn it is minority people, poor people, people who are

traditionally at the lowest end of the economic spectrum who suffer disproportionately, who carry the heaviest burden. Knowing these factors, we continue to let this happen without any real intervention on the part of our government to make sure that the same people who do the most suffering do not continue to do so. We think that the administration, the Congress, and certainly the American people cannot continue to accept as a fact that black people, other minority people, women, people from the lower end of the economic spectrum, will and must continue to carry this disproportionate burden.

The loss of a job involves much more than the loss of a steady paycheck. There are also human and social costs which come to bear. We must be cognizant of all these factors. We must effectively plan and coordinate our proposed relief programs to place this crisis in proper perspective. But, more important, we must be realistic in our approaches and deal with the priority issues. A band-aid approach will surely fall short of ferreting out and ameliorating the real problems. Consequently, the National Urban League believes that it would be shortsighted to fail to make use of today's crisis to realistically address the problems of the inner city, the poor, and minorities.

Thank you.

Chairman BENTSEN. Why do you think it is that Vietnam veterans are not getting the employment opportunities that other veterans are?

Mr. BROWN. I think it is very difficult to assess that. I would expect that the Vietnam veteran falls into the categories that the good doctor on my right referred to, and that is, they are disproportionately black, they are disproportionately young, and they are probably least trained than those veterans from our previous wars. So I think it is a combination of the same factors that we see inhibiting the advancement of those very groups in other sectors of our society, not only in public service employment.

Chairman BENTSEN. I find here something that seems to me to be a difference in testimony. You say that white program participants are outnumbering black participants by almost 3 to 1. Yet Mr. Perry, said that between 1965 and 1972, of the about 9 million who participated in major federally funded programs, 4.1 million, or 45.8 percent were black, and 5.2 percent were other nonwhite minorities.

Mr. BROWN. Senator Bentsen, I think that that is really very consistent. That part of my testimony is dealing just with the CETA component, and one of the things that concerns us is the fact that in the past programs have been targeted toward minority communities; that is, blacks have had almost an equal share with whites, whereas under CETA, we find there is about 3 to 1 white. So this is, I think, the same kind of concern that was expressed by others who have testified, this alarming trend.

Chairman BENTSEN. I see a number of nodding heads. Is there agreement across the board?

Mr. PERRY. Yes; they really refer to quite different programs. The ratios that were mentioned for the CETA employment are contrasted quite dramatically, for the record, for the latter 1960's. It somewhat reflects a trend that began really when unemployment began to rise in the late 1960's, and it is not inconsistent with what we know about the pattern of early participation in the public employment program, where, I believe again, the percentage of minorities and women in that

program, were far lower than they have been true in the categorical manpower programs put in place prior to 1970. And it is a cause of concern in terms of the burden borne by others historically, those who bear the major burden.

Chairman BENTSEN. Mr. Anderson, would you help a layman here with some terminology. You say that the pattern of absolute and relative economic gains of minority participants indicates they have benefited most from job development programs, and that employability development through work experience programs seems to have had the least impact. Would you give me a little more elaboration on that?

Mr. ANDERSON. I think, Senator, if you would turn to the beginning of our statement—

Chairman BENTSEN. I read that.

Mr. ANDERSON [continuing]. You will see that what we attempted to do in conducting our research was to try to classify the 11 categorical programs in a smaller set of groups that would permit us to be able to distinguish between broad categories of programs, depending on what we perceived these programs were doing for their participants. And our classification scheme was by no means perfect, but it was quite useful for our purposes. And we classify four programs into what we call job development programs. These were the job opportunities of the business sector, public service careers, apprenticeship, outreach programs, and public employment programs. We thought that the commonality among these programs was that they tended to focus specifically on the disadvantaged, in an effort to try to expand the range of employment opportunities available to the disadvantaged without necessarily increasing significantly the investment in human capital for those individuals: whereas with the employability development programs, including OIC, CETA, WIN, and Job Corps, the focus seemed to be on removing some of the other barriers, psychological barriers, educational barriers, institutional barriers.

Chairman BENTSEN. More long range, perhaps.

Mr. ANDERSON. Yes; that if successfully removed would create a situation in which the participants in those programs would be able to better compete in the labor market on their own, after having completed the programs. And our conclusion was that that set of programs seemed to have less postprogram effect than the job development program for minorities.

Chairman BENTSEN. Mr. Lucy?

Mr. LUCY. Yes: I have one other point than what Mr. Anderson spoke to. Under the CETA program, what was tragically happened, while I think it is good for the local communities, the decision as to the kinds of services and kinds of jobs that are necessary are by and large made at the local level. We are then talking about technical jobs, semi-professional jobs, skilled jobs, which by and large the groups we are concerned with are excluded from the start; and what you have got is a sort of recycling of individuals who have just dropped out of a steady job as a result of the downturn, and are now being reemployed in the public sector, to the detriment of those who have been suffering long-term unemployment.

So, CETA itself—I think the statistics, while I have not reviewed it myself, would certainly be borne out by the nature of the job that is involved.

Chairman BENTSEN. Well, I appreciate very much your testimony this morning. What I would like from you as a panel, if we can have it would be some ongoing counsel on this, because I really think that unemployment is being glossed over too much. As you said, Ms. Bergmann, when you talk about unemployment only affecting 9 percent, and not the other 91 percent, that is really true. When they say that we cannot afford to employ these people, I really think that we cannot afford not to employ them and find jobs for them where they can be productive. I think that what is happening to the young people then happens to the adults, and it becomes a way of life, and you really endanger the system in this country. We have to make the investments to be sure that all who are in a position to hold jobs have a job available. We will also have to give them skills training, so that they can fill a role.

That is really what people want. They do not want to draw unemployment checks and live on welfare for the rest of their lives. But sometimes they begin to think that that is the only way, that society has no other role for them to fill. Now this has been very productive and, I think, very helpful to us.

Ms. Bergmann do you have something?

Ms. BERGMANN. Well, I wanted to say that I think the emphasis we have had today on the human costs is very important, as they are sometimes slighted. There is also a tendency to feel that somehow or other, alleviating the human costs is in conflict with the cold dollars and cents, the economics of the situation. But that is not true at all. A better policy would not only create a greater level of well-being for our country, but would be good economically for our country, as you said.

I may say also that these training programs and so on—I do not urge to abandon them. I think they are important as interim measures. But I think that what we have got to do is get rid of the pathology of our labor market, a pathology which you do not observe in many other economies, in well-managed economies and better-managed economies. The only way we can do that is to get rid of the special bad treatment meted out to certain groups on a long-term basis. Then we can use training and so on to mop up the few remaining problems. But the largest part of the problem is that, through allowing employers to discriminate, we artificially have created a pathological labor market.

Mr. BROWN. Senator. I would like to make one last comment. I think we really have to begin to view this as a national problem, and I think although those of us here this morning have emphasized the disproportionate impact on black people and on women, I think it is important to put the problem in a national perspective. Because the fact of the matter is that unemployment in the black community has never been below 9 percent over the past 10 years, and there has been no great trauma, no great concern.

I think one of the reasons is that we still have to recognize that we have a good deal of racism that still exists in this country. If we continue to perceive the problem as a black problem, I am not very hopeful that we are going to get the kind of action that we need. I think if we put it in terms of a national problem needing a national solution, there is some hope for some progress, and I think we need to look

at it in that context and move ahead with it in that context, as a kind of issue that really is devastating to the entire Nation.

We talk about 16 million unemployed people; 13 million of those people are white people, and I think they ought to be outraged by the kind of inaction that we have had by the administration and the Congress. And I think it would help us all if we came to perceive the problem in broader terms than just a minority problem.

