

*A review by the* **Federal Reserve Bank of Chicago**

# Business Conditions

**1964 July**



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# Why unemployment amidst unfilled jobs?

In recent years the nation and the Midwest have had higher levels of unemployment than in earlier periods of prosperity. At the same time there have been widespread reports that many business firms have experienced difficulty in attracting and maintaining an efficient work force of the desired size and composition.

The paradox of numerous job vacancies in an economy with an excess of unused manpower sets the stage for the widespread and continuing debate over prescriptions for a "proper" national economic policy. Can unemployment be reduced appreciably by programs to provide additional training and re-

training aimed at making job seekers more productive and more readily employable? Does the extent of unemployment merely reflect inadequate demand for goods and services that could be corrected by further tax cuts, more Government spending, easier credit or other measures to increase total spending? Or does the present problem largely reflect the consequences of policies and programs—public and private—inappropriate to today's needs? Many observers have concluded that none of these points of view can be endorsed in full—that the unemployment problem is many faceted and defies simple solution.

## Report on hiring experience of Midwest firms

In order to get a better impression of the causes of the puzzle of unemployment in the face of unfilled jobs, personnel managers of over 30 large Midwest firms recently were asked a series of questions about their recruitment experience. The group included banks and other financial institutions, retailers, manufacturers and public utilities. The firms surveyed are not necessarily representative of

all firms or all areas, but were selected because they employ relatively large numbers of workers in many different occupations.

Hiring by these firms falls into two broad categories—skilled and professional workers on the one hand and inexperienced or unskilled workers on the other. Most respondents reported vacancies in each category, but the number of job openings varied greatly.

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**BUSINESS CONDITIONS** is published monthly by the Federal Reserve Bank of Chicago. George W. Cloos and Lynn A. Stiles were primarily responsible for the article, "Why unemployment amidst unfilled jobs?"

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A wide variety of special types of jobs were listed as particularly difficult to fill. These included:

bank and office workers—

experienced secretaries, proof machine operators, key punch operators, statistical typists, dictaphone typists, comptometer operators, tellers and teletype operators

retail workers—

sales personnel of all types, seamstresses and tailors

skilled manual workers—

welders, machinists, tool and die makers, patternmakers, electricians, linemen and aircraft mechanics

professional workers—

electrical, chemical, mechanical, industrial, civil and materials engineers; metallurgists, biologists, draftsmen, tool designers, computer programmers, financial analysts, accountants and translators

Highly skilled manual workers and talented professional people of the types listed above almost always are in demand. Furthermore, competition for qualified workers intensifies when business activity rises as it has in recent years. Nevertheless, many applicants do not meet employers' prevailing standards of experience and degrees of skill. For example, one personnel manager reported, "Many individuals are seeking jobs for which they are not qualified." Another, "Due to the technical nature of our business, we require highly trained personnel . . ." And still another, "At the college level, we compete for the top candidates." The personnel manager, understandably, is sensitive to the necessity of obtaining employees who will enable his firm to retain or strengthen its competitive position in its industry.

Most of the hiring by large business firms, nevertheless, involves inexperienced workers or those who do not possess experience or

skill that can be "transferred" directly to available jobs. In the case of office workers and sales personnel, many of them young women, the average job tenure is relatively short and there is, therefore, a continued need for new recruits. The majority of those hired by manufacturers and utilities are individuals without previously acquired skills that can be applied directly. As a result, most firms have some type of training program, formal or informal, for new recruits. For some specific jobs a period of a year or more of work and training in combination is common.

To avoid wasting time and resources, an attempt is made to determine that recruits are "trainable" and possess the attributes to perform a given job. But personnel managers find that applicants often ". . . lack the desire to acquire specific skills," and that ". . . many appear to be untrainable."

Personnel managers also report that they are on the alert for young people who appear to possess qualities that will permit their eventual promotion to positions of greater responsibility. Most large firms have a policy of promoting from within, partly to enhance employee morale and loyalty. For example, one personnel manager states, "We usually hire non-skilled people at the bottom level, but attempt to choose those with promotability . . ." And another, "We have experienced difficulty hiring male employees who are potential officer material."

The emphasis upon high caliber recruits, whether experienced or inexperienced, is highlighted by a personnel manager who wrote:

Business is under pressure to control or reduce costs and therefore holds out for the most talented personnel, and is willing to have a job unfilled rather than filling it with an individual who does not have the desired qualifications at the outset . . .

On the other hand, there are some who believe requirements may be too exacting:

Job requirements or standards are often too lofty, disqualifying persons who may not readily appear able and with potential, but who might grow in performance if given the opportunity.

