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# STRUCTURAL UNEMPLOYMENT AND URBAN POLICY

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON  
ECONOMIC GROWTH AND STABILIZATION  
OF THE  
JOINT ECONOMIC COMMITTEE  
CONGRESS OF THE UNITED STATES  
NINETY-FIFTH CONGRESS  
SECOND SESSION

MARCH 17, 1978

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# STRUCTURAL UNEMPLOYMENT AND URBAN POLICY

FRIDAY, MARCH 17, 1978

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

The subcommittee met, pursuant to notice, at 10:30 a.m., in room 5110, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the subcommittee) presiding.

Present: Senators Bentsen, McGovern, and Proxmire; and Representative Long.

Also present: Kent H. Hughes, L. Douglas Lee, Deborah Norelli Matz, and William D. Morgan, professional staff members; Mark Borchelt, administrative assistant; and Stephen J. Entin, minority professional staff member.

## OPENING STATEMENT OF SENATOR BENTSEN, CHAIRMAN

Senator BENTSEN. The subcommittee will come to order.

Throughout most of its history, our country has been able to call upon its greatest natural resource, national unity, to overcome pressing and difficult national problems. When we have unity, there is no problem too large or complex for America, no challenge that can baffle our creative energies.

The tragic periods in our history have occurred when unity was absent from the fabric of American political life, when we worked at cross purposes or turned on one another.

Many of the large older cities of the Northeast and Upper Midwest are in serious economic trouble. But it would be a grave mistake to take the view that this is a regional rather than a national problem. The crumbling cities, the antiquated industrial capacity, and the high levels of unemployment which characterize much of the urban Northeast and Upper Midwest, are an element of the general pattern of declining incentives for industrial growth and individual entrepreneurship which plague not only the United States but other Western democracies like Britain. These declining incentives are the result of a bias in the tax system against saving and investment, overregulation of business activity, and the phenomenal growth in the public sector both at the Federal and at the State and local level. The urban areas of the Frost Belt have been the most adversely affected because they are the oldest and the most industrial areas of the country, and therefore the most susceptible to economic stagnation.

We in the Sun Belt recognize that our future and our prosperity are irrevocably linked to that of the Northeast and Midwest. Our cities are not immune from the urban plagues of 20th century America. Our housing may be relatively new, but about 1.5 million units lack adequate plumbing compared to 500,000 units in the Northeast. These houses are clearly substandard. The poorest communities in this Nation are not in the Northwest, they are not in the Midwest; they are in south Texas. That is why the recent trend toward aggressive regionalism in the U.S. Congress concerns me.

In responding to the urban crisis, we who represent the Sun Belt must drive home the point that it is not the Federal purse, but private investment, individual initiative and a system of incentives that will enable each of the different regions to meet the challenges facing our country today.

We cannot rejuvenate our national or local economies in the coming decade until we are willing to confront and overcome the problem of structural unemployment. Every citizen of this country should have a stake in our free enterprise system. Every citizen of this country should have an opportunity to make a productive, constructive contribution to our society. We cannot abide a situation in which vast segments of our population are effectively excluded from the mainstream of our economic life.

I do not know of anything more denigrating to an individual than to tell him that society has no constructive role for him to fulfill, no place for him to make a contribution. I do not think you can say to 40 percent of our young blacks that we do not have a place for them in our economic society. You cannot shelve them, put them aside. If that happens, this country pays a long-term economic, social, and political cost.

In 1977, for the third consecutive year, when discouraged workers are counted, unemployment among black teenagers is almost 40 percent. In 1977, for the third consecutive year, when discouraged workers are counted, one out of every four black workers in the Nation remained unemployed. In my own State of Texas, El Paso's unemployment reached 15.9 percent in December 1977. Many of these are unskilled Mexican-American workers. These staggering rates of unemployment breed crime which costs us billions of dollars. More importantly, they breed despair and frustration. It is a shameful waste of valuable human resources in an era of human rights. It is degrading and it is debilitating. It is a situation which cannot be permitted to continue. The human and economic price of structural unemployment is terrifying.

Equally startling are statistics on income and education. In San Antonio, for example, 17.5 percent of the families are impoverished and 15.3 percent of the adults have had less than 5 years of schooling.

We cannot abrogate our responsibilities to these individuals. We can, and we must, create employment opportunities for the millions of low-skilled, chronically unemployed Americans. There are few items with a higher priority on our economic agenda for the future. In addressing the chronic problem of structural unemployment, we must be willing to try new ideas and test out innovative concepts. A

job is a vital fact of life to every American citizen. It is a prerequisite to a decent, productive existence in our society. We have an obligation, an economic, moral, and humanitarian obligation, to foster opportunities for employment, in the private sector if possible and in the government sector if necessary. For it is surely better to pay people to work than to pay them to do nothing.

We in the South, contrary to public opinion, have many economic hurdles to overcome. Our older cities, as in the North, are confronted by deteriorated facilities, outmigration of industry and eroding tax bases. Our new cities need roads, sewers, schools, and housing to meet the demands of rapidly increasing populations. All regions of this Nation have problems, none of which can be solved unilaterally. Therefore it is time for an end to divisive regionalism. It is time for all Americans to unite and work for a restoration of a climate throughout our country that will be conducive to balanced national economic growth. We in the Sun Belt stand ready to join that kind of national effort.

We are pleased this morning to have Mr. Bernard E. Anderson of the Wharton School, the University of Pennsylvania, who will be our first witness on structural unemployment and urban policy. Mr. Anderson, please proceed.

**STATEMENT OF BERNARD E. ANDERSON, ASSISTANT PROFESSOR,  
WHARTON SCHOOL, UNIVERSITY OF PENNSYLVANIA**

Mr. ANDERSON. Thank you very much, Senator.

I am pleased to have the opportunity to testify today on the issue of structural unemployment, especially its implications for racial minorities in urban areas. I have prepared for the committee a statement which I would like to have published in its entirety in the record. I will not take the time this morning to read that prepared statement. I will simply highlight some of the main points I would like to get across and then attempt to answer whatever questions you might have.

Senator BENTSEN. Mr. Anderson, we will be pleased to have it in its entirety in the record. We will place it at the end of your oral remarks.

Mr. ANDERSON. One of the Nation's most difficult domestic problems is unemployment among urban blacks and other minorities. Until this unemployment is reduced, and brought in line with job opportunities available to other groups, the Nation will continue to face a severe urban crisis with alarming implications for economic well-being.

A review of the American economy last year showed a disturbing duality in the pattern of economic progress. Conditions among members of the majority population, while not ideal by any measure, showed evidence of continuing improvement. In contrast, conditions in the black community showed stagnation and economic loss. This duality in economic progress demands a bold and imaginative public policy response. A targeted national urban policy is a critical element for any policy response designed to ease the structural unemployment problem.

In approaching a solution to structural unemployment, it is necessary to distinguish between that type of joblessness and other varieties of unemployment.

Even in the best of times some people are counted as unemployed because they are looking for their first job or have quit their former job and are looking for something better. Those who pass up low-paying jobs to search for higher paying or more enjoyable jobs are the frictionally unemployed.

When the total demand for the economy's goods and services falls below the sum of everything businessmen want to produce, there is cyclical unemployment. When joblessness increases in some occupations and industries because of bad weather, a sudden, but predictable drop in sales due to consumer buying habits or the completion of planting or harvesting, that is called seasonal unemployment.

The final type of unemployment, not subsumed in the above categories, is structural unemployment. This arises when workers are laid off because of structural changes in the economy, such as consumers buying more TV sets and fewer radios. In that case, radio production workers will lose their jobs, while those making TV sets will expand in number, unless the sets are manufactured abroad. Theoretically, structural unemployment exists when there are job vacancies and the unemployed cannot fill them. This may be due to the unemployed being in the wrong place, demanding wages too high, having inadequate education and training or being the victims of discrimination. All are examples of structural unemployment.

Other examples of structural unemployment are the loss of jobs due to competition from foreign imports, shift in labor requirements due to technological change and changing spectrum of income support systems in relation to the job market. For example, some economists have suggested that workers receiving unemployment compensation engage in a job search effort less vigorous than necessary because the level of unemployment compensation benefits is too high in relation to regular earnings. Another version of this argument is that unemployment rates are higher than normal in part because of certain social service benefits that require a period of unemployment as the basis for entitlement.

These types of structural unemployment produce a variety of labor market problems that are unlikely to respond effectively to fiscal and monetary policies. Special targeted labor market measures are required to get at the root cause of the joblessness and to deal with the social and psychological as well as the more narrow economic foundation for joblessness. Skill training, work study, vocational guidance and other measures broadly termed "manpower policy" must be used to reduce structural unemployment. There will be short-term benefits from such measures, but also long-term gains derived from generating a more productive adult work force.

But structural labor market policies should not be oversold. Their initial effects might not look very attractive, that is, training middle class adult counselors at the expense of programs that put money and income directly into the hands of the poor. Structural programs inherently involve a longer investment horizon than public service employment and macro stimulation. But they can produce valuable benefits in terms of lessening skill shortages that spike inflationary pressures as labor markets get tight during economic recoveries.

Much of the urban unemployment problem consists of black and Hispanic unemployment. Indeed, almost 60 percent of the black unemployed compared with only 27 percent of unemployed whites, live in the central cities. For this reason the state of urban communities affects blacks to a substantially greater degree than whites.

The recent rise in unemployment among blacks reflects an expansion in their labor force participation unaccompanied by a corresponding improvement in their employment. From August 1966 through 1977, the black labor force grew by 28.3 percent. Black employment, however, grew by only 20.2 percent, with black adult women increasing their employment at almost three times the rate of black adult men. The gap between the rate of labor force expansion and employment gains contributed to a rise in the black unemployment rate, while the white unemployment rate declined.

Last year's rise in unemployment among blacks reflected the incongruous situation of large numbers of persons initiating the search for employment, but finding an inhospitable job market in urban areas. Unfortunately, these conditions are not new. The unemployment rate among black teenagers has been above 25 percent in each of the past 10 years, while the rate for comparably aged whites averaged less than 15 percent.

Further, black unemployment has long shown a lag of adjustment during economic recoveries, and especially slow recoveries from recession. Blacks experience excessively high levels of unemployment in good times as well as bad; at no time during the past 25 years have blacks sustained an unemployment rate less than 1.5 times that of whites. The persistently high rate of unemployment and the attrition in the rate of new job growth have worsened the chance for reducing the unemployment of black workers.

City unemployment among blacks also reflects deeper structural elements. For example, much of the employment progress among blacks during the 1960's occurred in semiskilled occupations and manufacturing industries that have in recent years been especially vulnerable to layoffs. Low seniority workers are the first to go, and there is much evidence to suggest that this is a majority element in urban black joblessness. Also, while there is a reverse trend in black migration from the North to the South, those relocating tend to be the more educated, better trained, more highly motivated blacks. They leave a population who cannot benefit significantly from job vacancies in the expanding occupations in urban areas.

Discrimination plays a major role in creating black unemployment. Although occupational progress was made during the 1960's, most black workers continue to be disproportionately concentrated in semi-skilled, low wage jobs, with few opportunities for upward mobility. Black job seekers continue to be rejected for many white collar jobs with growth potential, and continue to be underrepresented in skilled blue collar jobs. To some extent the current pattern of inequality reflects the accumulated product of past discrimination rather than current actions, but progress against systemic forms of discrimination has been slow and uneven across industries.

Thus, there is a complex mix of forces at work tending to create a visible worsening in the black unemployment situation in urban com-



munities. Recent reports on Philadelphia where the black unemployment rate was 19 percent, and the rate for black teenagers, 48 percent, demonstrate the cumulative effects of the decline in government employment, incomplete recovery from the recession and the continuing practice of employment discrimination. Philadelphia is not unique; only extreme in its conditions affecting black workers. Similar conditions can be found in varying degrees in every major city of the Nation with a sizable number of black workers. No urban policy that does not address this set of forces directly can possibly be responsive to the needs of the black community.

Now the current programs directed toward reducing unemployment mainly are of four types: The public service employment, the comprehensive manpower services under CETA, the new YEDPA legislation, public works legislation, and selective purchasing policies of the Federal Government.

These employment programs have evolved over a period designed to alleviate unemployment. As measures to reduce the seriousness of urban joblessness, such policies have distinct advantages as well as serious limitations.

First, a careful examination of the urban jobs problem leads to the inescapable conclusion that deep set, long-term forces at work in the economy have produced, and will continue to produce, a short fall of jobs at decent wages for all those in urban areas who are willing and able to work. The five industrial groups that consistently pay above average wages employed 25 million workers in 1950 and 32.1 million in 1976, an increase of about 28 percent. The five better paying groups experienced a job loss of 13 percent during the same period. But in the three industry divisions with below average weekly earnings, employment more than doubled from 1950 to 1976; and in services, the fastest growing industries, but with relatively low wages, employment grew by 172 percent. Thus, the short-term employment and training measures at best create a rationing problem confronting the policymaker always with the question of priorities for services as well as the choice of the most appropriate mix of services to get disadvantaged unemployed workers into a decreasing proportion of better paying jobs.

Until a mechanism is found to reverse the outflow of private sector jobs from the nation's cities, especially older cities in the Northeast and the Midwest, there will be little that manpower policy of the present variety can do to reduce in any significant way, the unemployment of urban dwellers. Such programs can have an effect at the margin, as numerous evaluations of manpower programs have shown, but the positive effects tend to be limited in magnitude and are short lived.

Second, the short-term remedial policies often fail to demonstrate more effectiveness because they are swamped by adverse conditions regularly sending shock waves through urban areas. Primary among such conditions are the well-documented failures of large urban public school systems. All too often the public schools provide inadequate basic education, especially for racial minorities, and have little connection with the world of work. The result is that each year thousands of youth pour into urban labor markets unprepared for employment in numerous jobs.

Third, the short-term remedial programs should accomplish two key objectives: One, targeting on the urban unemployed most in need, that is, minorities, youth, the poor; and two, increasing the pool of jobs available to inner-city residents. The major option directed toward increasing the pool of jobs is public service employment, but the jobs created often do not fit those hired to be somewhat better educated, with better work experience and better alternative job prospects than the very disadvantaged unemployed in inner-city communities.

In looking at long-term responses to unemployment, many alternatives become possible. Indeed, some of the long-term needs are so obvious, it is necessary to proceed cautiously in recommending policies in order not to appear superficial and simplistic in approaching the problems. It goes without saying that improvements in public education, more job creation in the private sector and better coordination of Federal programs at the local level would improve the urban jobs picture. While such statements are undoubtedly correct, the mere identification of such policy options fails to convey the institutional and other barriers to their accomplishment, or the inevitable tradeoffs that must be made in pursuing one option compared with another.

Despite the difficulty of addressing the long-term options in a realistic way, the challenge of urban employment is clear: There are not enough of the right kind of jobs in the right places to meet the needs of the inner-city unemployed who would rather work than to exist in a state of dependency. Whatever policies are adopted must be directed to this reality. The following policy options seem more promising to the urban structural unemployment issue.

No. 1, we must look to community economic development and job creation. One of the pervasive features of urban areas is the deterioration in the availability of consumer services for inner-city residents. Crime, depressed facilities, limited investment capital and other problems have led to the demise of many small businesses, service industries and other local job generating opportunities. Community economic development efforts can help arrest this decline and stabilize employment at the neighborhood level.

No. 2, we must expand tax incentives to the private sector. Much more can be and should be done to explore the feasibility of using tax incentives to encourage private sector firms to locate in, or remain in inner-city areas, and to hire the disadvantaged unemployed. Equally important is the need to support economic incentives for firms to locate in the inner city.

The Federal Government should set an example by designating a target percentage of part-time jobs within all agencies and at all levels of career development. It is essential that part-time work be associated with career advancement. Private employers should be encouraged to review the structure of jobs so as to provide more part-time employment opportunities with a pattern of career development. Barriers to such employment seem to be in designing equitable schemes for prorating fringe benefits, but these barriers are not insurmountable. Considerable experience in the private and nonprofit sector already exists that could be utilized by others, particularly in demonstrating high levels of productivity among the part-time workers.