Chairman BENTSEN. Well, I think when you talk to a middle-aged person who is laid off, when they are too young to retire—and, a lot of employers think, too old to rehire—and get them home; the kid is wondering, what is wrong with Dad? He is not working, and he is having trouble meeting the car payments and the house payments, and he begins to lose self-confidence himself. It has got to be restored, and I think the administration makes a big mistake in thinking that there is no cost to the unemployed. There is a tremendous cost to the unemployed, and the way that you can finance this deficit, balance this budget, is putting people back to work.

Thank you very much for your testimony.

The subcommittee stands recessed.

[Whereupon, at 11:40 a.m., the subcommittee recessed, to reconvene at 10 a.m., Tuesday, July 8, 1975.]

# EMPLOYMENT PROBLEMS OF WOMEN, MINORITIES, AND YOUTHS

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TUESDAY, JULY 8, 1975

CONGRESS OF THE UNITED STATES,  
SUBCOMMITTEE ON ECONOMIC GROWTH  
OF THE JOINT ECONOMIC COMMITTEE,  
*Washington, D.C.*

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 1202, Dirksen Senate Office Building, Hon. Lloyd M. Bentsen, Jr. (chairman of the subcommittee), presiding.

Present: Senator Bentsen.

Also present: William R. Buechner, Lucy A. Falcone, Robert D. Hamrin, and Courtenay M. Slater, professional staff members; Michael J. Runde, administrative assistant; and M. Catherine Miller, minority economist.

## OPENING STATEMENT OF CHAIRMAN BENTSEN

Chairman BENTSEN. The hearing will come to order. This is the second day of hearings on the employment problems of women, minorities, and youths—the groups of workers who are not only hit hardest when we have a recession, but who also have the most difficulty obtaining decent jobs in times of prosperity.

Right now, unemployment among women is 8.1 percent. For blacks it is 13.7 percent, and for youths it is 19.2 percent. These figures are testimony to the bankruptcy of this administration's policy on the real issues that concern the American people—jobs, a decent income, a secure life.

But what I am most concerned about is what is going to happen to this country if we have these unemployment rates for much longer. We have projections of unemployment in these groups for next year if the unemployment rate remains at or above 8 percent, and they are devastating. When you include discouraged workers, we could have 18 percent of blacks jobless, 12 percent of women, and 24 percent of teenagers.

When I say discouraged workers, I mean workers who have just quit looking for a job. For black teenagers, joblessness will run over 50 percent and yesterday Mr. Bernard Anderson said it could be over 60 percent.

President Ford seems to think that these people who are jobless will simply disappear until we have an economic recovery. But they will not disappear. They go on welfare, 1, 2, 3, or 4 years. That can become a way of life. When you ask them to work within the system and

then the system has no work for them, they get turned off. They turn against the system.

If they are used to a life on welfare, their self-esteem is destroyed, their attachment to our society and our national institutions is in shambles. We could be putting them in paying, productive jobs for little more than it costs to have them on welfare.

The depression programs that created jobs—the Civilian Conservation Corps and the Works Progress Administration—have been derided for some time, but with persisting unemployment, they are beginning to look like a useful approach to putting people back to work. The Civilian Conservation Corps put millions of young men in job camps for 6 months or more and gave them marketable skills while they built our national parks, and gave them self-esteem with paychecks that were sent home to hardpressed families. WPA built hospitals, public swimming pools, municipal buildings, and parks that we are still using, thus putting people to work at productive jobs. We have 300,000 Americans in emergency public service jobs who are filing, clerking, and typing. Maybe we should rehabilitate the CCC and WPA and let public service employees produce public investments that will bring benefits to Americans for generations to come.

Our witnesses today are Mr. Ernest Green, executive director of the recruitment and training program, a New York human resources agency which places minorities in skilled crafts, and Mr. Stanley Ruttenberg, former Assistant Secretary of Labor for Manpower, 1963 to 1969.

We had hoped that Clarence Mitchell would be here, but he had to cancel because of a death in his family. We hope to reschedule Mr. Mitchell for a future date.

Gentlemen, if you will proceed.

#### **STATEMENT OF ERNEST G. GREEN, EXECUTIVE DIRECTOR, RECRUITMENT AND TRAINING PROGRAM**

Mr. GREEN. Thank you, Mr. Chairman. I would like to say at the outset that blacks and other minorities have historically achieved the greatest economic gain through full employment. The most recent period in which this occurred was between 1961 and 1969 at a time of sustained economic growth that brought the unemployment rate below 4 percent. Because of our near to full employment economy and the implementation of key civil rights legislation, black people achieved more progress during the 1960's than during any previous time in the Nation's history.

It is painful indeed to witness the erosion of these gains during the present economic crisis. The average black family today is trying to live on \$58 for every \$100 the average white family lives on, a slip-page of \$3 since 1969. The proportion of blacks enrolled in institutions of higher learning, after substantial advances during the late 1960's, has deteriorated in each of the past 2 years.

#### **THE PROBLEM OF BLACK YOUTH**

Even in relatively good times, black teenagers have suffered high unemployment rates. The recorded unemployment rate in 1973 was 30.2 percent; a rate of 40 percent is anticipated by the end of this year.

As the head of an organization that spearheaded the movement to place blacks and other minorities into skilled crafts in the building trades and unions, we have had a lot of experience working with young adult males and more recently, young women. Our records show that 60 percent of the applicants who come to our field offices are unemployed. With minor exceptions, the remainder are employed in low-paying, dead-end jobs. I should point out, however, that because of the shrinking job market, an increasing number of higher educated males are now attracted to the building industry.

Among the contributing factors to the high rates of teenage unemployment are: limited access to jobs that pay well, the deterioration of inner city schools, and the normal adjustment problems to the world of work. Moreover, several other institutional forces are at work, including new techniques of production that increasingly require mature, experienced workers, and the social pressures, well intended, to encourage employers to retrain and relocate older workers whose jobs have been displaced, rather than to hire new people.

#### UNEMPLOYMENT AND WOMEN WORKERS

Although RTP places women in blue-collar positions, I will confine my remarks to the white-collar area, since our newest program is aimed at this stratum.

For about 18 months, RTP has operated the minority women employment program, which seeks to place minority women in white collar, professional, technical, and managerial positions in the South's private industry. The program is being conducted in Atlanta, Houston, Dallas, New Orleans, and Tulsa. The project is based on a study by F. Ray Marshall of the University of Texas, that indicates that the dual obstacles of racism and sexism severely limit the socioeconomic advancement of minority women. The study further indicates that these problems are particularly severe in the urban areas of the South. Parenthetically, I would point out that the problems professional black women face in entering the job market are similar to those facing white women, black males, and white males. It is a question of degree, but the degree does hurt.

David Gottlieb, a labor economist who is also at the University of Texas, published a study in 1964 on the expectations of graduating seniors about to enter the work force. He showed that minority women were:

1. The least likely to see any relationship between what they in college and what the real demands of the current job market are;
2. Black women were more likely to be steered into the soft sciences and early elementary education fields that presently offer little employment opportunity;
3. Black women were more likely to attend smaller, less prestigious schools with limited curriculum in undergraduate studies, and colleges with limited offerings in graduate schools, or no graduate schools at all; and
4. Black women were least likely to qualify for graduate school fellowships and related higher academic programs, and very often did not know where graduate study assistance programs existed.

Thus, our experience has made us aware of an astounding fact: that there are striking similarities in the problems facing two distinct occu-



pational groups, young people with poor education and no skills, and young women, most of whom are college graduates. Both groups feel that access to good jobs is severely limited; both groups experience difficult transitions from school to work.