The average number of years spent in school has been increasing steadily for many years. Nevertheless, the training received by young people apparently has not been sufficient in duration or content to keep up with rising job standards. One personnel manager referred to the "Continuous raising of qualification standards . . ." Another stated, "Unskilled labor has no place to go, since laboring jobs are fast disappearing." And another, "Increased complexity of work decreases opportunities for people with mediocre talents . . . a large number of people are unqualified for jobs that are becoming more and more technical."

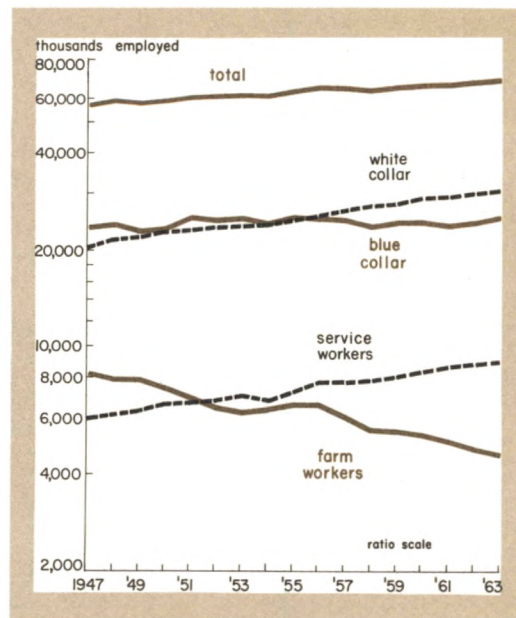
Some personnel managers directly question the applicability of traditional academic training in today's job market. One stated, "We find many candidates even with high school and college educations who do not meet our tests of aptitude and personal standards." Another believes, "Vocational counseling and vocational education should be greatly increased and improved at the high school level."

### Judging job applicants

Some applicants fall outside the age range preferred by employers. Minimum ages typically are 18, but some are as low as 16. In certain cases, especially retail stores, more mature workers of at least 25 are favored.

Although exceptions are often made, many firms have a companywide upper age limit for most new jobs ranging from 35 to 55 with 45 perhaps the most common. In a few cases the

### Postwar job growth concentrated in white collar and service occupations



age ceiling is necessitated by provisions of pension and group insurance programs. More often, however, the age limit reflects a reluctance to hire older persons other than those who possess specific skills because they often lack interest in learning new skills, are less likely to possess the manual and mental dexterity required for certain positions and are more apt to fail the physical examination required by virtually all employers.

Most large Midwest employers require a high school diploma in the case of inexperienced job applicants. It is doubtful that all of the positions they seek to fill directly utilize the learning acquired in the final years of high school. Nevertheless, the acquisition of the diploma provides a convenient "screening" device to help identify young people who are

able and willing to apply themselves to a task. They are more likely to prove "trainable" and, later on, promotable.

Aptitude tests are required by almost all of the employers who were surveyed. In factories these tests usually attempt to evaluate mechanical abilities. For white-collar jobs the tests measure language skills, arithmetic competence and accuracy in handling detail. Unfortunately, some persons with high school diplomas are unable to pass tests designed to determine ability to perform clerical jobs.

Virtually all employers interview far more workers than they hire. Several commented that fewer than 10 per cent of all applicants are hired. Aside from age and aptitudes many rejections are based upon poor appearance or bearing, evidence of "job hopping," indications that applicants do not desire permanent employment and the general observation that "they would not fit into our organization."

Similarly, not all applicants accept jobs when offered. The reasons for rejections of job offers usually are not known. The most common reasons, however, appear to be inadequate compensation, inconvenient transportation and unsatisfactory hours.

Two-thirds of the employers with large office staffs start high school students on a part-time basis prior to graduation. In addition, in periods when work loads are especially heavy one-third of the firms hire workers on a part-time basis even though full-time workers are desired.

A large proportion of applicants for white-collar jobs, estimated as high as 75 per cent by some personnel managers, are employed elsewhere at the time of application and are looking for different jobs. Some of these individuals, doubtless, have been told, or suspect, that they are soon to be released from their present positions, but many are seeking higher compensation or better working con-

ditions. Clearly, many of those wanting jobs are not technically unemployed.

About two-thirds of the personnel managers are interviewing more applicants this year than a year ago to fill a given number of jobs. Nevertheless, only about 15 per cent reported a rise in voluntary separations—always a sign of a tight labor market.

Where records exist, it appears that job vacancies are appreciably below the level of 1957, prior to the recession that began that year. Many firms, moreover, are finding recruitment of inexperienced workers easing because of the larger high school and college graduating classes this year. Next year a large additional rise in the number of graduates is indicated and many Midwest employers expect that this will further ease their recruitment problems.