Flexitime, much more widely adopted in Europe than in the United States, is the subject of considerable research and experimentation which should be encouraged. Again, it would be helpful for the Federal Government to serve as a model by encouraging union-management consultation on the issues. The chief barrier here seems to be the constraints of the 8-hour day, 40-hour week, but there is, nevertheless, considerable room for altering the hours of work. Eventually, there may be sufficient experience to warrant a reconsideration of these constraints.

No. 3, we must improve coordination of Federal urban development funds. The Federal Government today spends more than ever before on programs to help urban communities. The community development block grant program, under the new funding formula will provide a significantly enlarged resource base for hardship cities. Public works spending, general revenue sharing and CETA funds when combined now represent a "new federalism" that can have a serious impact on the quality of life in cities.

The promise is likely to go unfulfilled, however, if there are no new institutional forms to increase the coordination in Federal urban spending. In current practice there is little or no connection between public works, CDBE and CETA spending in most communities. The flow of funds proceeds from separate and distinct legislative mandates, is beamed toward different target areas and has no uniform or consistent objectives. The result is waste, inefficiency and worse, with much less than full potential impact on urban unemployment.

No. 4, we must broaden access by reducing discrimination. No discussion of the long-term options for improving the urban unemployment picture would be complete without including the need to pursue an aggressive assault on job discrimination. Despite 10 years of anti-discrimination enforcement by EEOC, OFCC and numerous State and local equal opportunity agencies, minorities and women continue to be denied their full potential because of invidious discrimination.

Most of the discrimination today is not overt, but is systemic, that is, it flows naturally from the application of so-called objective standards of good personnel practice, or the provisions of labor-management agreements. To get at this problem it is necessary to pursue pattern and practice suits in which the remedy for a finding of discrimination will be corrective action for a group, rather than benefits simply for an aggrieved individual.

It is difficult to gage the full potential effect of the long-term responses to reducing urban unemployment. But there is some evidence to suggest that the measures might be helpful.

For example, the potential of community economic development efforts may be partially reflected in the activities of the Bedford-Stuyvesant Restoration Corp. in New York, where jobs were created for inner city residents; and the Zion Investment Association in Philadelphia, where Rev. Leon Sullivan spearheaded the organization of three business enterprises in manufacturing, retailing and venture capital. Similar efforts have been attempted in other communities.

In conclusion, this statement is intended to clarify the nature of the urban jobs problem and to set forth several short- and long-term policy options that might be useful in getting at the problems involved. If the arguments presented can be summarized, they would be capsulized in the following statements:

One, the urban unemployment problem is substantially burdened with racial implications and must be dealt with on those terms. No urban jobs policy that does not target heavily on blacks and Hispanics is worthy of the name. Let the issue be clear: Black unemployment is the major urban problem of the day and will not be solved without race-sensitive policy options.

Two, there are no easy solutions to the urban jobs problem and no policy initiatives that will produce quick results. The most that can be hoped is that a concerted, coordinated effort will set in motion a process of renewal that will arrest the deterioration of recent decades.

Three, the Federal Government must play the key role in stimulating change. The private sector cannot shoulder the burden of urban job creation without strong Federal incentives.

Further, economic growth alone will not solve the problem; a broad range of structural measures must accompany efforts to stimulate a greater economic growth if anything of substance is to be done about urban unemployment.

Mr. Chairman, that completes my formal statement. I would be happy to answer whatever questions you and other members of the committee may have at this time.

[The prepared statement of Mr. Anderson follows:]

PREPARED STATEMENT OF BERNARD E. ANDERSON

Mr. Chairman and members of the subcommittee, I am pleased to have the opportunity to testify today on the issue of structural unemployment, especially its implications for radical minorities in urban areas. One of the nation's most difficult domestic problems is unemployment among urban blacks and other minorities. Until this unemployment is reduced, and brought in line with job opportunities available to other groups, the nation will continue to face a severe urban crisis with alarming implications for economic well being.

A review of the American economy last year showed a disturbing duality in the pattern of economic progress. Conditions among members of the majority population, while not ideal by any measure, showed evidence of continuing improvement. In contrast, conditions in the black community showed stagnation and economic loss. This duality in economic progress demands a bold and imaginative public policy response. A targeted national urban policy is a critical element for any policy response designed to ease the structural unemployment problem.

In approaching a solution to structural unemployment, it is necessary to distinguish between that type of joblessness and other varieties of unemployment.

Even in the best of times, some people are counted as unemployed because they are looking for their first job or have quit their former job and are looking for something better. Those who pass up low-paying jobs to search for higher paying or more enjoyable jobs are the frictionally unemployed.

When the total demand for the economy's goods and services falls below the sum of everything businessmen want to produce, there is cyclical unemployment. When joblessness increases in some occupations and industries because of bad weather, a sudden, but predictable drop in sales due to consumer buying habits, or the completion of planting or harvesting, that is called seasonal unemployment.

The final type of unemployment, not subsumed in the above categories, is structural unemployment. This arises when workers are laid off because of structural changes in the economy, such as consumers buying more TV sets and fewer radios. In that case, radio production workers will lose their jobs, while those making TV sets will expand in number (unless the sets are manufactured abroad). Theoretically, structural unemployment exists when there are job vacancies and the unemployed cannot fill them. This may be due to the unemployed being in the wrong place, demanding wages too high, having inadequate education and training, or being the victims of discrimination. All are examples of structural unemployment.

The connection between education, training and structural unemployment deserves further elaboration. It is an open secret that in many of the nation's major cities, public education is now, and has been for some time, in a state of disarray. The result is that thousands of youth each year enter the job market totally unprepared for productive work. They have neither obtained a good basic education on which further training can be built, nor received job market information that will open the way to successful job search activity. For this reason, much of the urban unemployment problem can be laid at the feet of the public schools. To attack this problem is, at best, a long term project, but merely to recognize the problem is to appreciate the need for remedial employment and training measures that will close the gap between the school experience and the world of work.

Other examples of structural unemployment are the loss of jobs due to competition from foreign imports, shift in labor requirements due to technological change, and changing spectrum of income support systems in relation to the job market. For example, some economists have suggested that workers receiving unemployment compensation engage in a job search effort less vigorous than necessary because the level of UC benefits is too high in relation to regular earnings. Another version of this argument is that unemployment rates are higher than normal in part because of certain social service benefits that require a period of unemployment as the basis for entitlement.

Still other economists suggest that the welfare system contributes to unemployment because the benefits of dependency are not significantly different from the earnings welfare recipients receive when in the job market. The "job turnover", secondary labor market theories of urban labor markets explain higher unemployment as a consequence of the failure of low-income, disadvantaged workers to gain a foothold in stable, well paying jobs.

These types of structural unemployment produce a variety of labor market problems that are unlikely to respond effectively to fiscal and monetary policies. Special targeted labor market measures are required to get at the root cause of the joblessness, and to deal with the social and psychological as well as the more narrow economic foundation for joblessness. Skill training, work-study, vocational guidance, and other measures broadly termed "manpower policy" must be used to reduce structural unemployment. There will be short-term benefits from such measures, but also long-term gains derived from generating a more productive adult work force.

But structural labor market policies should not be oversold. Their initial effects might not look very attractive (i.e., training middle-class adult counselors at the expense of programs that put money and income directly into the hands of the poor). Structural programs inherently involve a longer investment horizon than public service employment and macro stimulation. But they can produce valuable benefits in terms of lessening skill shortages that spark inflationary pressures as labor markets get tight during economic recoveries.

In short, structural labor market policies can have a marked effect in lowering the urban unemployment rate. Although such policies are difficult to design and implement, in comparison with direct job creation through PSE, their long term benefits for the unemployed, and for society at large are likely to exceed their costs by a substantial margin.

#### BLACKS AND THE URBAN CRISIS

Much of the urban unemployment problem consists of black and hispanic unemployment. Indeed, almost 60 percent of the black unemployed compared with only 27 percent of unemployed whites live in the central cities. For this reason, the state of urban communities affects blacks to a substantially greater degree than whites.

The recent rise in unemployment among blacks reflects an expansion in their labor force participation unaccompanied by a corresponding improvement in their employment. From August 1976 through 1977, the black labor force grew by 28.3 percent. Black employment, however, grew by only 20.2 percent, with black adult women increasing their employment at almost three times the rate of black adult men. The gap between the rate of labor force expansion and employment gains contributed to a rise in the black unemployment rate, while the white unemployment rate declined.

Last year's rise in unemployment among blacks reflects the incongruous situation of large numbers of persons initiating the search for employment, but find-

ing an inhospitable job market in urban areas. Unfortunately, these conditions are not new. The unemployment rate among black teenagers has been above 25 percent in each of the past ten years, while the rate for comparably aged whites averaged less than 15 percent.

Further, black unemployment has long shown a lag of adjustment during economic recoveries, and especially slow recoveries from recession. Blacks experience excessively high levels of unemployment in goods times as well as bad; at no time during the past 25 years have blacks sustained an unemployment rate less than 1.5 times that of whites. The persistently high rate of unemployment and the attrition in the rate of new job growth have worsened the chance for reducing the unemployment of black workers.

City unemployment among blacks also reflects deeper structural elements. For example, much of the employment progress among blacks during the 1960s occurred in semi-skilled occupations and manufacturing industries that have in recent years been especially vulnerable to layoffs. Low seniority workers are the first to go, and there is much evidence to suggest that this is a major element in urban black joblessness. Also, while there is a reverse trend in black migration from the North to the South, those relocating tend to be the more educated, better trained, more highly motivated blacks. They leave population who cannot benefit significantly from job vacancies in the expanding occupations in urban areas.

Discrimination plays a major role in creating black unemployment. Although occupational progress was made during the 1960s, most black workers continue to be disproportionately concentrated in semiskilled, low wage jobs, with few opportunities for upward mobility. Black job seekers continue to be rejected for many white collar jobs with growth potential, and continue to be under-represented in skilled blue collar jobs. To some extent the current pattern of inequality reflects the accumulated product of past discrimination rather than current actions, but progress against systemic forms of discrimination has been slow and uneven across industries. Some also suggest that government regulation such as minimum wages, licensing, and civil service procedures place blacks at a competitive disadvantage in the labor market and raise their unemployment rate above the level that would be observed in the absence of such provisions.

Thus, there is a complex mix of forces at work tending to create a visible worsening in the black unemployment situation in urban communities. Recent reports on Philadelphia where the black unemployment rate was 19 percent, and the rate for black teenagers, 48 percent, demonstrate the cumulative effects of the decline in private sector jobs, deficiencies in the public school system, decline in government employment, incomplete recovery from the recession, and the continuing practice of employment discrimination. Philadelphia is not unique; only extreme in its conditions affecting black workers. Similar conditions can be found in varying degrees in every major city of the nation with a sizeable number of black workers. No urban policy that does not address this set of forces directly can possibly be responsive to the needs of the black community.

#### CURRENT PROGRAMS TO REDUCE UNEMPLOYMENT

The federal government presently supports a range of employment and training efforts designed to ameliorate urban unemployment. The basic policy initiative is the Comprehensive Employment and Training Act of 1973, as amended (CETA) which provides for the expenditure of almost \$13 billion for remedial manpower programs, including public service jobs.

1. *Public Service Jobs.*—The expansion of PSE under Title VI of CETA from 250,000 to 725,000 jobs by fiscal year 1978 was the Carter administration's major employment response to long-term and structural unemployment in urban areas. In order to increase the impact of these expenditures on those most in need, implementing regulations require emphasis on the long-term unemployed and welfare recipients in projects to last no more than one year. PSE provides short term employment in occupations selected by local prime sponsors. There might be benefits from the provision of services that otherwise would be discontinued in the absence of PSE, but there is limited investment in the development of human capital associated with PSE.

2. *Comprehensive Manpower Services.*—Expenditure for comprehensive manpower services provided by prime sponsors under Title I of CETA are scheduled to increase in fiscal year 1978. Funds allocated by formula under this section of CETA help provide resources to urban communities to deal with unemployment.

But since the inception of CETA, relatively fewer funds have been available to cities in comparison with other locations under the formula funded system. Decentralization of manpower programs has been criticized on this score, and concerns have been expressed by many observers that Title I funding reduces the capability of cities to deal with their unemployment problems. It should be noted that since CETA was enacted Congressional actions have eroded somewhat the concept of decentralization to the point where Title I will contain less than 20 percent of CETA outlays in 1978. Both the nature of manpower programs operated at the local level, and the target groups have been increasingly prescribed by the Federal Government.

3. *Youth Employment Initiative.*—The \$11 billion Youth Employment and Demonstration Projects Act is a third short term policy option designed to get at urban employment problems. At least three of the four major parts of the Act (i.e., excluding the Conservation Corps) can be expected to augment significantly the revenue base of cities for expanding youth employment efforts. The Act's provision for community improvement projects, entitlement program, and youth employment and training programs all have potential for addressing the employment problems of urban youth and will undoubtedly make a difference in some areas. But the experimental and demonstration focus of YEDPA, while commendable from a knowledge development perspective, might raise questions about the permanence of a focus on youth unemployment and continued support for youth programs beyond the next fiscal year.

4. *Other Manpower Programs.*—The Administration plans to launch several other manpower initiatives that might influence urban employment opportunities in the short term. Prominent among the new efforts are the HIRE program, aimed at Vietnam-era veterans; STIP programs, designed to upgrade the quality of skills training for the disadvantaged in the private sector; expansion of apprenticeships; and doubling the size of the Job Corps. These measures all enlarge the fund of resources beamed toward the disadvantaged unemployed, a substantial proportion of whom reside in urban areas.

5. *Public Works.*—Congress appropriated \$4.0 billion for FY 1977 for public works projects. Much of the spending will be in urban areas, and the total expected job creation is in the neighborhood of 600,000 positions. Public works is a key short term device that not only generates jobs, but also helps improve the physical infra-structure on which community economic development depends. Because the Department of Commerce is committed to funnel as much of the \$4.0 billion as possible into areas of high unemployment, major hardship cities should be relatively better off under the current public works program than they have been in recent years.

6. *Tax Credit for Hiring.*—As part of the economic stimulus package, the Congress included a temporary employment tax credit designed to encourage business firms to hire low-wage workers. The tax credit is 50 percent of the first \$4,200 of each employee's annual wages (\$2,100 maximum) for all such wages in excess of 102 percent of the prior year' level and up to a maximum of \$100,000 per firm. This is an experimental effort to see if such wage subsidies can be effective in stimulating employment of the disadvantaged. How much impact the measure will have on the urban unemployed cannot be determined, although some firms located in the cities will undoubtedly take advantage of the tax credit. It might be useful to observe here that wage subsidies to private employers to hire welfare recipients have not been uniformly successful. Also, European experience with wage subsidies in an environment of slow growth has been generally disappointing.

7. *Selective Government Purchasing.*—Federal Government purchasing decisions have been used selectively to influence employment opportunities in urban areas. Firms located in areas of high unemployment have received preference for selection as government suppliers under programs administered by GAO, EDA, OMBE, and the Department of Defense. The number of jobs involved is probably not large, but the concept of preference, based on firm location is an important short term option for influencing the urban jobs situation. One of the key benefits of such policies is that they tend to increase opportunities for minority business, which in turn increases the chance that minority workers will be hired.

#### ASSESSMENT OF CURRENT PROGRAMS

The employment programs identified above have evolved over a decade of experience with manpower policy designed to alleviate unemployment among the

disadvantaged. As measures to reduce the seriousness of urban joblessness, such policies have distinct advantages, as well as serious limitations.

First, a careful examination of the urban jobs problem leads to the inescapable conclusion that deep set, long-term forces at work in the economy have produced, and will continue to produce, a short-fall of jobs at decent wages for all those in urban areas who are willing and able to work. The five industrial groups that consistently pay above-average wages employed 25 million workers in 1950 and 32.1 million in 1976, an increase of about 28 percent. The five better-paying groups experienced a job loss of 13 percent during the same period. But in the three industry divisions with below-average weekly earnings, employment more than doubled from 1950 to 1976; and in services, the fastest growing industries, but with relatively low wages, employment grew by 172 percent. Thus, the short-term employment and training measures at best create a rationing problem confronting the policy maker always with the question of priorities for service as well as the choice of the most appropriate mix of services to get disadvantaged unemployed workers into a decreasing proportion of better paying jobs.