#### EXISTING MANPOWER PROGRAMS

I am a firm believer in manpower programs as cornerstones of a jobs strategy. Traditionally, manpower policy has been stopgap and piecemeal in this country. A good manpower training program should, at minimum, develop skills consistent with present and anticipated labor market needs. In light of shifting economic demands, training should be open ended so that the participant can, with further training, increase or modify his or her skills to meet future labor demands. In this way, career changes, especially in a worker's middle years, can be effected smoothly, without the traumatic personal experiences so prevalent today. Ideally, a manpower training program should be operated by the most efficient, economical means possible. One of the reasons that RTP and the apprenticeship outreach program has had such strong support at the executive level, from organized labor, and the national manpower training community, is that our objectives are met with low cost per placement unparalleled in the field.

Since its inception, we have watched the development of the Comprehensive Employment Training Act very closely, and while I have no problem with the concept or the intent, I do have some strong reservations concerning the effectiveness of CETA's implementation.

First, the legislation was designed with the primary emphasis on serving minorities and those most disadvantaged. With the unemployment situation what it is today, and with the steady curtailment of services and layoffs by city and municipal governments, I wonder if the people most in need will be overwhelmed by well-meaning city and county officials who are pressured to find employment for civil servants.

My second reservation concerns the amount of time it will take city and regional program sponsors to set the program machinery in motion. Planning, implementation, research, and data collection are involved. It took the Federal Government almost 10 years to refine similar social programs. Thus, inexperienced city and regional governments will be going through the learning stages at a time when the benefits of CETA are most urgently needed by the poor and the long-term unemployed.

My last, and I feel my most significant, reservation is this. History tells us that the most sweeping economic gains made by minorities and women have been secured through advocacy and action at the Federal level. And at this time in our history, minorities and women need strong, concerted national support not only to move ahead, but to avoid further erosion of the economic advances attained within the last decade.

But even at the Federal level, the most ambitious manpower planning and development policy must be implemented in concert with structurally reformed educational and economic policies to be effective. In a climate where affirmative action on behalf of women and minorities is crippled by scarcity of jobs and resources, where can these structural reforms begin?

## IN EDUCATION

In our quest for full employment and in order to ease the transition from school to the world of work, we can begin by updating and modifying the role of the vocational school. The vocational school plays a natural and creative role by producing a worker who is in great demand, the technician. Yet, we are still plagued with the old stereotype of the vocational school, as a dumping ground for people who are not college material. In gaining the status that it rightfully deserves, the vocational school system must put its house in order by insuring that its curriculum meets new job market demands.

Another needed reform is the provision of relevant job data, more participation of future employers in curriculum planning, and more training for the educators.

Since prospective workers are ideally being trained for the demands of private industry, the Government and other employers, these sectors should have a hand in curriculum development. Educators should not develop and establish curricula in isolation.

To reinforce the development of relevant training and curricula, teachers and guidance counselors should have ongoing dialog and even some work experience with employers so that they are better able to prepare their students for the world of work. I have seen a few fragmented efforts in this direction but not among the vocational schools. As an example, the National Urban League conducts a summer fellowship program in which instructors from black colleges work in their fields in private industry during the summer months. The purpose of this program is to enable them to keep in touch with the working world so as to see how theory can be applied in real life.

There should be formal arrangements whereby teachers receive academic credit for working or taking sabbaticals in private industry.

One of the more positive vocational programs I have seen is the cooperative arrangements where students attend school a half day and work a half day. This gives them opportunity to test and reinforce what they have been taught and enables them to make judgments about the practicality of their career decisions. All students, high school and college, should have this opportunity.

All of the recommendations I have made are being implemented somewhere, by somebody, whether in school districts, special experimental programs and demonstration projects, or other special instances. The problem is that what we know to be good and viable is not basic policy.

Implementing fundamental reforms will certainly not be an easy task. But we have to start somewhere to shift our priorities and reshape our bureaucracy. As an example, the Department of Labor tells us that after 1975, 8 of 10 job openings will be for people who are not college-trained. Yet, 80 percent of our Federal budget goes to the 20 percent of our population in colleges and universities.

Another educational-vocational reform that would help us achieve full employment is the expansion of the apprenticeship system, one of the most effective, but under-utilized resources we have at our disposal. Why apprenticeship?

First of all, apprenticeship training is a sound investment. As demonstrated in a study conducted in Wisconsin by Thomas Beroci, the return on the apprenticeship investment is greater than for operatives and all other noncollege training. The second reason, which the same study indicated, is that even when apprentices drop out of their training programs they have sufficient skills to earn more in their fields and related fields than other dropouts, including college dropouts. In fact, construction apprentices who drop out of training earn 70 to 80 percent of the wages earned by those who complete the training. Industrial apprentices and those in graphic arts earn 90 percent of wages earned by those who finish the courses.

A third reason is that most apprentices who become journeymen are union members. Statistics show that union members earn significantly more money than workers in the unorganized sector.

Since apprenticeship training does not have the status or national regulation common to European countries, we must find ways to make it more attractive to industrial employees. One solution, which I agree with, is to offer incentives to employers in the form of subsidies and tax rebates. This is especially important during the first 2 years when an apprentice's skills are marginal and his productivity is not as valuable to the employer.

#### IN ECONOMIC POLICY

No easy immediate solutions exist to change public economic policy on the many fronts that need change. The economic policy and the forces that brought us to our present dilemma have been operational for several years and will not be dismantled and restructured overnight.

The first prerequisite for turning the economy around is a responsive, enlightened national leadership committed to all the people as opposed to the most privileged sectors.

As an American, as a minority, and as head of the constituency I represent, I fully support the long and near term proposals of the AFL-CIO as outlined by George Meany in his appearance before this body on May 12. The labor movement, along with the mainstream civil rights organizations, is the only organized institution that has consistently kept the economic priorities representative of all the people at the top of the national agenda. Moreover, the program of the AFL-CIO and the program developed by the Black Economic Summit Conference are essentially the same.

What labor wants and we support are the following:

- An expanded public service program to provide jobs and needed public and social services.

- A revival of the homebuilding industry.

- An accelerated public works project which will create jobs in short-term construction projects.

- An extension of unemployment benefits for the long-term unemployed whose benefits are exhausted.

- Federal aid to cities hard hit by unemployment.

- A Federal program to support health insurance for the unemployed.

- Federal funds for restoring railroad track and railbed.

- Effective measures to halt the exportation of much needed jobs, money, and technology.

Legislation for banks and lending institutions to place ceilings on interest rates and to ease credit for housing needs.

Enactment of legislation to close major loopholes in the tax structure which can potentially sweeten the national pot by at least \$20 billion.

Mr. Chairman, these recommendations are not a panacea. They will go a long way, however, in providing the stimulus required to bring us back to sound economic health.

Thank you for the privilege of appearing before you.

Chairman BENTSEN. Thank you very much, Mr. Green. Tell me, on your apprentice training programs, how much cooperation do you get from the labor unions?

Mr. GREEN. Well, at this point, we have received support from the labor unions. I suppose the biggest problem is that the construction industry is, as you know, experiencing 25 to 30 percent unemployment of its members in general.

Chairman BENTSEN. That is a fairly recent thing in the last couple of years. What kind of cooperation did you have before that?

Mr. GREEN. Before that we had, in some cases, begrudging cooperation, and in some, supportive cooperation. That depended upon the locale, but it also depended upon the efforts and the enactment of Federal legislation. Where there was weak enactment of civil rights legislation, there would be both union and contractors to drag their feet and not support the program.

Chairman BENTSEN. I notice you said that you could pick up \$20 billion in closing tax loopholes. What are you talking about?

Mr. GREEN. Well—

Chairman BENTSEN. Such as what?

Mr. GREEN. Oil depletion.

Chairman BENTSEN. We have already done that. We picked up \$3 billion. All we left was the small independents.

Mr. GREEN. Well, I feel that—one is that loopholes that on our tax credits, loopholes that exist concerning the tax gains that some of the wealthy enjoy.