#### **Unemployment less in Midwest**

The survey of Seventh District employers was taken in a period of general improvement in the employment picture, both for the nation and for this region. In June, 72 million Americans were employed at civilian jobs, up about 1.6 million from a year earlier. Unemployment had declined by 150,000 during the preceding 12 months, but still totaled nearly 4.7 million.

At 5.3 per cent after seasonal adjustment, the unemployment rate was well above the 2.9 per cent average for 1953 and the 4.3 per cent average for 1957—both years in which periods of vigorous business expansion topped out and brief recessions began. In all Seventh District states unemployment rates are below the national average, ranging from 2.0 per cent in Iowa to about 4.0 per cent in Michigan and Illinois.

Each month the Department of Labor classifies 150 labor markets according to current and prospective local unemployment

rates. In June, the major centers were grouped as follows:

Group	Per cent of labor force unemployed	Seventh District	United States
A	under 1.5	0	0
B	1.5 - 3.0	8	19
C	3.0 - 6.0	13	94
D	6.0 - 9.0	2	32
E	9.0 - 12.0	0	3
F	over 12.0	0	2
Total		23	150

Centers classed as D, E or F are designated as areas of "substantial unemployment." In June, only South Bend and Muskegon among Seventh District centers were in this group. Areas in the "relatively low unemployment" B category were Davenport-Rock Island-Moline, Rockford, Cedar Rapids, Des Moines, Flint, Lansing, Saginaw and Madison. There has been some upgrading of labor market classifications since last year and a substantial betterment since the recession trough in early 1961. Neither in the Midwest nor in the nation, however, are labor market classifications as strong on the average as in the spring of 1960 or in mid-1957.

## Our flexible labor force: matching jobs and workers

Estimates of total employment and unemployment and other characteristics of the labor force made by the Bureau of Labor Statistics are based upon a sample of 35,000 households selected so as to represent the total population. These households are interviewed each month by the Bureau of the Census. Persons who worked gainfully at least one hour in the preceding week are considered to have been employed. Persons are counted as unemployed if they report having

The relatively low unemployment reported for Midwest areas results in part from strength in the motor vehicle and capital equipment industries that are important here. Nevertheless, employment increases in Seventh District states have been less than those for the nation since the period before the 1960-61 recession. (See *Business Conditions*, June 1964.) Therefore, lower unemployment in these states partly reflects labor force withdrawals—relatively greater than for the nation—indicating that a sizable supply of additional workers is available in this region if labor markets continue to strengthen.

Labor market classifications are assigned to whole metropolitan areas, which include suburbs. As a result, a favorable category for a large center, such as Chicago, may hide substantial unemployment in portions of the area. This situation was highlighted recently when Cleveland and Toledo, Ohio, and Oakland, California, were made eligible for Federal aids provided by the Area Redevelopment Administration because of large and persistent unemployment in the central city. None of these centers had qualified for special assistance on the basis of unemployment in the entire labor market area.

had no work and respond affirmatively to a question whether they were seeking work or if they *volunteer* the information that they were not searching for work because of illness or a belief that jobs were not available. The total of those employed and those unemployed constitutes the "labor force."

One of the most striking labor market developments in recent decades has been the rise in the number of working women, especially married and older women. In 1963

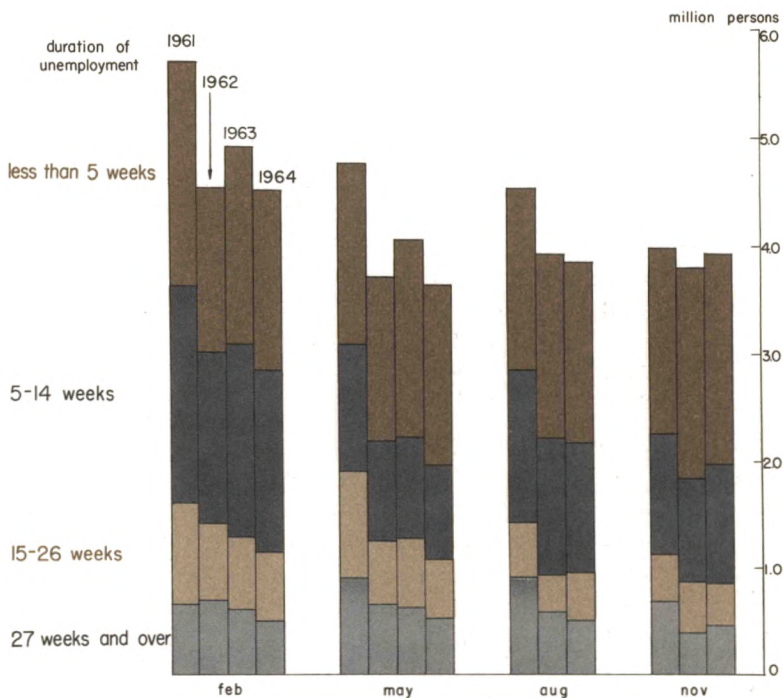
more than 46 per cent of all women 18 and older were in the labor force. They constituted 33 per cent of all workers, compared with 29 per cent in 1950 and 20 per cent in 1920. More than 62 per cent of all women workers currently are married and, of these, 90 per cent have husbands who are also in the labor force.