Until a mechanism is found to reverse the outflow of private sector jobs from the nation's cities, especially older cities in the Northeast and the Midwest, there will be little that manpower policy of the present variety can do to reduce in any significant way, the unemployment of urban dwellers. Such programs can have an effect at the margin, as numerous evaluations of manpower programs have shown, but the positive effects tend to be limited in magnitude, and are short lived.

Second, the short-term remedial policies often fail to demonstrate more effectiveness because they are swamped by adverse conditions regularly sending shock waves through urban areas. Primary among such conditions are the well documented failures of large urban public school systems. All too often the public schools provide inadequate basic education, especially for racial minorities, and have little connection with the world of work. The result is that each year thousands of youth pour into urban labor markets unprepared for employment in numerous jobs.

Because there is a distribution of competencies among urban school graduates, many eventually wind up in entry level jobs that provide on-the-job training and experience for productive careers. But the connection is not easy, and in the period of transition excessive unemployment is usually experienced. The situation for high school dropouts is even worse because the failure to complete school is taken by employers to be an index of low motivation and limited promise for a successful work experience.

Even more, the characteristics of urban job markets often create conditions in which school graduates are not rewarded substantially more than school dropouts. Studies of education, work, and training in urban ghettos demonstrate clearly the lack of incentive provided by the labor market for success in school. Peer group pressures are strong and evidence that schooling does not pay off tends to exacerbate the problem of dropouts. The ultimate result of this syndrome of disadvantage is that manpower programs are continually called upon to correct deficiencies in schooling that are cumulative in their impact and often virtually impossible to reverse.

Third, the short-term remedial programs should accomplish two key objectives: (1) targeting on the urban unemployed most in need (i.e., minorities, youth, the poor), and (2) increasing the pool of jobs available to inner city residents. The major option directed toward #2 is PSE, but the jobs created often do not fit those most seriously unemployed. Experience with PSE shows a tendency for those hired to be somewhat better educated, with better work experience, and better alternative job prospects than the very disadvantaged unemployed in inner city communities. Thus while conceptually the PCE program holds promise for getting at the urban unemployment problem in the short term, the administration of the program often reduces its potential job creating impact for urban racial minorities.

Targeting employment and training programs has been a persistent problem under CETA. In some cases, manpower services have not been targeted better because prime sponsor priorities groups have deviated from regulatory guidelines. In other, and more frequent cases, the lack of targeting is the result of service-delivery institutions that are less than effective in reaching groups most in need. For example, experience has shown that outreach services are essential for reaching the urban, inner city unemployed, and those not in the labor market



State employment service agencies and other governmental service deliverers often do not tap into the most needy groups, and as a result, leave large numbers of inner city unemployed untouched by a available manpower services.

#### V. LONG-TERM RESPONSES TO UNEMPLOYMENT

In lengthening the time horizon for the development and implementation of an urban jobs policy, many alternatives become possible. Indeed, some of the long-term needs are so obvious, it is necessary to proceed cautiously in recommending policies in order not to appear superficial and simplistic in approaching the problems. It goes without saying that improvements in public education, more job creation in the private sector, and better coordination of federal programs at the local level would improve the urban jobs picture. While such statements are undoubtedly correct, the mere identification of such policy options fails to convey the institutional and other barrier to their accomplishment, or the inevitable trade-offs that much be made in pursuing one option compared with another.

Despite the difficulty of addressing the long-term options in a realistic way, the challenge of urban employment is clear: there are not enough of the right kind of jobs in the right places to meet the needs of the inner city unemployed who would rather work than to exist in a state of dependency. Whatever policies are adopted must be directed to this reality. The following discussion attempts to identify several options that seem most promising as mid- or long-range approaches to urban unemployment.

##### 1. *Community Economic Development and Job Creation*

One of the pervasive features of urban areas is the deterioration in the availability of consumer services for inner city residents. Crime, depressed facilities, limited investment capital and other problems have led to the demise of many small businesses, service industries, and other local job generating opportunities. Community economic development efforts can help arrest this decline and stabilize employment at the neighborhood level.

##### 2. *Tax Incentives to the Private Sector*

Much more can, and should be done to explore the feasibility of using tax incentives to encourage private sector firms to locate in, or remain in inner city areas, and to hire the disadvantaged unemployed. The limited incentive included in the economic stimulus package should be expanded and augmented substantially to allow a much higher wage subsidy. It is not unreasonable to subsidize private firms with good jobs at 60 percent of the wage of selected inner city workers to start, with a sliding scale down to 10 percent of the wage at the end of 2 years. Strict controls can be included in such programs in order to avoid abuse.

Equally important is the need to support economic incentives for firms to locate in the inner city. Some light manufacturing, packaging, and assembly operations can be quite competitive in the inner city if they can receive tax relief and be protected from crime. It would be useful to examine the experiences of IMB in Brooklyn, Control Data in Minneapolis, and Seatrain in New York City to get a sense of what is possible. Also, studies of industrial relocation to Puerto Rico and in some urban centers of less developed countries might be instructive in identifying some of the factors responsible for the success of business ventures in depressed areas.

Some consideration might also be given to business operations that are labor intensive rather than capital intensive. As American industry has expanded, there has been a tendency for capital substitution for labor to proceed at a rapid pace. Competition from foreign imports has exacerbated this trend because the industries most affected by imports (excluding steel) have a high labor content in the U.S. The high wages of American workers have increasingly priced U.S. products out of the world markets, despite the high productivity of U.S. labor in some industries.

The U.S. might well experiment with labor-intensive growth enterprises. In order to mute the otherwise unfavorable effects on price competition, the product of the labor intensive firms located in inner city areas might well be purchased by the Federal Government itself. This would violate strict principles of economic efficiency, but would contribute to a larger public purpose, namely, the diminution of urban unemployment. In economics there are always trade-offs. The only issue is which goals should have priority at any time.

### 3. *Work Scheduling*

A more flexible labor market can increase the employability of certain groups in the population. Among those wishing part-time jobs are older workers, students, and adults with household responsibilities. Among these benefitting from flexible hours are students, the handicapped, and adults with household responsibilities.

The Federal Government should set an example by designating a target percentage of part-time jobs within all agencies and at all levels of career development. It is essential that part-time work be associated with career advancement. Private employers should be encouraged to review the structure of jobs so as to provide more part-time employment opportunities with a pattern of career development. Barriers to such employment seem to be in designing equitable schemes for pro-rating fringe benefits, but these barriers are not insurmountable. Considerable experience in the private and nonprofit sector already exists that could be utilized by others, particularly in demonstrating high levels of productivity among part-time workers.

Flexitime, much more widely adopted in Europe than in the United States, is the subject of considerable research and experimentation, which should be encouraged. Again, it would be helpful for the Federal government to serve as model by encouraging agencies or offices to develop schemes for flexitime, and by encouraging union-management consultation on the issues. The chief barrier here seems to be the constraints of the eight-hour day, 40-hour week, but there is nevertheless considerable room for altering the hours of work. Eventually, there may be sufficient experience to warrant a reconsideration of these constraints.

### 4. *Coordination of Federal Urban Development Funds*

The Federal government today spends more than ever before on programs to help urban communities. The Community Development Block Grant program, under the new funding formula will provide a significantly enlarged resource base for hardship cities. Public works spending, general revenue sharing, and CETA funds when combined now represent a "new federalism" that can have a serious impact on the quality of life in cities.

The promise is likely to go unfulfilled, however, if there are no new institutional forms to increase the coordination in federal urban spending. In current practice, there is little or no connection between public works, CDBG, and CETA spending in most communities. The flow of funds proceeds from separate and distinct legislative mandates, is beamed toward very different target areas, and has no uniform or consistent objective. The result is waste, inefficiency, and worse, with much less than full potential impact on urban unemployment.

An administrative mechanism should be developed to rationalize the planning process at the local level to insure that federal urban assistance funds, from whatever source, are used in a coordinated effort. Past experience has shown that different federal agencies themselves have difficulty working in concert to achieve common objectives, but interagency decision-making is not unknown in Washington. Surely, if the U.S. House of Representatives could re-organize its way of conducting business in order to consider the energy bill as a single package, the Executive Branch should be able to form a joint decision-making process to launch a concerted urban policy initiative.

### 5. *Broadening Access by Reducing Discrimination*

No discussion of the long-term options for improving the urban unemployment picture would be complete without including the need to pursue an aggressive assault on job discrimination. Despite ten years of anti-discrimination enforcement by EEOC, OFCC, and numerous state and local equal opportunity agencies, minorities and women continue to be denied their full potential because of invidious discrimination.

Most of the discrimination today is systemic, i.e., it flows naturally from the application of so-called objective standards of good personnel practice, or the provisions of labor-management agreements. To get at this problem, it is necessary to pursue pattern and practice suits in which the remedy for a finding of discrimination will be corrective action for a group, rather than benefits simply for an aggrieved individual. There must also be strict enforcement of affirmative action by urban based business-firms (and government), including the specification of occupational goals and timetables.

Some benefits from this approach were seen in New York City when the Human Rights Commission under the leadership of Eleanor Holmes Norton recorded gains of over 25 million dollars for several thousand minorities and women in a campaign directed at specific industries. Many of the job gains were retained even when the fiscal crisis in New York City worsened the private jobs situation. Special efforts to upgrade the job status of urban based racial minorities is a sine qua non for dealing with the unemployment problem over the long term. Discrimination will not fade away on its own accord; strong enforcement of anti-discrimination policies is essential.

#### ASSESSMENT OF LONG-TERM RESPONSES

It is difficult to gauge the full potential effect of the long-term responses to reducing urban unemployment. But there is some evidence to suggest that the measures might be helpful.

The potential of community economic development efforts may be partially reflected in the activities of the Bedford-Stuyvesant Restoration Corporation in New York, where jobs were created for inner city residents; and the Zion Investment Association in Philadelphia, where Rev. Leon Sullivan spearheaded the organization of three business enterprises in manufacturing, retailing, and venture capital. Similar efforts have been attempted in other communities, but not always with success. It would be useful to examine the CDC experience in some detail to determine what works, under what conditions, and for whom in urban areas. It is reasonable to expect that any long-term effort to deal with urban unemployment would have to include a role for CDCs.

Measures to enlarge employment for the disadvantaged through wage subsidies to the private sectors have met with indifferent success. The experience under the Work Incentive Program (WIN) has not been universally favorable, and many employers have declined to participate in the program. More information on the feasibility of the private sector initiatives may be obtained from the experiments now being planned under the new youth employment Act. That information may help identify the most efficient and cost effective approach to the private sector in dealing with urban unemployment.

#### CONCLUSION

This statement is intended to clarify the nature of the urban jobs problem, and to set forth several short- and long-term policy options that might be useful in getting at the problems involved. If the arguments presented can be summarized, they would be capsulized in the following statements:

1. The urban unemployment problem is substantially burdened with racial implications and must be dealt with on those terms. No urban jobs policy that does not target heavily on blacks and hispanics is worthy of the name. Let the issue be clear: black unemployment is the major urban problem of the day and will not be solved without race-sensitive policy options.

2. There are no easy solutions to the urban jobs problem and no policy initiatives that will produce quick results. The most that can be hoped is that a concerted, coordinated effort will set in motion a process of renewal that will arrest the deterioration of recent decades.

3. The federal government must play the key role in stimulating change. The private sector cannot shoulder the burden of urban job creation without strong federal incentives. Further, economic growth alone will not solve the problem: a broad range of structural measures must accompany efforts to stimulate a greater economic growth if anything of substance is to be done about urban unemployment.

Senator BENTSEN. Mr. Anderson, that is an excellent statement. You have spoken with a great deal of candor and I think with substantial specificity as to some of the options and some of the cures that you think might be possible.

You made a statement that the black labor force grew about 28.3 percent between 1966 and 1977.

Mr. ANDERSON. Yes.

Senator BENTSEN. But that black employment grew by only 20.2 percent.

What do you think the implications of that are?

Mr. ANDERSON. Well, I think we have to examine the reasons for the increase. What we find in looking at the behavior of the labor market is something called the discouraged worker effect.

The discouraged worker effect is a phenomenon in which the improvement in economic conditions generally perceived leads individuals to come into the labor market searching for job opportunities. That is, when there is a general perception of a reduction in unemployment, the creation of new jobs, a number of persons, primarily the so-called secondary workers—this would include youth, minorities, and women—tend to come into the labor market looking for job opportunities.

Now, if they come in looking for opportunities and look in places where jobs are not being created in large numbers, the result then is an increase in their unemployment rate.

The implication of that, in my view, is simply that the improvement in general economic conditions is no guarantee that the economic position of the minority groups and the secondary workers will in fact improve. What has to happen is that the overall increase in job opportunity has to take place in those areas where these groups are heavily concentrated.

Senator BENTSEN. Some of the studies I have seen on demographics show that in areas where you have a high concentration of people of low-economic circumstances, often the physical structures in the area are deteriorated.

I have been trying to find a way to get the private sector more involved in these areas—to provide permanent jobs and afford the opportunity for advancement to the local residents. One of my concerns is the deterioration of the physical structures in those areas is usually accompanied by lowering tax values, and in turn, less funds available to continue services.

I am wondering if we cannot give a substantial tax incentive for the restoration of housing and commercial structures in some of these deteriorating areas. This would be an attempt to save the inner cities by deterring some of the flights to the suburbs, retaining the tax base for the services that are necessary, and simultaneously creating jobs which would also help achieve the objective of the Nation's social policy.

What do you think about that as a possibility, as just one facet?

Mr. ANDERSON. Well, that approach, Senator, appeals to me very much. I think that it would be perfectly consistent with laudable public policy purposes to use the tax system in that way, to create economic incentives for firms to do those things that are considered in the public interest.

At the present time, in the absence of any incentive of that type, there are incentives to do just the opposite; that is the economic incentives are for firms to leave these areas. But I think that in addition to the tax incentives that would increase the economic feasibility of constructing new buildings and so forth, there would also have to be an improvement in the social climate in many neighborhoods. I had a conversation recently with Reginald Jones, chairman of the board of General Electric, and while he agreed with this general approach, one of the things he said was that in many of these communities the crime problem is a serious barrier to remaining in the city.

Senator BENTSEN. That brings me to another point. I think we need a program which focuses on the career criminal, the one that habitually resorts to violence. The LEAA program should encourage the courts to give career criminals priority on the dockets. Recent studies indicate that a very high percentage of violent crimes are committed by a very small percentage of overall offenders of our laws.

Mr. ANDERSON. Yes.

Senator BENTSEN. A number of cities have been experimenting with giving career criminals early trials. I know New York City is trying it now, as is Houston, Tex. And this idea appears to be making considerable progress.

I think we ought to have a program which concentrates on distressed areas and attempts to make them safe so people will be able to live in them safely. It is the elderly and so on who are really ripped off in a lot of these situations.

Let me defer to my colleague, Senator Proxmire.

Senator PROXMIRE. Thank you very much, Mr. Chairman.

I first want to thank the chairman for permitting me to take part in this hearing; I am not a member of this subcommittee, but I could not resist coming as a member of the full committee because I am chairman of the Senate Banking, Housing, and Urban Affairs, and chairman of the Appropriations Subcommittee that handles the budget for HUD. So, of course, urban policy is of great interest to me.

I wanted very much to come and hear the witnesses this morning. Unfortunately, I will have to leave in a couple minutes. Let me just ask a couple of questions.

We have had testimony for 90 successive months by the head of the Bureau of Labor Statistics—we have had several heads of the BLS who have appeared before this committee—and we have questioned them in great detail about unemployment, and you put your finger this morning on an area that puzzles everyone. Because of the fact that black unemployment has not been improving while white unemployment has, I have written to the leading economists of the country, 3 or 4 months ago, and they are all puzzled. None seem to have an answer. They cannot understand that. It is a very perplexing problem for them, and particularly it is hard for them to understand it, and I would like you to comment on this.

Why, in view of the fact that in the last 15 years we have had a substantial improvement in our laws against discrimination particularly with respect to employment, and I go to plants in Wisconsin, for example, where 20 years ago there was not a black face, and now there are a number of blacks who are employed. And we have seen this pattern developing to a somewhat encouraging extent of breaking down these unfortunate barriers against blacks. We have, as you pointed out, specific job programs to try to provide jobs for people in the inner city, comprehensive manpower training programs, youth employment programs; as you say, also, we have greatly increased the amount we are spending in the cities. That has been highlighted in a couple of articles in the last couple days and it is by a factor of almost fiftyfold.