Chairman BENTSEN. Like what?

Mr. GREEN. Inheritance taxes?

Chairman BENTSEN. Like what?

Mr. GREEN. The inheritance taxes.

Chairman BENTSEN. They are up to over 70 percent.

Mr. GREEN. Yes, but you know and I know that very few people pay at the 70-percent tax level.

Chairman BENTSEN. Very few people have that much.

Mr. GREEN. But if you look at the national skew of income in this country that is clearly some 70 percent enjoying more than over half of all the income that exists in this country. It is not what I would call a very even distribution.

Chairman BENTSEN. What concerns me when we talk about loopholes and tax reform is that we are always reforming the previous law, and each law reforms previous law, yet each law was put in because it was thought to be something that serves the public at the time. We ought to continue, I think, to examine them to see if they are still serving society. But, I sometimes think that we think there is a lot more up there at the top than there really is.

Mr. GREEN. Well, I would just reiterate Senator, that the income distribution in this country is fairly unevenly skewed and, when we look at the problem of unemployment and on blacks, minorities, and women, that truly they continually fall at the bottom half, the bottom quarter of that skew, and, as I pointed out earlier—

Chairman BENTSEN. I am the one who put the amendment in that gave the increased tax cut to the lowest four brackets. So I start out by saying I think that the term loopholes is thrown around awfully loosely. There are some things that can be changed, obviously, but I just do not think that there is as much to be picked up as is sometimes thought.

Now, we can talk about interest deduction. Sometimes people call that a loophole, but that is incredible. I do not think that is a loophole at all. If you start knocking that one out, now that is the widest one of all, to use an extreme example, they can give the advantage just to that fellow that had the money already.

You are talking about the unions. What kind of cooperation are you getting from the building trade unions?

Mr. GREEN. At this point we are getting a great deal of cooperation, We have over the last 7 years placed some 25,000 young people into apprenticeship opportunities, and this has been done on a national basis throughout the country. Again, I would like to point out that this does not occur in a period in which there is a turndown in employment, and these apprentices represent young workers, black, or Hispanic, or Puerto Rican, who are between 18 and 25 and going into their first jobs, and they begin at a fairly decent wage in excess of \$4 an hour.

Chairman BENTSEN. Most of your funding comes from the Labor Department. Has that level of funding changed much since you moved from categorical grants to the Comprehensive Employment and Training Act?

Mr. GREEN. This particular program is funded under title III, and that is a national program. It is funded directly from Washington, so we have had very little dealings with local municipalities funding sources and prime sponsors.

Chairman BENTSEN. Let me ask you to expand on your employment and hiring programs for minority women. How do you go about placing women in technical and managerial positions? How many have you placed? Has the program in Houston and Dallas—

Mr. GREEN. The program in Houston and Dallas has placed 200 women in the last year in professional and technical jobs. It is—

Chairman BENTSEN [continuing]. Such as what?

Mr. GREEN. Well, accountants, management training people in banks, chemists, professional engineers. These are all for the most part breakthrough jobs. They are the first black women in many of those firms, and, again it is a begrudging kind of push and pull; one, utilizing existing legislation, two, pointing out to industry that this is a wasteful use of a good human resource; that these are young women who have been trained, gone to school in Texas, at Tech Southern and the other black colleges around in the State of Texas.

Chairman BENTSEN. How does the average young woman find out about it?

Mr. GREEN. Well, we have the offices located in Dallas, in Houston. We have the address—I do not know if I have it on me at this point—

but we could supply that. It is a not-for-profit organization. It publicizes its existence. It is a free service offer to minority young women.

Chairman BENTSEN. Mr. Green, I will return to you, Mr. Ruttenberg is ready to testify. We will let him testify, and then we will let him speak on some of these other questions.

**STATEMENT OF STANLEY H. RUTTENBERG, PRESIDENT, RUTTENBERG, FRIEDMAN, KILGALLON, GUTCHESS & ASSOCIATES; AND FORMER ASSISTANT SECRETARY FOR MANPOWER, U.S. DEPARTMENT OF LABOR**

Mr. RUTTENBERG. If you would like, I would love to come back to your question of tax loopholes, although I am not here this morning to testify on that subject. I would certainly be delighted to assist Ernie Green in coming up with some very practical, specific and concrete examples as to where we could close loopholes.

Thank you very much, Mr. Chairman, for the opportunity to appear before this subcommittee today to comment on employment policies needed to achieve full employment, especially among women, minorities and youth—which I interpret to be included in the groups we formerly labeled the disadvantaged, or those who are structurally employed. I was asked to comment particularly on how well existing manpower programs are serving these groups; how manpower programs have changed in recent years and what might be done to improve employment opportunities for the disadvantaged. In response to this invitation, there are three major points I would like to make.

First, CETA—the Comprehensive Employment and Training Act, is not the proper instrument for dealing with current large-scale cyclical unemployment. It was designed to cope with the structural problem, and it is a mistake to try to twist it out of shape to meet the current crisis.

Second, the problems that currently plague CETA and the rash of unfavorable criticism which surrounds it could have been avoided if the congressional intent that the program be administered with strong Federal direction had been fulfilled.

Third, in order to cope with the present cyclical unemployment there needs to be an integrated program of job creation, both by support of a public works program as well as expanded public service employment. The struggle for the deficit dollar should not be allowed to force an unnatural competition between these necessary antirecession measures which should complement—not substitute for—each other.

Let me expand a bit on each of these points. First, CETA was designed to deal with the structural problem, not mass unemployment.

As you know, CETA is the successor to the Manpower Development and Training Act of 1962 and the Economic Opportunity Act of 1964. Throughout the sixties these two laws were amended again and again to adjust the programs to newly uncovered problems of structural unemployment associated with declining and not rising unemployment. I probably do not need to recall for this subcommittee that unemployment is not one disease, but comes in several varieties. Structural unemployment refers to those groups of workers who, because of lack of skill or education, economic status, geographic isolation and/or dis-

crimatory employment practices, could not compete successfully in the labor market. Cyclical unemployment refers to situations where workers are laid off or cannot find jobs—not because they are undesirable in the eyes of employers—but because the general economic situation is such that there are no jobs available. During the sixties, which, for the most part, was a period of economic growth and prosperity, the main problem was structural, not cyclical. And, as we learned more about the labor force, new categorical programs were added to the basic MDTA and EOA legislation to provide training and improved employment opportunities for the several groups who, it was found, were victims of structural unemployment. Prominent among these groups were youth and minorities.

Our consciousness on the subject of women was raised a little later, but the work incentive program, primarily for welfare mothers, did focus on the special employment problems of that particular group of women. As CETA evolved, bringing together authority for all of the manpower programs of the 1960's into one legislative bundle, it is clear that the focus was still on structural unemployment. In fact, the first sentence of the law states that "the purpose" of the law is to "provide job training and employment opportunities for the economically disadvantaged"—in other words, to deal with the problems of structural employment.

Today we still have the structural problem, and on top of that a massive recession with more than 8.5 million workers out of work. Lacking any other ready instrument for the implementation of a national manpower policy, the administration, apparently with congressional backing, has turned to CETA to meet the current crisis. If you are tennis players, you will understand when I say that this is like playing at Wimbledon with a paddle tennis racket against Jimmy Connors or Arthur Ashe. It is the wrong tool in the wrong game. We have two different games going, and we should be trying to win both.

CETA is a good program for dealing with the structural problem. Furthermore, it was and is right that CETA should include job creation authority, as one of the kinds of manpower activities available to prime sponsors to use in designing local manpower programs to their particular needs. The important thing to remember, however, is that the structural problem has not disappeared or been replaced by the cyclical problem. It still remains, and there are still millions of people for whom training and employment development programs envisioned by CETA should be carried out. But it is wrong to try to subvert the original purpose of CETA to cope with the present unemployment crisis. By so doing, we are leaving the structural problem unattended, at a time when it needs special attention, and, moreover, we are not coping adequately with the cyclical problem.