Rates of labor force participation for other segments of the population also have undergone change. Indeed, the *total* rate for the nation's population of working age as a whole has varied, ranging in the postwar period between a high of 59.3 per cent in 1956, and lows of 57.3 and 57.4 per cent in 1947 and 1962, respectively.

If in 1963 the overall participation rate had been equal to its average for the years 1955-57—which spanned the postwar peak rate—the labor force would have totaled 74.8 million persons, compared with the actual civilian labor force in 1963 of 73 million. Clearly, either unemployment or employment, or both, would have been higher under these circumstances than was in fact the case.

Partly responsible for the general decline in labor force participation since the mid-Fifties, however, has been growth in the proportion of teen-agers—substantial numbers of whom have been in school and thus not in

### Long-term unemployment has declined sharply since 1961



the market for jobs—within the total population aged 14 and older. Similarly, the number of older persons—many of whom are retired—has been growing more rapidly than the total population of working age.

Sluggish labor market conditions often are accompanied by comparatively moderate rates of unemployment, owing to the “feedback” effect that poor prospects for jobs may have upon labor force participation. Thus, according to the *Report* of the President's Appalachian Regional Commission, released earlier this year, the 1960 unemployment rate in “Appalachia”—a highland region of 165,000 square miles spreading from northern Pennsylvania southwestward to northern

Alabama—averaged 7.1 per cent, compared with 5.0 per cent for the rest of the United States. On an average, an estimated 380,000 workers were jobless in the area during the year. As the report points out, however:

... these figures do not take into account the many men and women who, in despair of ever finding jobs, have given up the search and withdrawn from the labor force. In Appalachia that group is extremely large. If the average proportion of Appalachians employed or seeking work equaled the national average, there would be an additional 700,000 persons in the labor force, a figure which far exceeds the number of unemployed.

The labor force is similarly resilient in the other direction. Not uncommonly, a pickup in employment will be accompanied by a less-than-proportionate decline in unemployment. Improved prospects for jobs tempt some persons previously not in the labor force to enter the market, or return to it, alongside those who had been seeking work earlier.

Changes in the labor force occur not only because young people enter for the first time and older people retire, but also because many millions of persons move in or out of the labor force at various times because of changes in their ability, desire or need to find work and because of changes in the availability of jobs. While employment averaged 69 million in 1963, about 85 million persons worked at some time during the year.

In a press cartoon that appeared earlier this year a man named "Unemployed" stands before the receptionist's desk at "Prosperity, Inc." asking "Remember me? I applied last year." This is somewhat misleading if it suggests that equivalent estimates of unemployment in two successive years indicate that the same individuals were out of work for the entire period. Actually, the mix of the unem-

ployed is constantly changing as some obtain jobs, others lose jobs or begin to seek work and still others leave the labor force.

Of the 4.7 million unemployed in mid-June, only 520,000 had been jobless for as long as six months. Presumably, 85 to 90 per cent of those unemployed at the present time will have found jobs, or left the labor force, by the end of the year.

In 1961, when unemployment averaged 4.8 million, 9.6 million persons 18 years of age and over were unemployed for at least five weeks at some time during the year. Secretary Wirtz has said that 15 million persons are out of work for some interval in a given year—more than three times the number estimated for any single month.

Some basic minimum of unemployment and of job vacancies will always exist and can be thought of as "frictional." Both are needed if the pattern of labor force utilization is to keep abreast of change on the side of labor demand.

About 8 million persons change jobs each year, many without an intervening period of unemployment. Of these, two-thirds move to completely different industries and one-half to completely different occupational groups.

To some extent, bringing together job seekers and job vacancies is a matter of communication and knowledge of the market. Newspaper ads, state and private employment services, civil service commissions, unions and personnel departments all are continually attempting to break down the informational barriers that separate workers from jobs.

A number of factors, more common today than in the past, strengthen the ability of persons to withhold their services for extended lengths of time rather than take "any job" that may be available. Among these are private and government pensions, relief, unem-



ployment compensation, severance pay, educational grants, homeownership and holdings of liquid assets. If the income and wealth of the head of a household is sufficient, pressure upon dependents to take jobs they consider undesirable because of low pay or other reasons may be slight.