In 1957 the Federal Government provided 1 percent of the funds that were expended in our cities by city government for operation purposes. Last year we provided 47.5 percent. It has been a colossal!

increase, just incredible. Yet we are not getting results. Yet we have the situation where we are told the problem for the blacks is worse now than it has ever been. How do you explain that?

Mr. ANDERSON. Well, Senator, in all candor, I do not know who the economists were to whom you sent your letter, but the fact they are confused does not surprise me in the least.

Senator PROXMIRE. I do not say they are confused, I say they do not have an answer. They cannot explain it. In all deference to you—and I think you are a splendid economist; I am delighted you were here to testify—but I do not see an explanation in your presentation for it.

Mr. ANDERSON. That may well be. Economists do not have all the answers, but as one of the few who has devoted almost his entire career to the problem of black unemployment, I might have some insight into this which is a little different from that of others who have devoted their attention primarily to macroeconomic issues.

The answer to me is quite simple. First of all, one has to look at the dynamics of the black labor force behavior. That is to say you have a large number of individuals who in the past several years have come into the labor market looking for jobs.

Now if you look at the places where they have come into the labor market, you find overwhelmingly that the net job creation in those areas has been much less than the job creation in the economy at large. That is to say, that the bulk of the blacks who have been coming into the labor market looking for jobs over the past years—I speak now to the 1966-76 period—have looked for jobs in places where jobs are just not being created in any large numbers. So it is not surprising at all that there would be an increase in their unemployment.

Senator PROXMIRE. Let me interject that jobs have been made more available for blacks than in the past. You take Allen Bradley of Milwaukee for example. They employed no blacks in 1957. They employ a substantial number now. Those jobs are available now.

Mr. ANDERSON. The two propositions are not inconsistent.

Senator PROXMIRE. What is that?

Mr. ANDERSON. The two are not inconsistent. I agree, the degree of overt discrimination; that is, a firm telling a black applicant, "We do not hire you here," that kind of discrimination has declined substantially. In Philadelphia the experience is the same as it is in Wisconsin. I am sure that blacks are now employed in many places where even 5 years ago they were not employed.

But the key here is that there just are not that many jobs in any of these places. That is, there are not that many firms increasing employment in the geographic locations where the overwhelming number of blacks are concentrated.

To get back to Senator Bentsen's point, there is a heavy concentration of the black labor force in communities where the jobs are not being created, and many persons in those communities do not want to go to other areas where the jobs are being created.

It is very difficult, for example, to encourage the black unemployed in North Philadelphia to seek jobs in suburban Philadelphia—if they knew a job was there. In many cases they would not go out to those areas to seek jobs.

Now, I do not have the full answer for that. One would have to ask sociologists or psychologists as to why this kind of thing might occur.

Senator PROXMIRE. There has been some movement in that direction. However, you find a diminution of blacks in this city of Washington. There are fewer now than last year. There has been a sharper diminution of blacks in New York and other areas. They are beginning to move out.

Mr. ANDERSON. Yes.

Senator PROXMIRE. They are beginning to move out to some extent to the suburbs.

Mr. ANDERSON. But these are the ones—the ones moving out, Senator, are the middle-income blacks who, even if they stayed in the city, would have better job opportunities. They are not the people who are having the problem. Those who are having the problem of unemployment are those with low-income potential, very limited educational backgrounds, and, therefore, with very limited prospects for being employed.

If you look at the blacks in major cities who are moving to the suburbs, you find that almost overwhelmingly they are the middle-income, highly educated professional and technical persons who have benefited from the economic opportunity of the sixties, and I would like then to just try to answer your second question in relation to what I just said.

I think it is incorrect to say that the equal opportunity affirmative action measures of the past decade have not had an effect. They have had an effect. But they have had an effect on one segment of the black labor force and that is the educated middle-income, professional and technical worker. I venture to say that if you look at who within the black community has benefited from these measures, you would find that they tend to be the persons with the higher level of education.

The black social and economic underclass, Senator, in my opinion, is relatively worse off today than they were when the civil rights struggle began in the sixties.

Senator PROXMIRE. That would make sense to me, except that every time we get an agency coming before us here in the Federal Government, for instance, the Veterans' Administration, NASA, HUD, I always ask them what the proportion of blacks they employ is, and then also what grade they have, and I find that the proportion of blacks they employ nationwide is reasonably good, usually above the percentage in the population as a whole. It is not as good as it ought to be here because you have a big black population. But nevertheless, it is much better than it has been in the past. But still their grade level is not very good. You do not get very many in the top positions. These middle-class blacks you are talking about apparently are not doing so well, certainly with respect to the Federal Government.

Mr. ANDERSON. That may be.

Senator PROXMIRE. But again, when you look at the—I go not only to plant gates in my State, but I go to areas where office workers are coming in to work—and again, you do not see as many blacks as you should. So I cannot see that the blacks are making that much progress on a middle-class basis.

I again want to give one other statistic that really completely perplexes me, and it is the one that Chairman Bentsen pointed to to begin with. You say from August 1976 to August 1977 the black labor force grew by 28 percent. Do you mean in 1 year?

Mr. ANDERSON. Yes.

Senator PROXMIRE. Oh, come on now. Twenty-eight percent?

Mr. ANDERSON. You can check the figures.

Senator PROXMIRE. What does that mean? It must mean there were one-quarter or more blacks in the labor force looking for work or employed in 1977 than there were in 1976?

Mr. ANDERSON. Either looking for work or employed, yes.

Senator PROXMIRE. We had an increase, as you know—

Mr. ANDERSON. By the way, that figure is from the Bureau of Labor Statistics.

Senator PROXMIRE. In 1977, we had the biggest increase in the history of number of jobs. We had an increase of 4 million jobs.

Mr. ANDERSON. Yes.

Senator PROXMIRE. Because we have a work force of 99 million people, that was only an increase of about 5 percent. Do you mean to tell me that the number of blacks increased—that would be blacks representing about 11 percent of the population—that would mean the increase in the number of blacks participating at about 2 million or 2½ million?

Mr. ANDERSON. No; no—

Senator PROXMIRE. No way. In 1 year? No way.

Mr. ANDERSON. The base of the proportion is much smaller and so, therefore, a 28-percent increase—

Senator PROXMIRE. It is smaller, but—

Mr. ANDERSON. A 28-percent increase is not inconsistent for the labor force of blacks. That is not inconsistent with an increase in the total number of jobs of 5 percent.

Senator PROXMIRE. Julius Shiskin is our principal statistics expert and I asked this exact question 2 months ago, and there was no increase in participation of blacks. That was one of the most discouraging elements of it. The participation rate by the whites was becoming greater, but no increase in participation by the blacks. No; Mr. Shiskin could not find it. That was one of the discouraging and perplexing problems we found.

But you say there was a 28-percent increase in 1 year. I am astonished by that.

Mr. ANDERSON. I try to be scrupulous in using these statistics; as an economist I cannot be anything but scrupulous. Let me say I will write you a letter, setting forth the numbers, the basis for the calculation, not only for the period indicated, but on several different time periods, and compare the one with the other.

Again, these are BLS numbers.

Senator BENTSEN. Be sure I am on the distribution list.

Senator PROXMIRE. You say in the next sentence there was a 20-percent increase in jobs. You say there was a 28-percent increase in participation of the work force and 20-percent increase in jobs. Again, the head of the Bureau of Labor Statistics could not find any increase in jobs by the blacks during that period.



Mr. ANDERSON. I do not know which time period he was referring to. Senator PROXMIRE. Well, the calendar year 1977, which would not be precisely the same period as yours perhaps, but it would be similar enough, so there should not be anything like this sort of discrepancy.

Mr. ANDERSON. There should not be that kind of discrepancy. I know Julius Shiskin very well, and I am surprised that that statement would be used, since the numbers I used are BLS numbers. So we obviously must be talking about different time periods. But I will prepare this information and will be happy to send it to you.

Senator PROXMIRE. I just might say in conclusion that I want to again thank the chairman; and I want to say that my colloquy and my questioning you on that statistic in no way should reflect on this excellent prepared statement that you provided. It is very good and I appreciate the fact that you recognize that we are pouring enormous increases in money into our cities. Perhaps we are wasting a lot of it. Maybe we are not allocating it properly. I think you put your finger on exactly what we should correct. Thank you very much, Mr. Chairman.

Senator BENTSEN. Thank you.

Congressman Long.

Representative LONG. Thank you, Mr. Chairman.

I have no questions, but only to extend my compliments to Mr. Anderson. I have given a cursory examination of his prepared statement outlining some of the problems that I have a particular interest in and I would like to compliment you on the comprehensiveness of your statement.

Mr. ANDERSON. Thank you very much.

Representative LONG. And the priority that you gave to points that think are important, and for the candid manner in which you treat it.

Mr. ANDERSON. Thank you.

Representative LONG. Thank you, Mr. Chairman.

Senator BENTSEN. Mr. Anderson, your testimony has been helpful, and we are appreciative of your taking time to appear before this committee to deal with one of the most difficult problems facing us today.

Mr. ANDERSON. Thank you very much.

Senator BENTSEN. We are very pleased to have the distinguished mayor of San Antonio, Tex., Mayor Cockrell.

#### **STATEMENT OF HON. LILA COCKRELL, MAYOR, SAN ANTONIO, TEX.**

Mayor COCKRELL. Thank you, Senator Bentsen. I might say to the distinguished members of the subcommittee you will have to pardon my laryngitis. I will do the best I can this morning.

I am very pleased to have been invited to appear before this distinguished committee and to share some comments about the topic which is one of the most important facing our Nation today.

By way of introduction I am going to share with you some comments that I made at the recent White House Conference on Balanced National Growth and Economic Development, when I called attention to the fiscal plight facing many local governments.

As mayor of the country's 10th largest city, with a population of 800,000, I can tell you that among the problems facing our cities are large concentrations of urban poor, including minorities and elderly who need a higher level of services to meet their basic needs; higher than average unemployment rates with the highest rates frequently found among minority youths; deteriorated municipal facilities and outdated service delivery systems which reflect the mistakes of the past and which systems are inadequate to meet today's needs.

This type of investment by the private sector which contributes to a loss in the tax base and also to a loss of jobs also exacerbates fiscal pressures caused by the impact of inflation on costs of materials, labor, and so forth. This all contributes to a restrictive tax base with increased dependence on the property tax which is inadequate to meet the problems facing local governments.

Some of the problems I have enumerated may sound more characteristic of the older cities of the Northeast and Midwest, the Frost Belt cities. However, these same characteristics can be found in the inner city areas of many Sun Belt cities. My own city of San Antonio fits this category.

At the same time the Sun Belt cities may also be facing the challenge of coping with rapid growth and the need to expand city services and facilities to meet the needs of citizens in the expanding areas of the city.

I want to call attention to some of the particular problems that we face in the city of San Antonio as an example. San Antonio was recently designated as a distressed city by the U.S. Department of Housing and Urban Development under the provisions of the urban development action grant program because unemployment in 1976 for the city of San Antonio was 8.2 percent; per capita income net increase from 1969 to 1974 was \$1,175 while the threshold set by HUD was \$1,433 or less; families in poverty in the 1970 census was 18.96 percent while the HUD threshold was 11.1 percent; while San Antonio's percentage of occupied housing constructed prior to 1940 did not qualify in terms of the HUD threshold—34 percent—25.8 percent of its occupied housing was constructed prior to 1940.

In sharing some of the additional facts about our housing picture, we see that 6 percent of the housing units in San Antonio as of the 1970 census lack some or all of the plumbing facilities—16 percent of the housing units in San Antonio are overcrowded; 25.8 percent of the housing units were constructed before 1940; 44,710 or 22 percent of all the units are substandard.

I do want to call attention to one particular fact because in the recent community development action grant allocation formulas great stress is placed on the year 1940 as sort of the threshold for determining housing adequacy.

One-fourth of our units which were constructed—of those units which are substandard were constructed prior to 1940, but three-fourths of the units that are substandard were constructed after 1940. I think that is quite significant when so much stress is placed simply on the year for housing of 1940 as being a threshold year.

Going on to the specific problems of unemployment and the structurally unemployed, the unemployment rate in San Antonio stood at 7.2 percent of the labor force in January 1978. For 1978, assuming that the local economic conditions continue to improve, the Texas Employment Commission is forecasting an annual unemployment rate of 5.6 percent. This forecast is based on the assumption that the CETA employment and training programs would continue to provide subsidized employment for an average number of 6,000 economically disadvantaged program participants who would otherwise be unemployed. Thus, without the assistance of CETA, the unemployment rate would be boosted by approximately 2 percent to a true annual unemployment rate of 7.6 percent.

Significant segments of the population which are of special interest to the local manpower planners and the Texas Employment Commission and who will impact on the employment and training programs include the following priority groups:

One, unemployed and long-term unemployed. The Texas Employment Commission annual planning report for fiscal year 1978 estimates that during this year there will be 86,000 residents of the Alamo Manpower Consortium area who will experience unemployment for some period. Long-term unemployment may affect 6,545 different persons. Of the total unemployed, it is anticipated that 40 percent will be women, 48 percent should be Spanish surnamed and over 8 percent should be black. The long-term unemployment estimates are based on the registered unemployed.

I underline this because there is no exact data available on this group because many persons become disillusioned and become part of the unaccounted for hidden unemployment. This group is estimated to approximate 3½ percent additionally to the unemployed. The entire long-term unemployed group is severely handicapped by lack of job opportunities, basic education, basic skills, and transportation. Furthermore, intensified outreach efforts are needed to reach this persistently unemployed group.

A second category is that of the public assistance recipients, particularly those receiving aid for dependent children benefits. The estimates of the Texas Employment Commission for 1978 program year indicate that in spite of the numerous Federal, State, and local programs the number of public assistance recipients continue to grow. The current estimates indicate that an average of 36,500 persons are receiving public welfare subsidies; of this group an average 17,000 persons are AFDC recipients, mostly women. Of those who receive these benefits, 16 percent will be black and 56 percent are Spanish surnamed. This group is severely handicapped by lack of skills, basic education, transportation, arrangements for day-care facilities and job opportunities. In many cases, even after job placement, they must remain on the welfare rolls because of the low income they are able to earn. Short-term subsidized employment does not bring about a long-term relief to this group, unless such employment is coupled with intensified vocational skill training for the development of future employment potentials.

Senator BENTSEN. We are going to have to ask that you summarize and we will put your entire prepared statement in the record. We have a number of other witnesses.

Mayor COCKRELL. All right. I will call your attention to other categories I highlight, that of limited English speaking persons, the problem of migrants, the economically disadvantaged youths, older workers, female heads of households, veterans, disabled and handicapped, and ex-offenders.

The statistics are attached to the summary in my prepared statement and we simply want to lay this serious problem before you. We know that you are addressing it, but in particular, I wanted you to have the very real understanding that the problem of distressed cities is not limited to those cities which are in the north or northeastern part of our country, but throughout our country many cities share in these problems. Thank you.

[The prepared statement of Mayor Cockrell follows:]

PREPARED STATEMENT OF HON. LILA COCKRELL

"DISTRESSED CITY" DESIGNATION

San Antonio was recently designated as a distressed City by the U.S. Department of Housing and Urban Development under provisions of the Urban Development Action Grant Program because:

1. Unemployment in 1976 for the City of San Antonio was 8.2 percent.
2. Per Capita Income Net increase from 1969 to 1974 was \$1,175 while the threshold set by HUD was \$1,433 or less.
3. Families in poverty in the 1970 Census was 18.96 percent while the HUD threshold was 11.1 percent.
4. While San Antonio's percentage of occupied housing constructed prior to 1940 did not qualify in terms of the HUD threshold (34 percent), 25.8 percent of its occupied housing was constructed prior to 1940.

HOUSING FACTS

1. 6 percent of the housing units in San Antonio lack some or all plumbing facilities. (1970 Census).
2. 16 percent of the housing units in San Antonio are overcrowded. (Census.)
3. 25.8 percent of the housing units were constructed before 1940. (Census.) 52,432.
4. 44,710 or 22 percent of the units are substandard.
5. 11,535 or  $\frac{1}{4}$  of the units which are substandard were constructed before 1940.
6. 33,175 or  $\frac{3}{4}$  of the units which are substandard were constructed after 1940.