Part of the problem lies in what I believe is a general chronic confusion about public service employment. A year or so ago, I served as chairman of a joint committee on a public employment program for the National Planning Association. The result of the work of this committee was a joint statement put out by the NPA, and signed by over 100 prominent persons in the business, labor, public and academic community. Essentially, what we recommended was a three-tiered system of public service employment, which we felt was necessary in order to make full and effective use of this particular manpower strategy for a variety of different kinds of situations. We started with a broad

national program to provide Federal funds for public service jobs regardless of the level of national unemployment. This program, we felt, was necessary because there will always be some structurally unemployed persons in the labor force for whom public service employment is appropriate and, perhaps, essential. The Green Thumb type program or the Operation Mainstream type programs represent this particular kind of problem I am talking about here. At the present time, we have no such program on the books. Although prime sponsors are authorized to use their CETA funds in this way if they want to, there is no guarantee that they will, and there is no national based public service employment.

There is, of course, the Community Services program for older workers which takes care of one segment of the program, but not all of it. The NPA called for a permanent program of this type linked to the national budget, and suggested that one-half of 1 percent of the budget be set aside each year for this purpose. Our second tier program recognized the ups and downs of the business cycle and suggested a triggered approach to increase the basic program as national unemployment rose. We suggested that the program be increased by one-half of 1 percent of the Federal budget for every 1 percent rise in the unemployment rate over 4 percent. In terms of the present budget, and an unemployment rate over 9 percent, that would mean a basic program of \$1.75 billion and a total program of about \$10 billion. I should say here that we certainly never envisioned a disaster like a 9-percent unemployment rate.

Our third tier was essentially the present CETA title II program which recognizes that even in good times there are some local areas which suffer disproportionately from high rates of unemployment, and that these areas need additional funds to provide public service jobs for the disadvantaged in those areas.

As I indicated, CETA title VI does not meet the requirements for the NPA second tier. If anything, it is more like our first tier, the basic program, except that it is a temporary program, not permanent, and in practice has not been reserved for the disadvantaged, as our first tier program would be.

Two, the problems which have been plaguing CETA, both in the public service employment program, and also in the title I programs, could have been alleviated, if not avoided, if there were the kind of strong Federal direction of the program that was originally intended by Congress.

At the present time, CETA is under fire, particularly in terms of its public service employment programs, titles II and VI. We hear a lot of criticism of these programs, that there is a high degree of fiscal substitution, local governments simply replacing local resources with Federal funds, firing regular civil servants to replace them with CETA enrollees at a lower wage and, sometimes, without fringe benefits: that the jobs are make work; that the program is rife with political patronage and nepotism. Although there is little factual data to back up these charges, the programs have already gotten a black eye.

Even the title I programs appear to have come in for criticism. Apparently there has been difficulty in building up enrollments; there is talk of substantial carryover of funds, which could indicate that the funds may be going disproportionately for administration and



not getting out for direct use in behalf of the manpower clients in training, supportive services, allowances or wages.

To my mind, many of these problems would not have come about if the CETA had been subject to strong and determined Federal direction. One cannot expect a fully decentralized program to be able to meet national objectives—without strong direction from the National Government. I am, of course, aware that the prime sponsors complain that there is too much direction—not too little. I know that they feel that they are hounded by the Feds, swamped with paper work, tied in knots by picayune regulations and forced to run in circles by what they regard as capricious shifts of Federal direction. But I am not talking about the nitpicking kind of direction—about which the prime sponsors are complaining. I am talking about policy direction, of which there has been very little. It seems to me that it is wrong to pay so much attention to details, as, for example, a prime sponsor's travel allowances, and at the same time overlook major deviations from the basic thrust and intent of the law. Let me cite two examples.

In the case of the public service employment programs, Congress wrote a strong maintenance of effort clause into the law, barring substitution of Federal funds for local resources. But very little effort has been made by the Federal Government to enforce that provision. In fact, it has been openly disregarded. Obviously, in declining economy, at a time when local governments are being forced to reduce payrolls because of a seriously eroded tax base, it is difficult to ascertain whether layoffs are real or so-called paper layoffs. In fact, this is one reason why it is wrong to expect CETA to serve as the single panacea for all unemployment. Clearly enforcement would have to be coupled with a determination to reserve the CETA program for its basic purpose—and to use some other mechanism to deal with large-scale cyclical unemployment. If that were done, I believe the job of enforcement would not be difficult.

Similarly, Congress wrote the law so that the focus of the program is on the disadvantaged. Yet, in comparing the figures on the characteristics of enrollees in the categorical programs during fiscal year 1974, I find that the CETA enrollees are older, better educated, less poor, and whiter than those under the categorical programs. To the extent that this trend continues, CETA will move farther away from meeting national objectives. In fiscal year 1974, 63.1 percent of the enrollees in the categorical programs were under 22. Under CETA, this dropped to 57.5 percent. Under the categorical programs, 33.6 percent of the enrollees had 12 or more years of education. Under CETA, this rose to 39.8 percent. Under the categorical programs, 86.7 percent were economically disadvantaged. Under CETA, this dropped to 75.8 percent. Under categorical programs, 54.9 percent were white; under CETA, this rose to 57.2 percent.

Another interesting comparison: despite being somewhat less focused on the disadvantaged under CETA than before, apparently CETA programs do not do as much for the enrollees. Under the categorical programs, those who terminated from the programs and moved into unsubsidized employment increased their wage level by 24 percent. But under CETA, the increase has been only 6 percent. What this really shows is the necessity for strong and continuing economic growth in order to make significant inroads on the structural problem. This brings me to my third and last point.

My third point, to deal successfully with the present massive cyclical unemployment, we need a coordinated program of job creation, using every weapon in our antirecession arsenal.

It is one of the saddest ironies of our time, that at a time when unemployment is higher than it has been since before World War II, and with economic growth—on which not only the economic, but the political and social health of the Nation depend—actually declining for the past five successive quarters, we seem to be remarkably unconcerned about doing those things which are necessary to create jobs and stimulate renewed growth. Unless we do this, and do it soon, the much heralded “bottoming out” due this coming fall will be a false bottom; just one in a series of sickening roller coaster dips and dives, each one more difficult than the last in terms of recovery.

There are several factors that lie behind this lack of concern.

First, it is clear that the American public has been sold on the proposition that inflation is a greater evil than unemployment. Although almost 1 of every 10 workers is out of a job, 9 out of 10 are still working. And those nine have become convinced that to do something about the one luckless fellow who is not working would be even more painful to them—on the grounds that doing something would increase the Federal deficit and thereby lead to further inflation. The fact that increased employment leads to increased revenues and a reduction in the deficit has somehow gotten lost in the shuffle.

Another reason for the seeming calm that currently prevails is our unemployment insurance system which this year will pour out more than \$20 billion in benefit payments to unemployed workers. This system, of course, not only provides an essential economic cushion, but it is also a social buffer, tending to allay, at least for a while, the social unrest which is bound to accompany long-term, massive unemployment. At the present time, the system is being put to a most severe test, and I am pleased to see that so far it is meeting that test. Nevertheless, total reliance on the UI system—which seems to be the current thinking of the administration—will not by itself result in renewed economic growth. Benefit payments are currently somewhat less than half the average recipient's normal earnings, which means that it is income maintenance at barely a subsistence level. Workers on UI are not going to go out to buy new cars or TV's or a new house. Further, benefit payments are not subject to income taxes, so they represent a net loss in Government revenues and, therefore, a substantial contributor to the Federal deficit.