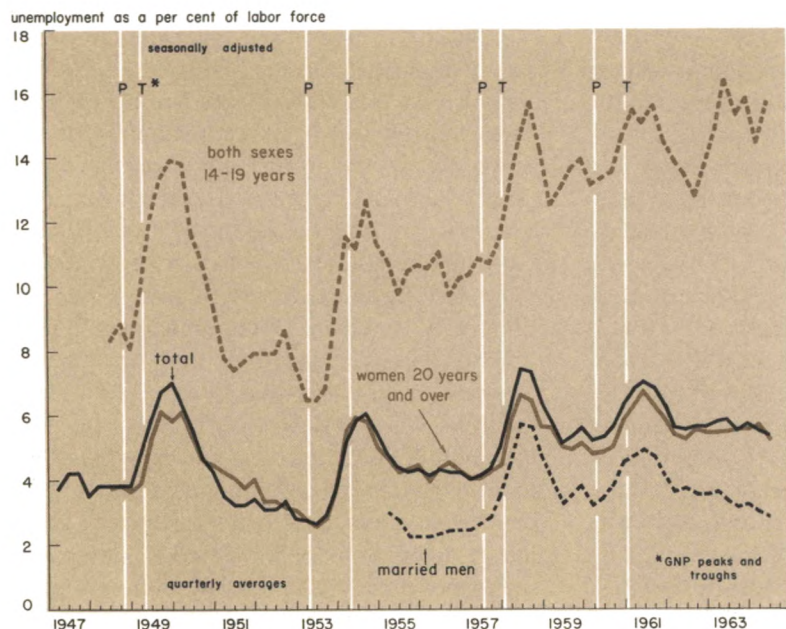
### Jobs that "go begging"

Lists of specific occupations in which jobs are to be had today include many professions for which several years of highly technical training beyond high school are required, such as engineering (especially electrical, electronics, mechanical and chemical), mathematics, physics and microbiology. Additional numbers of persons qualified for these fields depend upon the capacity of educa-

tional institutions and the supply of interested and able students.

In addition, there are shortages of skilled metalworkers, including machinists, tool and die makers, sheet metalworkers, welders and auto mechanics. In the case of these trades the supply of workers is not necessarily equivalent to the total number of those who have had a period of training or work experience. Some workers are unable or unwilling to offer the quality of performance required and therefore accept less-skilled jobs. At all times public and private schools and many business firms are training workers for these occupations. Therefore, any continued inadequacy of supply relates, in part, to the unwillingness of young men to forego full-time earnings at less-skilled occupations while they attend school or serve apprenticeships.

### Unemployment rate high for teen-agers, much lower for married men



Another group of "shortage" occupations includes educators, chefs, nurses, hospital attendants, social workers, landscape gardeners and waitresses. In most of these classes the supply of desirable applicants is restricted by the belief, right or wrong, that pay scales are relatively low.

Finally, there is an ever-present demand for qualified stenographers and operators of office equipment. This results from the continued withdrawal of experienced young women from the labor

force because of marriage or the assumption of family responsibilities and the rising “burden of paper work” in a modern society.

### **Jobs that have disappeared**

Technological changes of the past several decades often have displaced highly skilled workers such as glassblowers and cigar makers. But the largest impact of automation (automatic operation) has been upon the number of jobs that can be learned quickly and that require no significant educational attainment, even of the three “R’s.”

Although there are no reliable estimates of the total number of jobs mechanized in recent years, some approximations are possible. In manufacturing, output currently is running more than 25 per cent above the level of 1957 while manufacturing employment is about the same as it was at that time. If facilities and techniques had not changed since 1957, about 4.4 million more workers—a number about as great as estimated unemployment—would be required to produce the current volume of manufactured goods. (Of course, not all these goods would be produced today if mechanization had not progressed.)

While the number of jobs requiring repetitive movements or mere physical strength has shrunk in the past decade, there has been a rise in the number of positions in trade, finance, government and factory office work that require facility in dealing with the public or fellow employees. Applicants for these jobs must possess a pleasing appearance and bearing and reasonable language skills. Obviously, these characteristics play a much lesser role in the selection of workers who are required only to “dig, lift, carry or fasten.” When personnel managers cannot find these attributes among applicants at prevailing wage scales, they tend to allow “white-collar” jobs to remain unfilled.

### **Machines and manpower**

Total employment today is up appreciably from its level of the mid-Fifties, but higher unemployment and lower labor market participation rates testify to a slackening in the intensity of the demand for labor. Other evidence is found in the volume of “help wanted” advertisements in newspapers, which, while substantially above the level of early 1961—in the Chicago area as well as nationally—is still well below the level of the 1955-57 period or the later years of the Korean War.