*Housing value*

	<i>Percent</i>
0 to \$7,499.....	20
\$7,500 to \$14,999.....	51
\$15,000 to \$24,999.....	20
\$25,000 to \$35,999.....	6
\$34,999 to.....	3

LOCAL CONDITIONS

The unemployment rate of the City of San Antonio stood at 7.2 percent of the labor force in January 1978. For 1978, assuming that the local economic conditions continue to improve, the Texas Employment Commission is forecasting an annual unemployment rate of 5.6 percent. This unemployment forecast is based on the assumption that the CETA employment and training programs would continue to provide subsidized employment for an average number of 6,000 economically disadvantaged program participants who would otherwise be unemployed. Thus, without the assistance of CETA, the unemployment rate would be boosted by approximately 2 percent to a true annual unemployment rate of 7.6 percent.

Significant segments of the population which are of special interest to the local manpower planners and the Texas Employment Commission and who will impact on the employment and training programs include the following priority groups:

(1) *Unemployment and Long-Term Unemployed*.—The Texas Employment Commission Annual Planning Report for fiscal year 1978 estimates that during fiscal year 1978 there will be 86,000 residents of the Alamo Manpower Consortium area who will experience unemployment for some period. Long-Term unemployment may affect 6,545 different persons. Of the total unemployed nearly 40 percent should be Women, 48 percent should be Spanish surnamed, and over 8 percent should be Black. The long-term unemployment estimates are based on the registered unemployed. There is no exact data available on this group because many persons become disillusioned and become part of the unaccounted for hidden unemployment. This group is estimated to represent approximately 8–12 percent addition to the unemployed. The entire long-term unemployed group is severely handicapped by lack of job opportunities, basic education, basic skills and transportation. Furthermore, intensified outreach efforts are needed to reach this persistently unemployed group.

(2) *Public Assistance Recipients (Including AFDC)*.—The estimates of the Texas Employment Commission for the 1978 program year indicate that in spite of the numerous Federal, State, and local programs the number of public assistance recipients continue to grow. The current estimates indicate that on an average 36,500 persons are receiving public welfare subsidies; of this group an average 17,000 persons are AFDC recipients, mostly women. Of those who may receive these benefits, 16 percent will be Black and 56 percent will be Spanish-surnamed. This group is severely handicapped by lack of skill, basic education, transportation, arrangements for day-care facilities and job opportunities. In many cases, even after job placement, they must remain on welfare rolls because of the low income they are able to earn. Short-term subsidized employment does not bring about a long-term relief to this group, unless such employment is coupled with intensified vocational skill training for the development of their future employment potentials.

(3) *Limited English Speaking*.—Hampering a large group in the labor force from finding jobs. They represent the majority of the long-term unemployed and the hidden unemployed. English-Second-Language, basic education, supportive services skill, training are needed prior to successful placement.

(4) *Migrants and Seasonally Employed Farmworkers*.—The Alamo Manpower Consortium area has long been recognized as a major base for migrants and seasonally employed farmworkers. The plight of these workers is characterized by low income, unemployment, underemployment, low educational attainment, poor health, inadequate housing, and lack of vocational skills. The serious conditions facing this segment is further worsened by the fact that the agricultural industry is rapidly shrinking and the travel is more expensive. Thus, at the most they can hope for is a viable income that will provide for their families at the bare minimum level. In search for an improved way of life, the migrants and seasonal farmworkers are streaming to the cities. However, here they must cope with lack of employment opportunities, and compete for the few existing jobs with illegal aliens and aliens with work permits who willingly accept low wages for the work they perform. Thus, transition into stable, non-agricultural employment is possible only when the means of acquiring and holding a job are provided.

These means can be provided through a comprehensive employment and training program designed to overcome the social, cultural and institutional barriers to employment. Currently, an estimated 27,056 migrants and seasonally employed farmworkers reside in the area. The Section 303, Title III, CETA program operated by the Economic Opportunities Development Corporation can support at the current funding level only about 400 persons during the program year. Thus, there is a need to provide supplemental training, employment related services, and supportive services under Title I of CETA, and also under the public service employment and emergency job programs.

(5) *Economically Disadvantaged Youth*.—Due to the high level of the economically disadvantaged population and the persistent unemployment in the area, there exists an urgent need to provide youth between the ages of 16 to 21 employment and training opportunities, and vocational development so as to improve their employability potentials. They are also in need of encouragement and financial assistance so that they may return and remain in school. The local labor market conditions place youth who are lacking adequate education, voca-

tional training, marketable skills, and exposure to the world of work into a futile competition with more experience workers for the limited number of available jobs. Currently, the economically disadvantaged youth who have no opportunity to achieve adequate education and training, career motivation, career development, or career experience, are estimated at 35,000. Without immediate vocational exploration and training programs, the universe of need cannot be reduced and the undesirable conditions would continue to plague the economy for a long period.

(6) *Older Workers*.—This group represents a considerable percentage of the unemployed and the hidden unemployment. They suffer from age discrimination and they are further hampered by lack of education and vocational skills. With supportive services, this segment is generally qualified for referral to emergency jobs or public service employment. Older workers represent over 13 percent of the registered unemployed.

(7) *Female Heads of Household*.—Female heads of household are estimated in the Texas Employment Commission Annual Planning Report for Fiscal Year 1978 to number 56,833 and their number is rapidly growing. They outnumber the male heads of household who are public welfare recipients. Furthermore, they form the majority of the AFDC recipients numbering over 17,000. Among the minorities, female heads of household rank the highest awaiting relief, not through welfare subsidies, but through gainful and unsubsidized employment. The current labor market does not provide them with a real source of continued employment opportunities, nor with nontraditional employment possibilities. Currently, they can hope only for employment at the minimum wage levels, without advancement, even after entering employment, they must be subsidized by welfare payments to meet the bare minimum level of existence. Past experience indicates that short-term public service employment does not relieve their unsatisfactory conditions, because after termination of such subsidized employment, they return to the rolls of the unemployed. This group is in dire need of psychological conditioning, basic education, vocational training, job placements in nontraditional and productive positions, and all types of supportive services.

(8) *Veterans* number approximately 156,000 in the area. Many of them belong to the economically disadvantaged, unemployed and underemployed. This group is primarily in need of vocational training, conversion of skills acquired in the military, supportive services, and job opportunities. It is estimated by the Texas Employment Commission that during fiscal year 1978, 6.8 percent of all unemployed will be Vietnam veterans; this demand is approximately 20 percent lower than during the preceding years.

(9) *Disabled Handicapped* represent approximately 50,000 persons in the population. This group is receiving insufficient employment related training and support from other sources to make them productive members of the labor force. To alleviate this group, CETA Title I must support them with employment and training services.

(10) *Ex-Offenders* again represent a considerably large percentage of the unemployed labor force. In addition to the support they receive from the Criminal Justice Department, they need a chance to prove themselves again in the labor force, and they need assistance with job placement that does not discriminate against their past mistakes. On an average each year, over 3,000 ex-offenders are in need of training and other employment related services.

#### CONCLUSION

Currently the local economy does not provide for employment opportunities for the economically disadvantaged, unemployed and under employed population segments. While, many job opportunities are available, not all are suitable for placement of the most-in-need persons; either the experience and qualifications desired by the employers are too high, the incomes derived from the jobs are too low, or other barriers stand in the way. Thus, an intensive and comprehensive skill training, supplemental education, English-Second-Language instruction and supportive services must be provided. Only the continued efforts and assistance can alleviate the barriers to employment, enable the disadvantaged persons to qualify for the jobs, and create local conditions which lead to reduction of unemployment, enhances the job opportunities for the economically disadvantaged, and leads to a long-term economic self-sufficiency.

*Statistical summary—Universe of need (estimated number eligible to participate)*

## Priority target groups:

1. Disadvantaged heads of household:	
Male .....	168, 507
Female .....	56, 833
Including:	
Disabled and handicapped persons.....	48, 551
Public welfare recipients:	
Male .....	11, 268
Female .....	26, 133
Veterans .....	156, 000
AFDC recipients.....	17, 000
2. Ex-offenders .....	3, 153
3. Migrants and seasonal farmworkers.....	27, 056
4. Disadvantaged youth.....	35, 000

Senator BENTSEN. Mayor, we are very appreciative of your testimony. I hope you will stay and listen while we listen to the other witnesses, and we will ask each of you questions together and perhaps get a better dialog going here.

But I know from experience with the city of San Antonio and your excellent administration there how involved you have been and how concerned you have been with this problem. The detail you have given us in this prepared statement which I have had a chance to scan will be helpful to us in our consideration.

If you would just stay at the table, I would like to call Dr. Hector Garcia. Dr. Garcia is a distinguished physician who has long been concerned with the rights of the Mexican Americans and has been in the forefront of the fight on civil rights and concern for questions of unemployment and education, and in addition happens to be a very good personal friend of mine.

Dr. Garcia, we are happy to have you.

**STATEMENT OF HECTOR P. GARCIA, M.D., FOUNDER, AMERICAN GI FORUM OF THE UNITED STATES, A MEXICAN-AMERICAN VETERANS FAMILY ORGANIZATION FOUNDED AT CORPUS CHRISTI, TEX., 1948**

Dr. GARCIA. Good morning. Thank you. First I merely state I will not go into the figures involving poverty of the people in the Southwest, specifically in Texas. Suffice it to say that generally speaking south of San Antonio most of our people, 50 percent, are in poverty.

Statistically, again, using the highest 100 populated areas in the Nation, San Antonio, El Paso, and Corpus Christi, poverty levels usually run in that percentage plane.

Of course, I am here speaking to you as a physician, a doctor of medicine involved in the problems of the people because I live with them, I see them every day. I think I would not delve any more into discussing the situation of poverty, but rather, my presentation here would be mostly recommendations for legislation and changes in legislation to go ahead and afford to us a reduction in unemployment, certainly improving employment and things like that.

I have submitted specific recommendations made by people who are knowledgeable in these matters. We talk about CETA and perhaps the foremost thing I would like to say under title I that it is the most

comprehensive title and has the most flexibility for local prime sponsors who know the local situations. But they are short of money. They are requesting more money for title I.

Under title II, public service employment, this offers the best opportunities except there is a limit of \$10,000 per year salary, which prevents local government from hiring skilled workers due to lack of money. They would like to have this \$10,000 increased to have continuous job placement so the jobs could be moved up from the bottom to the top. As it is now, \$10,000, you can only hire and train people for the top jobs.

Under title III, special impact program affecting youths, we ask you consider not only in-school and out-of-school youth programs, but also all-year-round programs, especially in summer and also out of school.

They say subsidized, private employment should be given an opportunity to increase placement of youths in private business and industry in this program.

Title VI, the requirements for unemployment are usually 15 weeks before a person becomes eligible for unemployment compensation. This is not realistic to us in the Southwest or in south Texas because our people do not remain unemployed that long. Rather than remain unemployed 15 weeks, they take any kind of job, the lowest menial job, an hourly job; and consequently, we like to have that 15-week period reduced to perhaps 1 or 2 weeks, and therefore they are eligible immediately.

It would mean people would rather work than be on welfare and this I am sure we all agree on.

Other recommendations of CETA are to allow 10 percent of the funds to be used for hiring supervisory personnel without eligibility restrictions. New employees must have adequate supervision.

As to reasons for insufficient CETA training funds is caused by the formula for allocations since this formula is disproportionately based upon unemployment rates instead of the actual number of low-income adults. Since the incidence of poverty between working poor and underemployment are very high, the formula should include the number of poor and the underemployed also.

Statistics and report indicate employment by counties. In San Patricio County this is unfair because some areas like Portland have a very high income and employment rate. Such a determination does not really concentrate on "pockets of poverty" in the county like the cities of Mathis, Gregory, and Odem. These should be signaled out for programs to help the unemployed and the underemployed.

You can go to a city just next to Corpus Christi and they have one of the highest economic levels of anywhere in the country.

Now recommendations for immediate improvement which I am here for, the State agencies in Texas, Senator Bentsen, have been found guilty of noncompliance of employment practices for Mexican Americans and other minorities. They have been in noncompliance since I have been born, I think. Consequently, they are warned yearly and nothing is done. Six months ago they were warned. I think someone should go ahead and tell the State agencies, welfare, public safety, every agency, the employment agency, to, "Get on with it; you are violating the law. Hire them."



I think that way we should hire people immediately. At the Equal Employment Opportunity Commission you file and file and file and nothing is done for years. After you file you get an agreement and—well, we need a Mexican-American commissioner to serve. This was true under President Johnson who filled a slot there. President Carter, who is a great President and friend of ours, I think, should be asked to fill that slot with a Mexican American so we can complain to him and he can encourage filing commissioners complaints permissible under the civil rights laws.

Specifically in south Texas we like to say merely that the question of contractual obligations by agencies and industry are not being obeyed because those industries are checked perhaps only every 3 to 4 years for noncompliance, and the investigator or compliance officer comes from Dallas, they usually ask 20 to 25 questions every year and they have the answers ready before they get there. So consequently, industries in south Texas are in noncompliance in Government contracts in employing minorities. I think this should be looked into immediately.

So we talk about minorities and we talk about women. We have just so many women hired at the naval air station. Well, most of those women are Anglo women. They are entitled to the jobs, but I think when you get a breakdown of how many Mexican-American females are there, there are very few if at all.

Now the last point here, I think you should have a special recommendation, so let me give you a recommendation for allied health care.

I think we are short of allied health training of people, LVN's, assistants, medical assistants, nurse assistants, physician assistants, and so forth. There is a great demand now for these people throughout the country, certainly in southwest Texas. I think Mexican Americans and Spanish by tradition would like to go into these fields except they need your help. If you believe that we need those nurses, you must realize we need these funds. You can go to any hospital in the Southwest and you will find fine nurses, Indian nurses, Canadian nurses, Filipino nurses, and if they can train them and go ahead for employment it is fine; therefore, they come to work for us. There is no question we need them.

Now, I say this, we had an LVN program which is very good, but the stipend given to those nurses was removed.

Why it was removed I am not actually knowledgeable as to why it was removed. But I think that that stipend should not only be given to those nurses by the Federal Government, but it should also be given to those people recommended in the health allied nurses as nurses and so forth. We can use immediately thousands of those people in the Southwest institutions and hospitals, nursing homes and down the line.

I have submitted for your consideration a proposal by Dr. George Phillips, who works with Dr. Simpson in the South Texas Heart Association or program, and using the South Texas as teaching universities, and Corpus Christi and Laredo; I think those people can give you a program that will not only hire people, but train them for a permanent job, which is what we want.

Finally, we would like to make this recommendation, that I think although we are going through a period of reducing the military in-

stallations and perhaps on the question of economy, but we cannot afford to shut down. If we shut our eyes to the fact that reducing military installations in Corpus Christi you reduce the number of the best jobs the Mexican Americans and the blacks have.

I see a conflict between the military, the economy, and this effort by President Carter and the Congress in trying to do things to create jobs. I would like to say merely that consequently I would give priority to jobs and people for employment rather than trying to save a few million dollars and causing unemployment and the loss of these jobs.

I also say this to the Military Establishment, and I am aware of this; they do a lot of overtime hiring. They have men and women there who work 40 hours and they pay them overtime, too, extra time, whatever they pay. I say, why cannot they hire people in the community for those extra-time jobs? I know it will be more trouble, more book-keeping, but we are looking at employment, and you can check military installations, Senators and Congressman Long, and find they are doing this too much.

I say cut it off at 40 hours—they get good pay—and then hire other people in the communities.

Finally, I am here as a veteran and I think veterans are entitled to better programs, I say more programs. I am submitting a proposal here. You have it over there. This is a southwest Texas program to help the Vietnam and Korean veterans, and this is under the proposal of the American GI Forum.

Finally, bilingual programs; I think bilingual programs would give us a great incentive to hire many teachers where they may be trained in these programs and improve our education system to a more appropriate level, because it has been deteriorating to nothing now. I think such a program proposal financed by the Federal Government would include exactly what you want: More employment, more training and teachers.