Third, the size of the Federal deficit has become such a political hot potato, that antirecession programs which should be considered on their merits, are forced to compete with each other for the deficit dollar. Specifically, this has meant that proposals for public works and expanded public service employment are being considered as either/or propositions, rather than as complementary programs, each filling a specific need, and serving a discrete segment of the unemployed.

The need for a public works program is easily demonstrated. It is a job creation program, particularly beneficial to the construction industry which is hardest hit by the current recession. Moreover, contrary to general belief, public works is not necessarily slow in getting underway or nonlabor intensive. Many projects are already on the shelf and ready to go. Public works programs can result in a large number of

jobs. Data from the Bureau of Labor Statistics indicates that each \$1 billion spent in construction creates directly about 50,000 jobs. Half of these are created onsite, and the other half offsite in servicing and supplying the constructive operations. In addition, of course, there is the multiplier effect that results from any Government expenditure program. It should be noted that these are average figures for the construction industry as a whole. It is entirely feasible and probably would be useful to require that any new public works program be labor-intensive, which would mean a larger number of jobs created.

The need for public sector investment has long been neglected. The growth of public facilities and public services has simply not kept pace with the growth and redistribution of the population. Ten years ago, a study commissioned by this committee, undertaken by Arnold S. Diamond, showed that State and local governments were far behind in keeping up with the needs for public facilities. Since then the gap has widened further. Among the areas of neglected investment are mass transit and solid waste disposal, but others are equally deserving. Representative Jones' bill, creating an emergency \$5 billion program of State and local public works, will help to meet this need.

The public works program should be in addition to, not instead of, a broad-scale countercyclical public jobs programs. The Daniels bill, which in effect takes a major portion of the jobs program outside the CETA framework and establishes local employment projects, as distinct from subsidized local government jobs, seems to me to be the right direction. It avoids the double pitfalls of trying to graft a countercyclical program onto local civil service structures which are already under severe pressure, and of twisting CETA out of context in an effort to make it the single manpower panacea.

Clearly, the current climate is unfavorable for the adoption of this kind of double-barreled job-creating approach which I am suggesting. As long as all eyes are on the Federal budget deficit, that has become the paramount issue. I do not suggest that we should avert our gaze from the deficit, but we do need to clear up the myopia that seems to have infected us.

President Ford presented a budget last February, with a \$52 billion deficit. This estimate has had to be revised, but the President has drawn a line, on which he has made it clear he intends to stand firm. The new congressional Budget Committee has recommended, and Congress has adopted, its budget resolution with a projected deficit of \$69 billion. Both approaches, however, leave unemployment at unacceptably high levels, which I suggest will only result in increasingly heavy drains on the public treasury as income maintenance programs need to be extended and expanded, decreasing revenues with which to meet that drain, a growing gap between the revenues and expenditures and larger and larger Federal deficits in years to come. The only way by which those deficits are going to be reduced is to put people back to work, and thereby increase GNP, increase revenues, and reduce the cost of support of an army of unemployed. Expenditures now will result in a real decline in future deficits. Failure to make those job creating expenditures now on the other hand can only result in a worsening situation.

Thank you very much.

Chairman BENTSEN. Mr. Ruttenberg, I could not agree more, particularly on the last part of your statement. This country cannot con-

tinue to have these kinds of deficits, but it is going to continue to have them unless we put people back on the payrolls, unless we produce the kind of stimulus that it takes, now, to help people to be productive who do not want to be on welfare and who do not want to be drawing unemployment compensation. It is not just a question of the deficit, it is a question of changing attitudes on the part of the administration who accepts leaving people out of work for a period of years. You cannot just shelve them or icebox them. They feel like they are not a part of the system, and they get turned off. And I think it is a very dangerous thing. I think the administration and the President is turning its back on unemployment and making a very serious mistake.

Let me ask you this, the Daniels bill still utilizes some of the CETA framework, but it is encountering opposition from some cities. They feel that control of the programs is being taken away.

What would you think of an entirely new emergency program, completely separate from CETA, administered by a special board of commissioners? The program would be temporary and designed to deal with unemployment during the recession.

Mr. RUTTENBERG. Well, as I say, Senator, I would strongly support a public works program which ought to be centrally administered through a separate structure than the CETA program. And Congress is considering that; a bill has been going through authorizing \$5 billion for a public works program that would take advantage of the large number of public works programs that have been put on the shelf and are lying there and could be readily picked up and that are highly labor intensive. That is one kind of program that we ought to pursue.

Chairman BENTSEN. You touched on that in your testimony, and said that it is a mistake to think that there is a long delay in the creation of jobs; I agree with you. As soon as you go ahead and start a project—jobs do not start when the materials arrive on site, jobs start at the time that you begin buying materials from around the country; that creates new jobs. So there is not the long lead time that some economists testify to.

Mr. RUTTENBERG. That is right; I agree fully.

Many of the programs that are on the shelf are highly labor intensive. And, as you point out, the materials that are used in the construction of projects, whatever they might be, are materials that are being produced back in the factories and in the establishments of this country where many, many other people are employed. And we need to stimulate employment in the supplier industries, and we can do that by a program that starts with public works, but works back into the economy.

Let me comment on the Daniels bill, because I do think that the point about the prime sponsor is an important one.

I would strongly feel that on public service employment, we have run into the kind of situation where the prime sponsors are probably not the appropriate people to carry on an extensive and expanded program—and I made that point in my statement—because we have loaded upon the mayor and the local cities and counties a program of saying here are additional dollars for you to employ people in your civil service functions within your city on a CETA dollar now instead of on your regular payroll; or, if you have an additional function that

you have not been able to finance, you can now carry them out with a CETA public service employment program. But I think that that is relying upon the city to do far more than it can. There are only so many additional kinds of people that they can add to their payroll; but there are a large number of public service kinds of activities in the local community that are essential and ought to be done, but under the present structure of our title II and title VI CETA program, the prime sponsor does not really go to those areas.

In other words, we ought to be utilizing, through, I think, Federal direction, a local, private, non-profit organization to carry on public service employment type functions that the city itself is not able to carry on because it gets combined with this old problem of city taxation and city revenue and displacement of workers. We can overcome that with a strong program that is centrally located and administered differently than through CETA, without doing away with the prime sponsor program. As I keep saying, I think CETA and title I, II, III, and VI are important essential ingredients of an ongoing manpower program, but are being misused to try to meet the current crisis.

Chairman BENTSEN. I have just received the Labor Department's data on title I, II, and VI programs and will include that data in the record at this point.

They show that public service employment is even more dominated by older, more highly educated, wealthier and "maler" participants than the job training programs.

[The data follows:]

CHARACTERISTICS OF PARTICIPANTS, CETA TITLES I, II, AND VI, JULY 1, 1974, THROUGH MAR. 31, 1975

[Percent distributions]

Characteristic	CETA title			U.S. unemployed labor force
	I	II	VI	
<b>Sex:</b>				
Male.....	53.1	63.8	71.4	54.0
Female.....	46.9	36.2	28.6	46.0
<b>Age:</b>				
18 and under.....	39.0	5.9	3.3	18.5
19 to 21.....	19.2	16.9	17.0	16.6
22 to 44.....	34.6	63.3	66.2	46.0
45 to 54.....	4.1	8.7	9.1	10.6
55 to 64.....	2.1	4.2	3.8	6.4
65 and over.....	.9	1.0	.5	1.9
<b>Education:</b>				
8 yr or less.....	12.6	8.1	7.6	NA
9 to 11.....	48.2	18.7	18.4	NA
12.....	30.3	43.0	44.9	NA
Over 12.....	8.9	30.2	29.1	NA
<b>Economic group:</b>				
AFDC.....	15.1	6.9	6.1	NA
Public assistance.....	11.9	8.5	8.4	NA
Economic disadvantaged.....	75.9	45.3	44.5	NA
<b>Race:</b>				
White.....	59.6	70.4	74.5	80.9
Black.....	35.3	25.4	20.5	NA
Oriental/Asian.....	.6	1.2	1.0	19.1
American Indian.....	1.5	1.0	.9	NA
Other.....	3.0	1.9	3.1	NA
<b>Veteran status:</b>				
Vietnam era.....	5.4	12.3	13.6	7.3
Other veterans.....	4.7	13.5	14.7	9.2
<b>Labor force status:</b>				
Previous employed.....	2.9	5.2	1.4	NA
Underemployed.....	5.4	9.3	6.3	NA
Unemployed.....	65.3	90.5	90.8	NA
Not in labor force.....	26.4	5.1	1.5	NA
<b>Total number of participants.....</b>	<b>670,094</b>	<b>162,116</b>	<b>125,392</b>	

Source: Manpower Administration, U.S. Department of Labor. CETA characteristic data adjusted for nonreporting sponsors.