In past periods of exceptionally tight labor market conditions, as in World War II and such years as 1952 and 1956, northern firms actively sought personnel in the southern states, often paying moving expenses—much as Italian and Spanish workers have been recruited in recent years by West German and Swiss employers. At these times, too, there were widespread charges of labor pirating (seeking out and hiring away employees of other firms) and labor hoarding (hiring more workers than needed at a given time to insure an adequate future supply.)

When demand for workers is very strong there often is a tendency to waive or modify standards of education, physical condition and age. Moreover, employers who ordinarily prefer to restrict their hiring to experienced workers become more amenable to the training of recruits.

When demand for labor rises substantially relative to the supply, the process may become cumulative because output per worker flattens out or begins to fall. This is because less experienced and less able workers are less productive than the existing force, second and third shifts (usually less efficient than the first) are added and labor turnover increases as experienced workers decide it is worthwhile to change jobs.

At the present time productivity is continuing to rise sharply, with the expansion almost three and one-half years old. This undoubtedly is related to the large capital expenditures of the past decade and the widespread availability of unused industrial capacity as well as the relatively "easy" supply of labor in most areas.

In recent years various measures have been adopted as means of stimulating business investment and employment. Among these, the tax credit and the new depreciation guidelines have increased the profitability of new machinery and equipment substantially. The lower corporate tax rates enacted last February also increase the potential profitability of investments in new equipment. Whether or not it is because of these measures, private investment in new plant and equipment is rising rapidly.

But the cry that machines destroy jobs always has been overdone. Substitution of mechanical devices and other new techniques for human effort is the story of economic progress. Moreover, complaints that automation created unemployment were current in the decade before World War II and then, as today, many examples were cited. Nevertheless, the nation moved to full employment—even over-full employment by some reckonings—not only during World War II and the Korean War, but also in the late Forties and mid-Fifties.

### **Diplomas and sheepskins**

An individual's chances of getting and keeping a job are directly related to the number of years of education completed. Unemployment rates are especially high among those with only a few years' schooling and much higher among high school dropouts than high school graduates. Unemployment among college graduates who have gained

work experience is only about 1 per cent.

Unemployment is very high among teenagers—15.9 per cent in the 14-19 year bracket in May 1964 compared with 5.1 per cent for the entire civilian labor force. As these workers grow older most of them are likely to find suitable jobs, partly through trial and error and partly by acquiring proper work habits and capabilities. But the burden of inadequate schooling lingers indefinitely for many. For example, in October 1963 the unemployment rate among high school graduates 20 and 21 years of age who entered the labor force after receiving their diplomas was 8.7 per cent compared with 13.0 per cent for "dropouts" of the same age.

Applicants' records of attainment in school or other jobs offer the major evidence used by personnel managers in evaluating their ability to acquire the knowledge and skill needed to perform specific jobs competently. Hence, the basic mechanical, language, mathematical and other skills learned in school increase the range of jobs an individual can qualify for, not only immediately after graduation but in later years as well.

In the high school commencement season just past, 2¼ million young persons received their diplomas. About half expect to enter college later this year but many of them, as candidates for summertime jobs, in the meantime have become temporary members of the labor force. Of the remaining June graduates, numbering 1 million or more, a big majority of the young men—excepting mainly those headed for military service—and a smaller proportion of the girls now have joined the labor force on a more or less permanent basis.

The number of high school graduates at the end of the 1963-64 school year was up substantially from the preceding years, but an increase at least as great is in store for mid-1965. During the next few years the number

of high school graduates is expected to continue rising, although at a more moderate rate. The reason for this further rise is two-fold. For one, the number of births continued to grow until 1961. In addition, the proportion of teen-agers attending high school and continuing on until graduation has progressively risen.

High school graduates, of course, constitute only one segment of the total of youthful, first-time job seekers. Attention lately has focused intensively on school dropouts and the problems they appear likely to encounter in finding gainful and steady employment. In a relative sense, the dropout problem has been easing somewhat in recent years, as more and more young persons have been motivated to remain in school to receive their diplomas. In 1960, about half of the 14- to 19-year-olds were in school, as compared with one-third in 1950. Nevertheless, it is ex-

pected that about 7.5 million of the estimated 26 million youths newly entering the labor force during the present decade will have left school before graduation. Of these, moreover, close to 2 million will have had no high school training at all.

At the other extreme, the inflow into the labor market of first-time job seekers holding college degrees has been growing rapidly, with still more rapid gains foreseen for the years ahead. This past June, an estimated 500,000 bachelors' degrees were conferred by U.S. colleges and universities. This compares with 392,000 only four years earlier and 432,000 in 1950, when a huge number of World War II veterans completed work for college degrees under the G.I. Bill. It is expected that the number of college graduates will climb uninterruptedly for a good many years ahead and will exceed 700,000 annually by 1970, only a half-dozen years away.