Therefore, I wish to thank you again for your time, and I stand here to answer any questions that you may want.

Again, let me remind you I am a doctor of medicine 7 days a week. I am here because I consider the question of unemployment and employment to be in such a crisis that I have given up my time from my patients with all due respect to be with you and plead with you to face this situation in the Southwest. We Mexican Americans are the poorest, the most in need, and we ask for consideration and help.

[The prepared statement of Dr. Garcia follows:]

#### PREPARED STATEMENT OF HECTOR P. GARCIA, M.D.

##### INTRODUCTORY STATEMENT

My presentation will be mostly with the problems of structural unemployment experienced by Mexican-American minorities in central and south Texas specifically, and generally by the Mexican-American population in the southwest United States.

As founder of the American GI Forum, we have been involved in all of the problems of our people in the Southwest. As a physician I am personally acquainted with poverty, sickness, employment and lack of opportunities of these people who are not only my brothers and sisters but are also my patients.

Efforts of State and Federal Governments although helping some have not been sufficient in overcoming the structural unemployment of our minority, and

urban policy has been too little and too short in giving us a permanent employment position in comparison to programs that will give us a paper certificate of achievement without a job or position.

I have conferred with leaders and representatives of cities and rural areas in Texas who have suggested programs for Federal legislation which we hope your subcommittee will undertake to pass in Congress. Most of these individuals have experienced the old programs which can stand some improvement and are recommending some new programs.

In south Texas from Austin, Texas, down to the Rio Grande and as far west as El Paso the minority that needs your assistance and programs are the Mexican-American because they are in the majority populationwise. However, our poverty and unemployment and underemployment rates are so enormous that they are hard to believe.

It has been stated by different sources that in the last 10 years the census has indicated the following tragic statistics:

- (1) That the poorest county in the United States is Starr County in south Texas.
- (2) That the poorest metropolitan area is the south Texas area around McAllen, Mission, and Edinburg.
- (3) That of the 100 largest populated cities in the United States, San Antonio, El Paso, and Corpus Christi, Texas are the Nos. 1, 2 & 3 in poverty.
- (4) That the unemployment rate of our group is 2 times that of the United States population, and in south Texas the rate is almost four times greater.

RECOMMENDATIONS FOR CHANGES OR NEW FEDERAL LEGISLATION TO IMPROVE THE UNEMPLOYMENT AND TO DECREASE THE UNDEREMPLOYMENT

**CETA**

"Titles," Title I, are the most comprehensive and allow the most flexibility since local prime sponsors can design their own local programs for local needs. But title I has the lowest funding priority. More money is needed here.

Title II, public service employment programs offer the best opportunities for transition. Subsidized employees to permanent employment. However, elimination of \$10,000 per year salary prevents local government from hiring for skilled positions due to lack of funds to cover salary over \$10,000 results most jobs filled are at the bottom of salary scale where the greatest turn over exists. The amount must be increased.

Title III, special impact programs mostly affecting youths need to become more flexible so benefits are available to "in school" and "out of school youth" on all year-around basis. Opportunities to place these youth in subsidized private employment must be increased by making the placement of youth attractive to private business and industry.

Youth employment and training programs and youth community conservation and improvement program, etc. as well as other title III, title II and title VI programs are "stop-gap" programs that expire in September 1978. We need long-term solutions.

Title VI, requirement that persons be unemployed for 15 weeks before they become eligible for employment is not realistic for south Texas, because such persons do not remain unemployed for very long and instead they find some low paying, perhaps temporary job to tide them over. This effort is tragic since such type of employment renders them ineligible for title VI employment. So the persons who do not find employment in a 15-week period are those with severe physical or emotional problems.

The period of unemployment must be reduced from 15 weeks to 30 days.

Other recommendations under CETA:

1. Allow up to 10 percent of funds to be used for hiring supervisory personnel without eligibility restrictions. New employees must have adequate supervision.

2. As to reasons for insufficient CETA training funds is caused by the formula for allocations since this formula is disproportionately based upon unemployment rates instead of the actual number of low income adults. Since the incidence of poverty the working poor and underemployment are very high, the formula should include the number of poor and the underemployed also.

3. Statistics and report indicate employment by counties. In San Patricio County this is unfair because some areas like Portland have a very high income and employment rate. Such a determination does not really concentrate on "pockets of poverty" in the county like the cities of Mathis, Gregory and Odem. These should be signaled out for programs to help the unemployed and the underemployed.

#### RECOMMENDATIONS ON UNEMPLOYMENT

##### *State agencies*

State agencies such as Texas Health Department, Texas Employment Agency, Texas Welfare Department, Texas Department Public Safety have been found in noncompliance of the Civil Rights Act since they have discriminated against minorities specially the Mexican-American minority. We feel that from an employment viewpoint that those agencies should be made to hire our people more so since they have been warned for as long as 6 years and most recently 6 months ago. Not because of punishment but because of the need for employment an immediate compliance would reduce our structural unemployment by thousands.

But if they are not forced to employ then we, the minorities have no faith or even trust their intentions.

##### *Equal Employment Opportunity Commission*

The U.S. Commission needs to fill in the slot allocated to a Mexican-American interested in our problems. The position is still vacant and we need someone inside the Commission to push our complaints and to get us solutions to some cases that are over 3 years old. President Carter should decide and appoint such a person at once.

The private sector must be made to participate not only on their own training for permanent employment of minorities but must also coordinate with the public sector training programs so that they can hire the graduates of public schools. Of course, such incentives are already under consideration by the Bentsen Bill which will give industry tax writeoffs or tax exemptions. However, perhaps an actual cash dollar for dollar matching would be very successful.

Another recommendation for South Texas and specifically for the Corpus Christi area is the necessary of checking the Corpus Christi area industry for compliance in their hiring practices of minorities. Such industries that have government contracts are checked about every 4 years and are asked the same 20-25 questions and receive the predetermined answer from the personnel officers. The number of applicants are entered but the actual number who find permanent employment is so low that it becomes a game. Yearly examinations should be made after consultations with local minority groups like the American GI Forum and Lulacs.

Sometimes, the picture becomes shaded by the fact that since women are thrown in into the statistics the majority of such women are Anglo women and not indicative of the Mexican-American female and minorities.

To check on the employment and discrimination in employment such compliance officers should serve "South" Texas from Corpus Christi and this should include a regional office of the Equal Employment Commission.

##### *Health care and allied health care*

But perhaps the greatest and fastest solution to the unemployment of the Mexican-American in South Texas could be achieved by having a crash program in the training of our group in the allied health fields because of the love that we have for the healing arts.

Such fields would include paramedics, nurses, L.V.N. and graduate nurses, physicians assistants, hospital technicians, orderlies, and nurses assistants.

There is a great demand for these people. All of the nursing homes, hospitals and some private physicians are in need of these type of people.

Such programs should include the refunding of the Nurse Manpower Act. Should include stipends for L.V.N. who because of their structural poverty need stipends to help them get into the programs and stay until graduation. Such a program with stipends was discontinued which caused a decrease of Mexican-Americans participation in the L.V.N. and other programs.

Corpus Christi hospitals and doctors today can place 100 nurses, in positions that are needed to serve the sick.

There is no "question" there are enough teaching institutions in South Texas that with the proper federal financial support could expand their programs or establish new ones.

In relations to taking industry to the source of labor supply, nowhere in the country due to the poverty of its working people and the vast distances between cities is there a better example that industry should be moved into the pockets of poverty and industry can be supplied with good and reasonable labor than in South Texas. However industry usually chooses the large cities or the sea coast industrial towns. The administration and Congress could by incentives and other considerations for such industries be moved into our South Texas areas.

Finally the best paying positions for Mexican-Americans and blacks are in government (federal) jobs. Two recommendations can be made concerning these jobs:

First, in the shutting down of the N.A.S. in Corpus Christi the primary consideration should be the impact on the economy and specifically the loss of such good paying jobs for our people. Congress must consider the point that if the administration and Congress are talking of more employment and reducing the unemployment then it makes no sense that they would close such a military installation and cause the loss of good jobs and also at the same time high skilled people would be lost to the country.

Second, such military facilities including naval stations, army depots, air force establishments instead of hiring overtime should hire more people who are not employed.

The last point is that the veterans from Vietnam and Korea need special programs for our areas. Such a program and proposal I am submitting to you.

Senator BENTSEN. Dr. Garcia, we appreciate that statement. I would give you sympathy, I know, but I know you always work an 8-day week.

Would you just stay there until we hear from the distinguished mayor-elect of New Orleans, Ernest Morial.

Please proceed, Mr. Morial.

#### **STATEMENT OF ERNEST N. MORIAL, MAYOR-ELECT OF NEW ORLEANS**

Mr. MORIAL. Thank you, Senator.

Senator BENTSEN. We are delighted to have you here.

Mr. MORIAL. I am delighted to be here, sir.

Senator Bentsen, Senator McGovern, and Congressman Long, we have filed a prepared statement with the committee, and I shall refrain from reading that prepared statement.

At the outset I would like to say I concur in the statement delivered by Mr. Anderson, and I am sorry that Senator Proxmire is not here, because I think that included in my prepared statement is a partial response to some of the questions he raised.

If I might elaborate on that, one of the reasons for that is labor force participation and the fact that there are an inordinate number of blacks throughout this Nation who are no longer counted within the labor force participation and who have dropped out of the labor market.

Now, the movement that Senator Proxmire referred to takes place largely among middle-class blacks, and those blacks who are self-employed and unemployed remain subemployed and unemployed. They are an immobile portion of the labor force, those that are counted within the labor force.

Now, I would like to talk about just briefly some policy considerations and to discuss some of the present posture of the labor market.

The Labor Department now estimates that two tax cuts of at least \$20 billion each, as well as 1 million additional public service jobs, would be necessary to meet the 4-percent unemployment rate goal of the Humphrey-Hawkins bill by 1983, which the House passed yesterday.

But the question remains whether 1 or even 2 million public service employment slots would really help reduce unemployment. In some cases the very existence of these programs brings people into the labor force who had not previously been looking for a job.

In addition, State and local governments do not always use the Federal employment funds to create new slots, but instead, use the funds for slots they would otherwise have had to finance themselves. That is why we refer to the concept of fiscal substitution.

Some estimates suggest an original increase of 100,000 public service jobs will have dwindled to a net increase of only 50,000 by the end of 1 year, and to nearly zero in 2 years. This is even truer, it appears, if States view temporary Federal funds as really being permanent.

If on the other hand, the goal is to reach the hardcore unemployed, some form of public employment and training programs may be the right way to go, too. So far, however, these programs have not been terribly successful on this score.

In 1967, for example, less than half of the participants in public service jobs were economically disadvantaged. Two-thirds were males age 22 to 44, and nearly three-quarters had completed high school.

Attempts are being made to change that composition; since CETA title VI slots must now be filled with economically disadvantaged Americans who have been out of work at least 15 weeks. So even if these programs do not create many additional jobs, they may eventually help change the composition of State and local government employment.

Public employment programs make a more immediate splash in creating jobs, but it may be that other fiscal steps taken this year such as increased public works spending, tax cuts, or new employment tax credit, will create more permanent jobs.

Some of these fiscal programs may be considered more permanent than public service jobs, however, and thus might be very difficult to turn off if the economy begins to overheat. Now is an ideal time to consider alternative means of reducing unemployment.

A few words about urban policy, because I am vitally concerned about that as it relates to the city and the relationship of the States to the urban policy.

I think this has some impact upon structural unemployment in our cities. While it is good for the States to improve fiscally, it does not necessarily follow that cities are prospering. State revenue sources are more elastic and progressive than city revenue sources. States impose property tax ceilings or rate limitations on city governments. How can cities do for themselves when States prohibit cities from raising revenue to do for themselves?

States do not give the cities the more progressive sources to meet a people-oriented set of public service needs. States continue to mandate local salary pensions and other working conditions on cities.

There should be a set of preconditions for State participation in urban programs that address at a minimum these questions.

Is the planning process representative of local government? Is the process and the product responsive to city needs? Are there tax and revenue lids on city governments? What is the State doing to eliminate them? Is the State providing more progressive revenue sources to cities or permitting them to share in State-collected sources or providing revenue sharing? What kind of procedures are there for boundary adjustment, annexation, consolidation? What are the States doing to unshackle cities from their geographical constraints? Are States using their regulatory and development powers to help the city and impact unemployment in cities?

Assuming State and local interests can agree on any set of principles for a State role in a national urban policy, there must be a similar Federal commitment to make the principles work.

Although Federal policies have not been the root cause of urban decentralization, they have overwhelmingly supported it. The main stimuli for decentralization, it should be emphasized, have been market forces, among the most important of which have been technological change, rising income, and residential preference. Nevertheless, decentralization did not occur entirely inadvertently. Many Federal programs were conceived with at least some understanding that they would encourage the process.

In the 1960's, for example, when cities were believed to be suffering from high densities and the South was seen to be an economically underdeveloped region, Federal initiatives were deliberately taken—one, to reduce urban congestion; and two, to equalize regional levels of economic development.

A further rationale for decentralization was to minimize losses from possible enemy attacks, derived from the cold war psychology of the 1950's and the common fear of nuclear attack.

The Interstate Highway System, without which decentralization would certainly have proceeded at a slower pace and which perhaps is the single most important piece of public investment since World War II, was conceived and justified partially for national defense purposes.

Regrettably, the very success of these policies and incentives created problems in the slower growing but more developed regions. It was not until the mid-1960's that concern arose over the steady decline of older, larger cities where most of the Nation's poor were concentrated. By that time there historically high-income cities had begun to experience an alarming slowdown in growth rates and were coping unsuccessfully with a maze of social and fiscal problems that the slowdown engendered.

All such cities are now understandably anxious for Federal assistance. It is for this reason that the national debate over the Federal role has shifted from a policy of being primarily concerned with poverty to one principally concerned with the rate of growth.

The lesson is: Federal policy cannot reverse trends, but it might be used to cushion the effect on those populations most adversely affected.

The challenge now is how to adjust to the decentralization that has occurred and will continue, of the movement of the central city to suburbs, large cities to smaller ones, metropolitan areas to nonmetropolitan areas; the movement from the Northeast and Midwest to other regions.

The Federal Government has no way of anticipating a geographical impact of its policy decisions. Houston, to cite one familiar case, was as unprepared for the advent of NASA as Canaveral was for its exodus. Environmental and economic impact statements are now required for the siting of every new federally funded facility, but these reports deal only with obvious detriments of local growth. What is much more important is the effect of programs that are national in scope, such as energy price regulation, the tax structure, transportation subsidies, and pollution abatement. Although their effect on local growth patterns is unintended, such programs in reality may, and often do, exert a very uneven influence across the Nation, stimulating some areas and retarding others.

Interstate regulation of natural gas, for example, has led to curtailed supplies in the Northeast, thereby undoubtedly encouraging industries that are heavy consumers of natural gas to move to gas-producing States where the supply can be guaranteed.

Similarly, allocation of Federal funds, defense payrolls, EDA grants, and CETA project funds clearly affect local economic development. Of perhaps even greater influence are other Federal actions that do not necessarily appear in a budget: Transportation regulation, tax incentives for homeownership, and the rules and procedures that govern the use of community development block grants. To concentrate solely on the flow of Federal dollars is to seriously underestimate the pervasiveness of Federal influence.

The lesson: The Federal Government should introduce into its regular decisionmaking process a mechanism that will force rigid analysis of the urban and regional aspects of its proposed policies.

If, for instance, the cost of complying with air quality standards in different cities were understood in advance, measures could be taken to spread these costs equitably. Further, the recent demand for urban lobbyists for detailed breakout of costs and allocation of funds should be broadened to require every Federal department to consider the likely geographic impact of its regulatory and administrative procedures.

[The prepared statement of Mr. Morial follows:]

#### PREPARED STATEMENT OF ERNEST N. MORIAL

##### PROBLEM DESCRIPTION

First, I shall identify and briefly delineate some basic economic and social problems, all reciprocally and causally related, which collectively elucidate the problem of unemployment, as well as the horrendous problems of subemployment. It is essential to note that these problems are not necessarily unique to New Orleans, but almost without exception they are more extensive and intensive; and their cumulative consequences over time have created a city in which at least one-half must be classified as either poor or impoverished. Secondly, I shall recommend some policy considerations.