Chairman BENTSEN. The comparison of the enrollees under categorical programs in fiscal 1974 with those under the CETA programs is disturbing, and I am concerned.

Now, you may need some help in interpreting this, but what implications do you think that has for the future employment opportunities for disadvantaged workers?

Mr. RUTTENBERG. As I look at this table, it shows the characteristics of enrollees in title I, II and—is that VI or III? That is VI. And then relates that to the total unemployed in the labor force. It shows, for example, that in total labor force, we have 54 percent male and 46 percent female. In the title II program, under CETA, we have close to 64 percent who are male and 36 percent who are female. And in title VI, it is even worse than that; it is 71.5 percent who are male and 29 percent—28.5 percent—who are female. Contrasted to the labor force as a whole, which is 54 percent male and 46 percent female. And granted, I think that when one looks down this list—and for example, 18.5 percent of the labor force is under 18 years of age, and there are only 6 percent of the title I and 3 percent of title VI under 18, you have a fairly good comparison with ages 19 to 21; roughly, the same levels in the title II and III programs. And you get a much larger proportion in title II and title VI of the 22 to 44 years old, the working age group; in the labor force, it is 46 percent. In title II and title VI, it is 63 and 66 percent.

Now, your question, Senator, is whether or not these kinds of distortions or these kinds of discrepancies between programs, in the labor force, are harmful in terms of the general economy. I assume that was the intent of the question.

Chairman BENTSEN. What is it going to mean in the way of employment opportunities in the future for disadvantaged workers, is what I am concerned with. That gets around to your same question.

Mr. RUTTENBERG. Well, yes.

You see, the problem with title II and title VI—they are really designed to provide public service employment to those people theoretically disadvantaged, but those people who can be employed at a city level. And this is really one of the problems with the program.—Title II and title VI—trying to be applicable to the present recession, because I think we need to deal with the kinds of people who are unemployed. We need to provide them with employment opportunities. And if we fail to do that, then we ought to be supplementing the CETA program designed to deal with structural problems by giving them additional money to deal with the kinds of people who are currently unemployed. For example, the 22 to 44 year old age category—they certainly would be the ones who are in the work force in the largest proportion. They are 46 percent of the total in this program. We fail to pick up under 18 because they are under the CETA programs. To go to work, there are age limitations, and the under 18, which is the low proportion here—only 6 percent in title II and III and title VI, compared to 18.5 of unemployed—are not the individuals that are going to be picked up by cities.

So, to get back to your CCC program, or to get back to the current Job Corps programs and the expansion of Job Corps would be the way to take care of the under 18 people. But the under 18 people are not going to be adequately taken care of through the way in which the

structure of CETA is set up in title II and VI. And that is the reason why you have a far lower proportion of under 18's in the program, while at the level of 19 to 21, it is comparable; the CETA program and the labor force are equal. The reason that you pick up a larger proportion in the 22 to 44 age group is that that is a substitute for not picking up the youth. In the meantime, the youth are not being taken care of. You can only take care of the youth by a special kind of program and the CETA program is not designed to take care of that except as we get into the summer youth programs, for which Congress has appropriated special funds. But as far as youth is concerned, it is a continuing, year-round problem. Therefore, we need special activities to take care of it.

Therefore, I would endorse your notion of—you say go back to the CCC—but really have a Job Corps program. We ought to really take it and expand it and enlarge it. We do not have to start a new program; we have got it there. The basis is there. There are camps existing around the country and people are there, but it is not as large a program as it ought to be. When you talk about WPA, I am saying the same thing when I say public works. So we are in complete agreement on that.

Chairman BENTSEN. It seems to me the society is not working effectively unless everybody who wants to work has an opportunity to find a job.

Mr. GREEN. Senator, on the Job Corps question, one of the things that the Conservation camps, with the very limited training that they have done, have made a good linkage between Job Corps and jobs. Some of the unions—operating engineers, painters, and plasterers—a lot of the people that we see have come out of there and been accepted by these apprenticeship programs or by building trades people, and moved directly from Job Corps into good paying jobs. And where they do teach marketable skills, they benefit.

Chairman BENTSEN. Well, let us talk about that for a minute.

Mr. Anderson told us yesterday that skill training programs have the highest impact on employment prospects and incomes of women and minorities, and that work experience programs have the least. But according to the Manpower Administration figures, the local, prime sponsors are shifting their funds away from job training programs to the work experience programs in order to keep up with the local public services.

Mr. GREEN. Sure, and the payoff in that is negligible. It results in nothing.

Chairman BENTSEN. I will give you some figures.

In the last 6 months of 1974, the prime sponsors reported their plan to devote 13.1 percent of their funds on job training; 34.6 percent on work experience. But actually, they only spent 5.4 percent on job training—only 5.4—and 58.6 percent on work experience. Obviously, that is going to have a bad impact it seems to me, on minority workers and women. Do you not agree?

Mr. GREEN. I would certainly support that.

Chairman BENTSEN. Let me ask you both another one.

We have some of these economists testifying that because of the changes in the sex and age composition of the work force, it is going to be much tougher to reach full employment than it was 20 years ago.

Does that mean we are going to have to settle for something like 5.5 percent or 5 percent unemployed?

Mr. GREEN. It seems to me—

Chairman BENTSEN. That is why they keep pushing it up, changing the full employment number on us.

Mr. GREEN. Well, if you keep changing the unemployment rate and you change the definition of full employment—

Chairman BENTSEN. That is right. Do we have to settle for that?

Mr. GREEN. I certainly do not see why we do have to settle for that. But if we proceed the way we are, with nothing in the way of providing jobs, but everything in terms of reducing inflation, these people become dispensable—as viewed by some of these economists. And it seems the tradeoff in that—

Chairman BENTSEN. I just do not buy that.

Mr. GREEN. Well, I do not buy that, either.

Mr. RUTTENBERG. Senator, I certainly would like to comment on that question because I find myself in total complete disagreement with those economists who talk in terms of the Phillips Curve, and the Phillips Curve being the tradeoff between inflation and unemployment, and that in order to avoid increases in levels of inflation we have to accept higher levels of unemployment.

Chairman BENTSEN. Their theory did not work last year, did it?

Mr. RUTTENBERG. It certainly has not.

I must say that we can look at various periods in American history, and one points with considerable pride—I would—to the Truman administration, in which we had relatively full employment at levels below 4 percent—3.5 or 3.75 percent—and we had relatively little inflation. And we had high levels of production, high levels of employment and low levels of unemployment.

It is not clear to me that the economists are right when they argue that higher levels of production and higher levels of output, which means less unemployment, is going to create inflation. I think inflation, the inflation that we have experienced over the past 3 or 4 years, there has been an outgrowth—to say nothing of the half a dozen different issues that are unrelated to the problem of employment and inflation.