## Free market forces and public responsibility

Imbalances in the labor market, as in other sectors of a market-directed enterprise economy, tend to be self-correcting. If labor of a given skill or experience rating is in short supply, wages or salaries for these workers tend to rise, thus closing the gap between demand and availability. Similarly, there is a tendency for the price of particular labor skills to decline when demand falls off, or fails to grow as rapidly as supply. Furthermore, surpluses of manpower in a given labor market area encourage out-migration to areas where conditions are more favorable.

Wage level differences reflecting varied relationships between labor supply and demand also serve as signals confronting prospective entrants into the work force. Young persons

in general will be responsive to the relative rewards and other opportunities associated with the alternatives as they see them. At a time when prospects appear bright for technically trained, highly skilled workers, young people will be motivated to seek the requisite formal training or work experience. By the same token, indications that the job outlook is growing less promising in certain fields or areas will be read as caution signals urging would-be entrants to turn elsewhere.

The "natural" tendency for labor market dislocation to work itself out, however, is often a time-consuming process. Moreover, such developments as the introduction of radically new technologies and the abrupt redirection of consumer demands often make the process of adaptation very burdensome to

the individuals and areas affected most directly. Several factors present in recent years have complicated considerably the process of economic adjustment to changing labor market conditions.

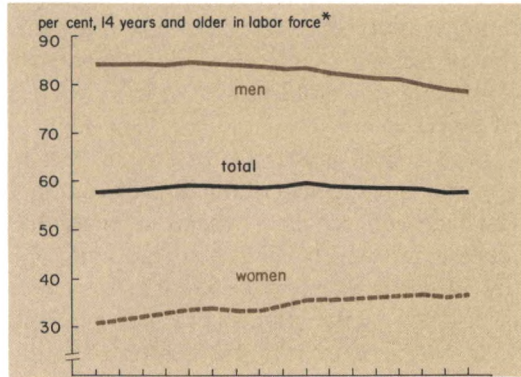
For one thing, there has been the rapid industrialization of such states as California, Florida and Texas, leading to substantially increased demands for manpower in those areas. Meantime, many firms in the established industrial regions of the North and Northeast have been replacing their aging and often obsolete production facilities situated in large cities with new plants in suburban and outlying urban locations. Frequently, too, industrial relocation has been accompanied by substitution of machinery and other equipment for manpower.

One result has been the emergence of substantial pools of unemployed and underemployed semiskilled and unskilled workers in many urban communities while labor demand has been comparatively buoyant in the rapidly developing areas. Another factor that has already begun to make an impression is the sizable increase in the number of young persons showing up as first-time entrants into the labor force.

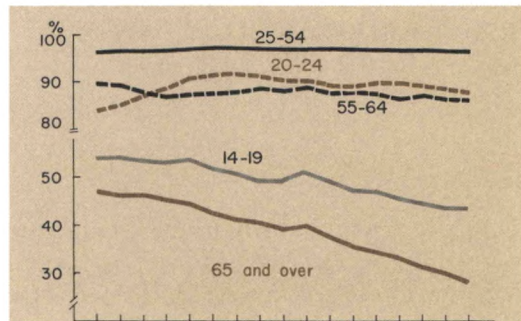
Particularly since 1957, indications have been widespread that the ability of the labor market to accommodate itself to changing conditions has been insufficient to keep abreast of the pace at which changes have been occurring. One of the most persuasive of these signs has been the persistence of comparatively high unemployment during the period. Evidence that the reported unemployment rate, moreover, might have been substantially higher still if labor force participation had remained at earlier levels serves to strengthen this impression.

Labor market dislocation is costly quite apart from its implications in terms of human

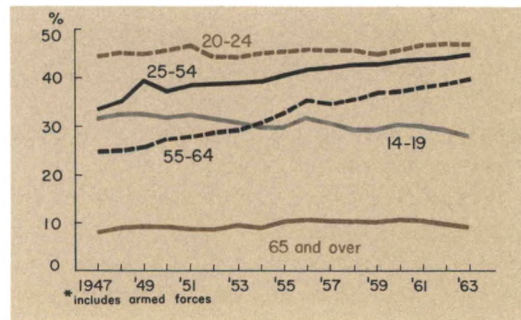
### Proportion of men in labor force declines while proportion of women rises



### Fall in proportion of males confined to elderly and youngest age groups



### Rise for females reflects growing number of married women in the job market



\* includes armed forces

hardship and its association with a variety of troublesome social and other noneconomic side effects. It means also that the community is realizing less production and income than it could, while at the same time incurring substantial costs for the support of the unemployed and low-income segments of the population.