*Chronic Economic Stagnation.*—The most intractable economic problem is simply this: The local economy has experienced economic stagnation tendencies since the mid and late 1950's, with chronic and severe stagnation tendencies since 1966, not because there was an absence of economic growth, but because economic development did not provide adequate employment opportunities for an expanding labor force.

Employment opportunities for all of the people have been inadequate since 1966 (actually since 1953). The labor force has grown faster than employment each year since 1966, except three. Consequently, unemployment has increased both absolutely and as a percentage of the labor force.



*Unemployment, A Problem Per Se, But A Misleading Indicator.*—Therefore, unemployment per se has been an increasing problem since 1966, because the rate has been excessively high. The unemployment rate for the New Orleans Standard Metropolitan Statistical Area (NOSMSA) was about 7.5 percent in 1977, the second highest rate since the great depression, and the rate has averaged over 7 percent since 1969. And, for Orleans Parish—New Orleans—no one knows the rate, but it probably has ranged from 11 percent to 17 percent in the aggregate, and up 40 percent in some sectors. The 1970 Census showed that the Low Income Areas of New Orleans *alone*, an area about one-half the total area of Orleans Parish with about one-third of the metropolitan population, had 82 percent of all the unemployment in the entire metropolitan Area (NOSMSA).

The unemployment rate, although chronic and excessively high, indicating a major economic and social problem, like all aggregates has obscured the critical social and economic realities, because there are major areas of the economy that contain excessively high levels of poverty and poor people, with astonishingly high rates of unemployment, relatively low educational preparation, a lack of training for the labor force, and a relatively low (astonishing low relative to other areas) labor force participation rate. Consequently, a high percentage is "not in the labor force."

*Subemployment.*—Thus, we have an unemployment problem per se in New Orleans, of staggering proportions. However, subemployment, not unemployment, is our most horrendous social and economic problem. Using conventional employment figures simply obscure and beclouds the problems and issues. Counting only those who are employed full-time but make an income less than poverty, 12.8 percent of the family heads worked 50-52 weeks per year but were below the poverty level in the Low Income Areas, and 31.1 percent of the female heads in poverty did likewise (see 1970 census). Moreover, a part-time worker wishing full-time work is counted as employed, not among the unemployed. Conventional technique takes no cognizance of those who are not in the labor force but should be, i.e., those who have lost hope and dropped out. They are not counted. And we shall show subsequently that we have an excessively low labor force participation. Our nonworker/worker ratio was near the highest in the country in 1970. Moreover the conventional unemployment measure has additional limitations. It tells nothing either about where or which groups are unemployed. For example, unemployment in New Orleans is higher among Blacks, women, teenagers, and female heads of households. Related to subemployment is the problem of quality of the labor force and a relatively low educational preparation of the labor force; and, it must be added, in many instances, it is a problem of our value system (the social and cultural ideas and practices that we cherish), including the acceptance of economic discrimination.

Thus, subemployment, which includes those conventionally classified as unemployed, plus the part-time employed seeking full-time employment, plus the full-time employed but making less than a poverty income, plus all of those who have dropped out the labor force because they have lost hope, plus the unemployables, is our critical and intractable problem.

*Low Labor Force Participation Rates.*—A fourth related theme contends that the sluggish rate of economic growth since 1966 is reciprocally related to a relatively low labor force participation rate. The nonworker/worker ratio in New Orleans is exceeded in only one major SMSA of the 246 SMSA's in the 1970 U.S. Census. A closely related hypothesis emphasizes the casual interrelationship between labor force participation, the quality of the labor force and economic opportunities.

Not only is the labor force participation rate lower in the aggregate vis a vis the U.S., all SMSA's, Atlanta, Dallas, and Houston, but it is lower for men, lower for White men, lower for Black men; and lower for women, lower for White women, lower for Black women; and it is lower for all age groups by age, race and sex; it is lower for every relevant dimension of the labor force.

The basic question is: Why the lower labor force participation rates? The answer as indicated earlier, is a very complex one, involving economic, social and cultural practices and institutions. More specifically, the primary factors are (1) economic discrimination against women and minorities (2) a relatively high percentage of unemployables, which increasing technological developments have exacerbated; (3) more disadvantaged, i.e., more poverty and poorness; (4) inadequate employment opportunities because of economic stagnation; (5) the pattern of income distribution, which, given the economic and social in-

stitution, perpetuates both low labor force participation rates and economic stagnation; and, given the level of endemic ethnocentrism, a relatively immobile labor force is the inevitable consequence, notwithstanding the level of economic conditions over time.

Thus, the labor force of the New Orleans metropolitan area is relatively ill-prepared. This condition has persisted for several decades and it continues to adversely affect the labor force participation rate and productivity. It gives rise to low participation; and it serves as a drag on the economic development of the area and complicates the social, cultural, and political development of the region, not to mention the quality of life in its broader manifestations.

*Changes in Sources Of Income And Employment.*—A fifth proposition, the structural hypothesis, contends that economic development in New Orleans since 1953, and especially since 1966, within and between the various industrial sectors, adversely affected the structure of income and employment in two primary ways, both of which have served to retard the rate of growth of income and employment. First, there has been a pronounced and continuing trend, exceeding national and regional trends, away from employment in the goods-producing sectors (manufacturing, construction, mining, and agriculture) to service-type employment sectors which, on the average, pay lower wages and salaries. Currently (January 1973), only 11% of the nonagricultural wage and salary employees are employed in manufacturing, compared to over 21% in 1953. Manufacturing employment has declined both absolutely and relatively, with about 6,400 fewer employees in 1978 than in 1953. Second, this massive shift to predominantly service-type employment probably has reduced overall productivity. Closely related to the adverse structural change is the lack of growth of federal employment, which has been a major factor in the employment growth of other areas. The rhetoric of alleged congressional "clout" that emerges in New Orleans at election time has not been reflected in increasing federal employment.

*Disproportionate Percentage of Poor People.*—New Orleans suffers from, first, a disproportionately large percentage of poor and impoverished people—a consequence of chronic subemployment and economic stagnation; and, second, from the relative absence of a middle-income class, which denies it much of the dynamism, the entrepreneurship, and the general social and economic leadership found in many other major metropolitan areas.

More than 16 percent of all families, and over 20 percent of all persons, were below the poverty level in 1970, about twice the percentage for all SMSA's. Atlanta, Dallas and Houston. (In Orleans Parish, 26.8% of all persons were in poverty). Using an income level of  $\frac{2}{3}$  the median income for all SMSA's, which is \$7,000 for families—almost identical with the Labor Department's Low Income Budget for 1970—as the threshold of poorness, about one-half ( $\frac{1}{2}$ ) of all people in metropolitan New Orleans were poor as of the 1970 Census. (In Orleans Parish about 56% of all persons were poor). And, given the debilitating consequences of poverty and poorness, they are generally less well equipped to participate competitively in the labor force; and these poor, as well as the near poor, account for a large percentage of the unemployed, underemployed, part-time employed seeking full-time employment, and the unemployables.

*The Underworld of Economics: The Low Income Areas of New Orleans.*—We really have two economies and two societies in New Orleans, one conventional and one nonconventional (the underworld of economics).

The most distinguishing characteristics of the underworld economy are these: (1) incredibly high (over 45%) subemployment, (2) abject poverty and poorness (.68% families poor), (3) relatively low educational attainments, (4) the degradation of welfare for many, (5) human, social, and physical blight, and (6) substandard housing—not a "high rent district." And, more significantly, the Low Income Areas contain about one-third ( $\frac{1}{3}$ ) of the people in the NOSMSA and over one-half of all the people in Orleans Parish and 90% of the Black labor force in Orleans, and 82% of all the unemployment in Metropolitan New Orleans in 1970.

Yet, the problems of the Low Income Areas predispose the economy of the NOSMSA to relatively slow growth and stagnation, primarily because of excessive unemployment, other subemployment problems, and the consequent loss of productivity and purchasing power. It is as if we have two economies, one conventional, which responds to conventional economic development, and one nonconventional, which responds only marginally to general and conventional economic ventures. One has tended to prosper, because it is in the mainstream; but

the other has responded only marginally or incidentally, if at all. Unfortunately, the nonconventional economy suffers from the lack of attention and adequate policy measures, because too many of its people are outside the economic mainstream, a condition increasingly difficult to rationalize.

*A Highly Unequal Income Distribution.*—Income is more unequally distributed in New Orleans than in either the U.S., all SMSA's, Atlanta, Dallas, or Houston. In Metropolitan New Orleans, income distribution was highly skewed, with the lowest one-fifth of all families receiving only about 4 percent of all income, including welfare payments, while the highest one-fifth of all families received only about 44 percent of all income. The lowest 40% of all families received only 15%, while the lowest 60 percent of all families received only about 32 percent of all income, a pattern unlike either the U.S., all SMSA's, Atlanta, Dallas or Houston. Income is even more unequally distributed in Orleans Parish—New Orleans. In fact, it is more unequal than any major city in the U.S.

I contend that New Orleans suffers unnecessarily from a maldistribution of income—an inequitable distribution of income—and that economic development policies (not soak the rich and give to the poor policies) that create opportunities for the many, as well as the few, will lead to a more equitable pattern of income distribution.

Finally, it is contended that the central those from which we suffer most is the perpetuation of pure economic nonsense of pathologic dimensions.

Although not a complete listing, these are among our basic economic difficulties. It is in this economic morass that we must wrestle with the many issues of housing.

#### POLICY RECOMMENDATIONS

1. *Coordination of Federal Activities.*—Included under Illustrative Federal activities which impact urban economic growth and stabilization are the location of federal offices, federal regulations, federal economic policy decisions, etc. The programs targeted at urban problems are relatively small compared to the totality of federal activities. In many instances a department such as Energy in making location decisions will adversely affect cities. Recently Energy located a 300 employee office in a suburban parish outside of New Orleans when the city desperately needs the jobs and taxes. Mayors are expected to solve the problems of unemployment but have little input into monetary and fiscal decisions which directly affect such a problem. Certain federal regulations require the implementation of expensive systems, such as kneeling buses for transit or activated charcoal water filtration systems without providing cities the money to implement them.

2. *Continued Direct Program Funding to Cities.*—I feel that if federal urban monies are funneled through the states or through regional bodies, the cities will be forced to deal with another level of bureaucracy which is costly, and, in the rurally dominated states such as Louisiana, the monies will never reach the cities. If federal monies go directly to community based groups, the monies are likely to be misused and problems of accountability and competition of groups for funds are horrendous.

3. *Redirection of Public Employment Programs.*—Unless manpower programs such as CETA are redirected to lead to permanent jobs in the private sector, they are little more than "welfare and fiscal substitution" and a hoax on the people who hold them. Such programs should be so redirected and coordinated with the private sector to lead to private sector employment. One possible arrangement might allow a program participant to work half time and take training half time wherein the private sector employer would be paid to provide training.

4. *Enhancement of the Private Sector.*—Programs should be developed and targeted at appropriate cities to enhance private businesses in these areas. Loans and grants programs which are constrained by specific goals leading to job development for certain groups should be directed.

5. *Development of Urban Economic Indicators.*—Many urban areas of the size of New Orleans are not provided with sufficient economic information to determine and analyze the causes of their problems in order to seek solutions. I need more statistical information such as a consumer price index, total personal and per capita income data, and employment, unemployment, and labor force estimates.

Senator BENTSEN. Thank you very much, Mr. Morial, and if you would stay seated, I would like to now call on Congressman Long

from the State of Louisiana, who has been very much concerned with these problems, and I would ask him to comment.

Representative LONG. Thank you very much, Mr. Chairman.

Mr. MORIAL, I privately congratulated you upon your recent election and I would now like to do so publicly. I know that you are mayor of perhaps the most interesting and fascinating city in the United States, and I think—from having lived there myself for a period of time, and having been a guest there very, very often—that New Orleans probably has more problems than any other city in the United States.

I read your prepared statement, and I think you have admirably set forth the economic problems of New Orleans; as I listened to you read your additional remarks today, Mr. MORIAL, I was impressed with how greatly they coincide with my own personal views, not only with respect to not only the city of New Orleans, but also with respect to the relationship that exists between all major cities in the United States and the Federal Government.

I think this is an area that we have overlooked. I think that more systematic planning needs to be considered, not planning of people's lives, but at least planning that sets forth some goals that we need to try to reach. The Humphrey-Hawkins bill, in my opinion, is at least a modest beginning in that regard.

But the interrelationship of all these things you set forth is, I think, the thing most completely missed, in most instances. World problems have become so completely intermixed that, again, most people do not realize the interrelationships. I think this is particularly true when you look at the direct influence of Federal actions upon a city like the city of New Orleans.

Another major contribution you have made here today has been your remarks on the theory of economic duality. It is a very interesting theory. It is one that I had never really thought out quite as well as you have presented it. I think that it does exist. As I read your prepared statement on this matter, and listened to your remarks, it seems to me that these two worlds—the conventional world and what you described adequately as the “underground world”—do not necessarily interreact in economic terms. The economy of the “underground world” does not seem to be responding, at least noticeably, to economic development efforts. All this may relate to what Senator Proxmire was speaking of, and perhaps explains why some programs—as good intentioned as they may have been—have not worked. I want to ask you about that, and I want to come back to one particular program in a moment—the industrial inducement program in Louisiana, for example, and what it has done for or to the city of New Orleans. But for now, will you elaborate a bit on this concept of duality, these two economic worlds? How do you define these worlds, and how do you deal effectively and efficiently with this “underground world” of economics?

MR. MORIAL. Congressman, as you know, that might be somewhat peculiar to our community because of the historic racial patterns and racial discrimination that has existed while those persons who had the wherewithal for expanding the local economy exercised certain constraints along with the conservative nature of bankers and the closed-club atmosphere of economic development.

Representative LONG. That is an altitude that I describe as the "sugar mentality."

Mr. MORIAL. You are familiar with the Comus-Momus-Rex atmosphere in our city, but we are breaking away from that because there are younger people coming in. We have been able to speak directly and forcefully to the business community in the city and I think they have begun to recognize what their responsibilities are, and that to sort of paraphrase Aristotle. I guess, they are beginning to realize that while we say freedom, liberty and justice are indivisible, and to the extent that we withhold it from the least of our brethren we withhold it from ourselves; I think they are beginning to realize the same is true of economic growth and economic development; that while they have constrained the growth, the level of poverty has impacted their ability to grow and has placed a burden on them to provide needed services, and that while population grows and the poverty rate grows arithmetically, the need for services expands geometrically. I think we are beginning to recognize that fact in the city of New Orleans and I would hope most American communities are as well.

Similar situations have existed elsewhere and they are beginning to open up and show willingness to expand. But the cities of America are peculiar and face peculiar problems because of the things I have mentioned about the policy aspects of the late 1950's and 1960's in this country; namely, the movement to smaller areas, the lack of mobility among the poor, the blacks, Latinos, Hispanics, and all disadvantaged Americans; the nature of their underemployment and subemployment, their inability to move where jobs are, the transportation and transit problems facing inner-city residents, and their inability to get to other urban areas where the jobs might be.

The fact that the corporate sector of this Nation has never fully given recognition to corporate social responsibility to deal with community problems; their relocation into the suburbs has caused the more affluent members of our society and those in the skilled labor force to move to where those jobs are.

The unskilled laborer is unable to move. He does not have the wherewithal to relocate.

Senator BENTSEN. I wonder if I might intervene. Senator McGovern has been here at the beginning. I know he has another meeting he has to attend. I would like to call on him at this time if I might.

Senator MCGOVERN. I just want to make a brief observation, Mr. Morial and Mayor Cockrell and Dr. Garcia. First of all, I am very grateful for the testimony that you all have given. I regret the fact that I have an office filled now with a number of farmers that I have to meet with. As you know, we have been overrun with concerned farmers here in the last 2 or 3 weeks, and I have kept a group waiting over there for some time.

I not only want to commend all of you on your statements, but I want to take a minute to commend the chairman, Senator Bentsen, for his opening statement, which I think is a very broad gaged and perceptive statement. He makes one point that I think all of us ought to underscore when he says it is time for an end to divisive regionalism. It is time for all Americans to unite and work for a restoration of a climate throughout our country that will be conducive to balanced national economic growth.