Chairman BENTSEN. Quadrupling of the price of oil by the Middle East cartel; a commodities market where we had a crop failure worldwide.

Mr. RUTTENBERG. Right.

The Nixon administration's proposal, when he first came into office saying that we were going to raise interest rates in order to reduce inflation, and this would occur—and I quote the President at the time that he said this would occur without “a significant rise in the level of unemployment.” That was the position of President Nixon. It was the position of the Secretary of Labor Schultz, who later becomes Secretary of the Treasury and OMB. And that was a false and fallacious notion, and yet it was that policy, deliberately raising interest rates and reducing money supply as a means of controlling inflation, that brought on the unemployment that we have.

So, when you combine that with the grain deal and the commodity markets, with the quadrupling the price of oil, with the current resistance on the part of this administration to threats from OPEC to



further raise the price of oil, I do not understand how one can conclude that by tackling the problem of unemployment you are going to cause more inflation. You are not going to cause more inflation if you really deal with those problems that brought about the inflation that we are now in.

We see money rates going back up; interest rates rising again. I do not understand that, I really do not understand. I think it is a manipulation on the part of the banks, again, to take advantage of the ongoing situation. Short-term money rates and 90-day bills have gone from 4.75 percent to 6.2 percent over the course of the last month. Will you explain to me, in a period when unemployment is 8.5 percent, what the justification is for short-term money rates going back up?

Chairman BENTSEN. When the consumer confidence index factor is down and you have over 9 million people out of work, that is the time you are supposed to stimulate the economy, and not tighten up on money supply. Yet we saw that happen last year when they increased the money supply 2.8 percent in the last 6 months of the year and helped start a period of recession. It was wrong. That was last summer.

Now, what concerns me very much is the very thing you are talking about. We will see the Fed start to tighten up too soon and put us right back in this recession. If it is bottoming out, as I hope that it is, then we will not come out of it if they increase the interest rate substantially. That is an absolutely wrong policy, and I agree with you on that.

Mr. RUTTENBERG. Can I comment on your tax loopholes?

Chairman BENTSEN. Yes. What is your favorite tax incentive, or loophole, which you think is most abused?

Mr. RUTTENBERG. If you ask me what my favorite one is, I guess I would talk to the inheritance tax. I would talk to the specific issue of life estates, a concept that people can, in their will, provide for their estates to pass on to the unborn, to the child who is yet unborn, but conceived, in a second or third generation down the line. And during the intervening period, people live off the interest of the estate and the inheritance. The estate is inherited by the yet unborn but conceived child who might be two or three generations down the road. That kind of an issue, one ought to deal with.

Second, one ought to deal with the issue of capital gains—

Chairman BENTSEN. I think you have a point on that one. They pay the estate tax in the first instance, but the next generation escapes it because they, in effect, have not inherited it.

Mr. RUTTENBERG. Second, the issue of capital gains, as it relates to the estate. A person can buy a share of stock for \$100, and the price advances to \$5,000. And at death, the capital gains is not paid.

Chairman BENTSEN. But the estate tax is paid.

Mr. RUTTENBERG. The estate tax is, but the capital gains is not. But if that person had sold that 2 days before he died, he would have paid a capital gains tax on it.

Chairman BENTSEN. But this is a voluntary conversion.

I think that if you are talking about that, that is a voluntary conversion that will not be made too many times. I think there are too many decisions in this country that are based on tax decisions rather than investment decisions. And I think that you see a lack of mobility of capital as a result.

Let me give you an example. Let us take the fellow that is starting a business, starting from scratch, and he, builds it over 40 years, and he decides he wants to retire. The kids do not take on the business, and he wants to sell it. So, today he pays a 35-percent capital gains tax, 2.5-percent-preference tax, and then if he lives in the State of New York or California, he pays 5 percent more; so that is 42.5 percent. What does he do? He just does not sell it, and so you have it frozen. He does not make the conversion and you do not have the mobility of capital that you ought to have.

And under those conditions, you do not collect any tax, either.

Mr. RUTTENBERG. That is true. And he does not make the conversion because he knows that if he holds it to death, that he will never pay a capital gains on it and it will be valued only—

Chairman BENTSEN. Well, let me say that you are giving him credit for being a very generous person, and yet most people are dictated by selfish motives. Most of them, I think, would keep it because they do not want their living taken away; that is what motivates them the most. This may be a judgment thing, but I used to sell life insurance, and it is pretty difficult to get someone to do something in a charitable way for someone else. That is the toughest sale of all.

Mr. RUTTENBERG. I would think that that would be a tough sale, and I would not want to be an insurance salesman. But take the whole issue, and I guess you would make the same response to the capital gains tax problem. I think that the Congress did slightly increase, from a maximum of 25 to a maximum of 35 percent, the capital gains tax in 1970 or 1971, when they did that, but that could go higher, it should go higher. And I am sure you can argue back that this is an investment decision versus an individual decision and it might freeze the markets and whatnot, but I think that those are judgments that have to be made.

You mentioned earlier, and my friend Ernie mentioned, the depletion allowance, and you said, oh, we took care of that; and you were thinking actually only of the oil situation. We do have depletion allowances in everything from A to Z. It goes anywhere from 22 percent down to 5 percent on all kinds of commodities that I think just—we just ought not to be that generous in terms of incentives to depletion allowances for commodities that really are not worthwhile.

Chairman BENTSEN. Let me ask you another one. I just want your testimony—

Mr. RUTTENBERG. This is slightly off our track—

Chairman BENTSEN. It really is, but I just want to ask you this: We have a situation in this country where you can be a pop singer and make a million dollars a year. You pay 50 percent maximum tax.

Mr. RUTTENBERG. Assuming he takes it all in salary.

Chairman BENTSEN. That is right.

Now, assuming you invest in a corporation and get it started, and it might be something that increases jobs—we can give it all the adjectives to show that it is a worthwhile creation—and you add to your dividends from that, and you pay 70-percent tax. It seems to me that a lot of the so-called tax shelters would not have much support if you had 50-percent maximum tax for everybody. I think it is when you get up into the 70 percent bracket that people try to work out these tax shelters.

What do you think of that?

Mr. RUTTENBERG. Well, I guess there is a bit of validity to what you have said. I would much prefer to tackle the issue, though, by setting a minimum tax that everybody has to pay. We have too many people with State and local bonds whose interests are exempt from Federal taxes.

Chairman BENTSEN. I could not agree more.

Mr. RUTTENBERG. There are loopholes built within so people do not even pay a minimum tax, and I would like to see us close up those kinds of loopholes.

Chairman BENTSEN. I would like to see a tax system where everybody pays some taxes. I think that one of the things that really hurts the credibility of the tax system is when somebody has a million dollar cash flow and pays no taxes. It may be for a worthwhile social objective but it is awfully hard to explain, and I think that it destroys credibility in the system. And therefore, I think that you ought to have tax in the alternative. I agree with that.

Mr. Green, did you have anything further?

Mr. GREEN. No, other than that—to point out that my testimony Senator—it seems again that the policy of this administration is that these 9 million people who are unemployed and probably some 3 to 4 other million who have stopped looking for work, are disposable human rubbish, and that in reducing and moving toward any solution of this, that jobs become the means of doing it.

You have stated earlier, and other people have stated, that the trade-off on employment insurance and other kinds of income maintenance things are inadequate to start with. They simply are not going to support a lot of these people to live in a decent manner. And it is like Catch 22; it does not make sense. And I do not understand it.

Chairman BENTSEN. Gentlemen, I think your testimony has been helpful to us. And now we will try to see if we can get some implementation.

Thank you very much. The subcommittee stands adjourned.

[Whereupon, at 11:10 a.m., the subcommittee adjourned, subject to the call of the Chair.]