Mr. Chairman, I could not concur more enthusiastically in what you said. I think it is time to end this battle between the Frost Belt and the Sun Belt and all the other belts and to recognize that every major city in this country is in deep trouble. They are all faced with unemployment problems. They are all faced with growth problems, housing, transportation, and with the difficulties of the energy crisis.

I am just grateful to you for your vision in this opening statement and also for the recognition that our witnesses this morning have brought to the nature of the problem.

I regret that I have to leave, but I commend you on these hearings.

Senator BENTSEN. Thank you very much, Senator. We will let you get back to your office.

Senator MCGOVERN. I don't know whether there are any goats over there or not.

Senator BENTSEN. I interrupted you, Congressman Long. I am sorry.

Representative LONG. Thank you, Mr. Chairman.

Let's look for a moment at all of the various industrial inducement programs, particularly those in the South. If Louisiana is any example, it concerns me that we are perhaps aggravating the problems of the cities. We are offering industrial inducements, building the advantages—tax advantages and others that might be available to those industries moving into particular areas—and the industries are responding, basically, in several ways. One, they are not building in the city; they are building outside the cities in the first place. Second, they are not even carrying their fair share of the State tax load in some cases. Third, in our particular situation in Louisiana, they are depleting our natural resources, which might otherwise be available for labor intensive types of developments, rather than the capital intensive types of development.

Mr. MORIAL. That is right.

Representative LONG. How do you see that affecting the cities? Do you see that anything can be done about this? What bearing could we in Congress have with respect to this problem?

Of course, the road program you mentioned is one that has a direct bearing.

Mr. MORIAL. I think there is a fourth element, too, with tax inducements, Congressman. Within the foreseeable future, with 10-year, 12-year, or 15-year tax abatements coupled with technology, plants that are being constructed now by and large are of substantial capital investment. Many of those plants employ substantial numbers of workers, but within the foreseeable future, with depreciation and certain special tax benefits available to the business, as these plants will move shortly after the expiration of the tax abatement period and relocate elsewhere.

What I think has to be done, particularly in our area, and it is probably true throughout the country, is to encourage and direct economic development on a much broader base than just in the cities—metropolitan economic development.

I heard Senator Bentsen mention tax incentives for inner-city economic development. At first blush I think it sounds commendable and it is a great idea, but I think there are numerous other factors that must be considered with that type of approach, and particularly is it

true in cities where there is presently zoning constraints, land use patterns, particularly in many older American cities? It is not true in Houston, however, because Houston has no zoning. You might put up anything wherever you wish to in the city of Houston, plus Houston's power of unilateral annexation, which is not present in many other sections of the country.

So while tax incentives for businesses to locate in the inner city sounds great, there are other constraints—land use patterns and other restrictions. If we provide transportation—and I mentioned that, it is the great crisis of moving people in this country, and moving them from the inner cities into those suburban areas where jobs are being created and where perhaps some jobs should be created.

In addition, we are faced, in the inner cities, with the rules and regulations of the Environmental Protection Agency, involving air quality control and water pollution, which limit or discourage, to a considerable extent, the ability of many industries to locate in the inner city, even if they were not constrained by zoning and land-use restrictions.

We are living in a society today where there is great concern on the part of the American people for the quality of life and for the quality of the air we breathe and the water we drink, and while much of what EPA does is commendable, the regulation of EPA must be done with consideration for a urban-rural economic policy.

The Federal Government really needs to do what it compels the cities to do, and that is have a policy planning unit or units to do total impact analyses so that we can determine whether one program is beneficial across the board; how does it impact other areas; what constraints does it put on growth in one area as opposed to another one.

We find regulations between the various Federal agencies that are counterproductive to the problems confronting American cities.

Representative LONG. I appreciate that point of view. That is an interesting point: That perhaps the Federal Government ought to require of itself the same criteria that it imposes upon the cities.

Two years ago, under the auspices of the Joint Economic Committee, I was in Norway and Sweden looking at this problem of long-range planning. We were in Oslo, talking to the Finance Minister of Norway, discussing the problems of long-range planning, and how this approach had never really been accepted very well in the United States, and how in some instances it has been erroneously related to the socialistic system and the communistic system. The minister laughed and he said: "You know, that is certainly true."

He said, "Congressman, do you know how we started long-range planning in Norway?"

I said, "I really do not, Mr. Minister."

He said, "We were required to do so by the United States, in order for us to participate under the Marshall Plan." [Laughter.]

Thank you, Mr. Chairman. I yield the balance of my time.

Senator BENTSEN. Thank you very much, Mr. Congressman.

Mr. MORIAL. I know you make a very persuasive and articulate case. I see how you got elected.

Dr. Garcia, we have had testimony before this committee before on CETA urging that they ought to put greater emphasis on the private

sector in trying to encourage employment opportunities in the private sector. How would you respond to that?

Dr. GARCIA. Well, I think we have programs as you well know in the public sector, and we train them, give them a certificate and that is it.

I would recommend having a coordinator in a community, county or under a consortium of local governments where an effort is made in liaison to go ahead and train under the public sector the people who will get employment right away immediately. As it is now we give them a certificate and they do not have a job. They get more certificates and they still do not have a job. I think that would be the main thing.

I think, certainly, the same coordination should be made from industry by saying what it is they want us to train for. Then you have your wonderful bill to helping industry train people by incentives, cash allowances and so on.

I would say perhaps dollar-for-dollar matching for those industries is all right, and they may do better. I think overall the question about the limit of \$10,000 is also another point that they make that you are going to spend that money, and if that is the limit, you only train top-notch people.

You never escalate it up to the point that you can get an underemployed or lesser skilled person and train him to achieve a greater skill.

That is about the only thing I can say, Senator.

Senator BENTSEN. We have information on a study by Ted Haggart of Kansas State University. He delivered an econometric paper recently to the Missouri Valley Economic Association annual meeting.

The paper said that if information were disseminated widely on the employment tax credit, the credit would produce employment of 500,000 to 800,000 jobs, according to the Haggart computer simulations.

We passed the employment tax credit here over opposition of the Treasury and it has been one of the best kept secrets. It has been a little bit like the dollar checkoff was for a while when we first passed it, and we could not get it on the income tax return. You had to apply for a different form to get the dollar checkoff. We finally made them put it on the front page.

We ought to do something like that for the employment tax credit to get it to some of the service industries where it is particularly applicable. It would really be a help to lower income and moderate income employees.

Mayor Cockrell, you do have a somewhat different situation in San Antonio, I know, than that referred to by Mr. Morial because of your having the annexation powers. But even that does not apparently resolve the problems that we see in substandard housing.

I am concerned that using the age of housing in the CDBG formula is not a true criterion for substandard housing. A high percentage of houses with deficiencies in plumbing are overlooked.

Would you recite again some of the comparisons between some of the major cities and that of San Antonio.

Mayor COCKRELL. Yes. We are very concerned that that specific year, 1940, should have been selected because I think it is just an arbitrary selection. I think it would be really a truer picture simply to consider the state of the housing itself, regardless of what year it may have been built.



For example, we point out that of the units in San Antonio which are substandard and which amount to over 44,000 units, only one-fourth of these were constructed before 1940, and so the large percentage, three-fourths, of all the substandard housing units were constructed after 1940. But that is simply not taken into very much account if you simply select the figure of 1940 as the year to judge whether or not your housing is adequate.

Senator BENTSEN. Do you have any better criteria that you think would be more equitable in trying to arrive at formulas to assist cities across the country without discriminating against one region or another?

Mayor COCKRELL. If we are going to look at housing, for example, we should simply look at the criteria of, "Is it standard housing? What are the problems? Where is it insufficient?"

I think we should judge on the basis of the actual condition of the housing rather than the age.

I think we should look at the number of persons below poverty level and the poverty families.

I have some statistics which give me a great deal of concern. In the year 1976, for example, in Texas, the community development funds per poverty family amounted to \$0.34. At that same time in New York per poverty family the allocations were \$0.65. In Pennsylvania, \$0.83; in Michigan, \$0.68. That is not per capita, that is per poverty family.

So what I am saying is that my State of Texas, in getting only \$0.34 per poverty family, was not treated equally in my opinion with some of the other States. I think that is a matter of serious concern.

I am looking at the figures comparatively on total Federal program funds per capita, and Texas received \$187; New York, \$270; Pennsylvania, \$227; Illinois, \$196; and Michigan, \$234.

We can check title I, local public works, title II, antirecession, social security; the figures do not reflect that there has been somehow or other equity in the distribution of these funds.

I think we really have to raise the issue of the basis of the funding formula.

Senator BENTSEN. I have kept you all much too long, but let me just make a personal comment, Mr. Morial, about your point about the city of New Orleans, and the subeconomy of highly unequal income distribution. I know it is a problem there, but the area I was born and reared in, the southern tip of Texas, has a very, very special problem in that regard. I think you have to appeal to people's selfish motives to increase employment opportunities. They have to be convinced it is in their self-interest, their economic self-interest, to create jobs. You cannot build deposits in banks, savings in savings and loans, and you cannot have profits in your department stores and grocery stores with people who live off welfare, with people that have their noses pressed up against the glass looking in. You generate profit by letting them walk through that cash checkout register and ringing it, and that means you have to have economic opportunities and jobs that develop discretionary income. Only then will they have a chance to secure better housing and insure that their kids have a chance for a better education.

No city will truly prosper until that prosperity is shared by all of its people; and it cannot grow and progress and have stability without

that. The savings and the investments of the few will not be very secure unless the other individuals in the locality who are willing to work do, in fact, find jobs.

Do you have any other comment?

Representative LONG. I have nothing further, Mr. Chairman.

Senator BENTSEN. Thank you very much for your time. We appreciate your testimony. The subcommittee stands adjourned.

[Whereupon, at 12:17 p.m., the subcommittee adjourned, subject to the call of the Chair.]

[The following statement was subsequently supplied for the record:]

STATEMENT OF HON. MAYNARD JACKSON, MAYOR, CITY OF ATLANTA  
STRUCTURAL UNEMPLOYMENT

The concept of structural unemployment directs our attention to the very structure of our economy and our society; to the barriers that prevent the full and productive employment of less favored groups in our society. We are all familiar with these barriers, they include:

(1) Job discrimination in its various forms—race, sex, age, handicap, etc;

(2) Inadequate education, job training and health care;

(3) Excessive reliance on formal credentials in hiring and promotion;

(4) A lack of affordable work-supporting services such as child care and public transportation; and finally

(5) The inadequate supply of jobs, and the inequitable distribution of these jobs to different regions of the country and within metropolitan areas.

These barriers to employment produce a "structure" to unemployment—persistently high levels of unemployment among blacks, women, young people and residents of distressed regions and central cities. Any person who combines several of these categories faces staggering barriers to employment—the official unemployment rate for young blacks in the poverty areas of metropolitan regions for 1977 was 45.4 percent—an insignificant improvement over its 1975 recession high of 45.5 percent. This incredible rate of unemployment makes a mockery of our notions of equality of opportunity. How does the impoverished black youth pull himself up by his bootstraps if he can't find a job?

The concept of structural unemployment thus directs our attention to the basic inequities of our society; to ills that we must correct.

First and foremost, we must increase substantially the total number of jobs so as to provide the opportunities for all who wish to work. If employers start looking for employees rather than vice versa, we will find that many of the barriers will be overcome. To quote Vernon Jordan, the distinguished President of the National Urban League:

"The same groups that stand condemned today as lacking in qualifications for jobs, were fully employed during World War II. Rosie the Riveter was unskilled in 1941, but by 1943 she was trained and employed in a booming defense industry. So, too, were many black workers with few skills and less education, people who were trained to fill jobs in factories that wouldn't let them through the door before the war."

Based on our recent experience, full employment may seem an impossible dream. An impressive growth in the number of jobs has not kept pace with the increase in the labor force as the baby boom has come of age and women have entered the job market. However, the decline in birthrates should show up in slower growth of the labor force. A recent report of the Joint Economic Committee of Congress concluded that:

"Absorbing the unemployed will be made gradually easier by the fact that labor force growth probably peaked in 1977 and will undergo a long and steady decline as the large number of persons born in the 1950's are followed into the labor market by the ever smaller cohorts born during the 1960's and early 1970's."

I do not mean to suggest that we sit back and wait for demographic change to solve our problems. To the contrary, every effort must be directed toward full employment. If we relax our efforts, it may never happen.

Secondly, jobs must be created where they are needed and targeted to those in need. We must reverse the Federal policies which have favored job creation in the suburbs and job destruction in the central cities. These policies have included:

(1) Federal tax policies which have encouraged the development of new plants and jobs in the suburbs rather than reinvestment in existing plants and equipment in the central city;

(2) Federal mortgage policies and water and sewage grants which have favored new construction and construction jobs in the suburbs rather than renovation and jobs in the central city;

(3) Federal transportation policies which have favored highways over mass transportation thus facilitating industrial relocation in the suburbs, but making no provision for urban poor to commute to jobs in these new locations; and

(4) Federal purchasing and office location policies which have often led the movement to the suburbs.

All of these policies must be turned around to ensure that their impact on central city jobs is constructive and not destructive. I strongly support the recommendation of the President's Urban and Regional Task Force:

"The Administration should act immediately to develop a sure system for assessing the urban impact of all Federal activities . . ."

This system would include, as a minimum, urban impact analysis built into the budget review processes of the Federal government, and a permanent inter-departmental group to monitor the urban impact of Federal activities.

Third, we must have an active and effective job-training program which draws upon the resources of the public and private sector. A recent policy statement by the Committee for Economic Development concluded that job-training is essential to "reduce the chronic structural unemployment problem on a permanent basis, increase productivity and help avert potential inflationary pressures from future skills bottlenecks."

In Atlanta, our Title I CETA training programs placed 1,605 persons in permanent jobs during the 1977 federal fiscal year. These placements included 980 women or 61 percent; 341 older workers or 21 percent; 334 veterans or 21 percent; and 1,145 or 71 percent persons who were economically disadvantaged prior to entry into the program. We have involved the private sector in our training programs. A unique program funded by Title I is a three-party agreement whereby the private sector—IBM—provides the equipment and instructors while the non-profit sector—the Atlanta Urban League—operates the training program. In another program, the private sector is cooperating with the Opportunities Industrialization Center to provide higher level skills training and job placement in the areas of building maintenance and insurance services. We are proud of the record of our training programs in Atlanta and confident of the future. Cities today are receiving the same funds for job-training as they have for the past five or six years. These funds must be increased.

Fourth, we must continue and strengthen our commitment to affirmative action. We cannot count on job creation to overcome discrimination. Without affirmative action, blacks and women will still be the last hired, and the first let go when the economy turns bad. Moreover, the Joint Economic Committee has projected a continuing surplus of college graduates in the labor market. Thus, there will be no labor market pressures to assist college educated blacks and women to move into the professions and into the corporate and public sector hierarchies. Discrimination at the top will yield only to affirmative action.

Fifth, we need a new unemployment statistic. Our current unemployment statistic has had a long and useful existence. It identified and documented the structure of unemployment in American society. However, once we realize that jobs must be directed to the areas of greatest need, the current unemployment statistic is no longer useful. It includes too many affluent suburbanites who are, in fact, "between jobs" and in no need of assistance; and it excludes too many discouraged job-seekers and underemployed workers in the central cities and rural areas who are desperately in need of aid. At a time when the economy is reviving, it is both wasteful and inflationary to pump federal job money and public works funds into affluent suburbs. At the same time, we cannot cut back on these programs while central city unemployment is at crisis levels. Mr. Julius Shiskin, the Commissioner of the Federal Bureau of Labor Statistics, has been quoted recently in the Wall Street Journal that a "major overhaul" of the unemployment statistic is about four years away. This interminable delay would hamper severely our efforts to overcome structural unemployment. I call upon the President, the Secretary of Labor and the National Commission on Employment and Unemployment Statistics to implement an accelerated timetable for the adoption of an unemployment statistic suited to our present needs.

In this brief discussion, I can only suggest what I believe should be the major thrusts of our efforts to overcome unemployment. There are many other important policies which must be implemented—better education, and health care; the opening up of the suburbs to all who care to live there; relocation assistance from depressed regions of the country; and more. But, while the task before us is vast, the problem is not incurable; success can be ours.