### **A role for Government**

The Manpower Development and Training Act of 1962 is directed toward improvement of labor markets insofar as current problems are of a structural nature, in the sense that the skills and experience of the jobless have failed to remain in touch with the job requirements of employers. Under the Manpower Act, job-oriented programs have been established in a substantial number of communities where it has appeared that, given suitable training, unemployed workers could be fitted into available jobs. Such projects have been undertaken not only in "distressed areas"—that is, areas having recent unemployment rates substantially above the United States average—but also in other labor markets not so designated but having substantial numbers of jobless persons.

The Manpower Act of 1962 was adopted after experience had been gained under a pilot retraining effort provided under the 1961 Area Redevelopment program. The earlier, small-scale undertaking was designed essentially to complement the principal features of a concerted effort to regenerate individual labor market areas having chronic unemployment. Major emphasis under the Area Redevelopment Act has rested upon a variety of financial inducements to local development—chiefly industrial expansion. These have taken the form of low-cost loans to business firms establishing plants or expanding existing facilities at sites within labor surplus

areas and a combination of low-cost loans and outright grants for the construction of public works in such communities. The manpower training aspect of the program was designed specifically to upgrade or retain workers in instances where surplus manpower might be successfully placed in the new jobs.

The area redevelopment program as a whole has concentrated upon local communities having high unemployment *rates*—to the exclusion of sections with moderate to low rates, but sizable numbers out of work. This focus expresses concretely the notion that the presence of generally buoyant labor market conditions in a given community will be sufficient to mop up pools of unemployed manpower situated within it through the working of market forces. Thus the area development approach to the correction of labor market imbalances stands in contrast to the manpower retraining program, which, in effect, assumes that dislocation may persist for an extended term even within a community where overall unemployment is relatively low.

Already, indications have cropped out that many of the unemployed persons most seriously in need of training are lacking in even elementary ability in reading, writing and arithmetic. Under 1963 amendments to the 1962 Act, financial assistance has become available for support of programs to provide such "pre-training."

The traditional high school vocational education program also was modified last year. Less emphasis than previously will be laid on training in agriculture and home economics and more will be given to expanding, urban-centered trades and occupations.

More recently there has been the proposal to attack the problem of poverty by means of measures embodied in the proposed Economic Opportunity Act of 1964, on which

congressional hearings have been under way for several weeks. Although background discussion of this plan and data marshalled in its support indicate clearly that there is limited correspondence between unemployment and low income, the jobless—particularly those out of work for extended terms—frequently are among the lower income members of the community.

Those features of the proposed anti-poverty program that would establish work training camps for unemployed youths, particularly school dropouts, and special aids for students clearly are similar in intent to earlier measures designed to sharpen skills and raise levels of educational attainment as means of widening employment opportunities.

All told, about 136,000 workers had either received training or been selected for retraining through 1963 under the manpower features of the 1961 Area Redevelopment Act, the 1962 Manpower Development and Training Act and 1963 amendments to the latter. This is, of course, only a small fraction of the 4 million or so out of work, on an average, during the past several years.

It is obvious that the limited scale of remedial measures adopted by the Federal Government leaves major responsibility for resolution of the nation's unemployment problem with the working of market forces and the responses of individual and business initiative. Employers themselves have long provided a wide variety of in-service training programs. Clearly, these will play a central role in reshaping and sharpening labor skills in the future. Likewise, the movement of manpower from occupations and areas in which jobs are scarce to ones in which opportunities are more plentiful will necessarily depend primarily upon individual responses to the guides and signals that labor market indicators provide.

Clearly, there is no simple solution to the problems connected with the persistence of substantial unemployment or of sluggishness in demands for particular types of manpower. The reason lies in the multitude of factors responsible for these conditions. Inadequate total demand for goods and services, abrupt redirection of consumer expenditures, population movements and fast-moving technological changes all are factors having an obvious bearing.

Not to be overlooked, in addition, are the side effects upon the labor market of legislation, union and management practices and institutions related to other objectives. The resistance of wage levels to downward adjustment in the face of unemployment affecting particular occupational or skill categories often denies to market processes their role as a "natural" corrective. Thus, some observers have questioned the soundness of minimum wage legislation, or of proposals for increases in the statutory floor or the extension of coverage to additional occupational groups, as these apply to workers of limited skill or experience. In addition, there is the incidence of discrimination in the labor market; to many nonwhites and often other members of the labor force, the doors to certain occupations and industries have been all but closed.

#### **From school to job**

One of the incidental costs of sluggishness in job markets is the impetus given to the erection of work-protective devices that serve to lessen efficiency. Under these, necessary work force reductions are achieved in an orderly and generally slow fashion by attrition—that is, through cessation of hiring, with employment then following a downward course as older workers retire and others find jobs they prefer elsewhere. Agreements of this sort have been hailed as a humane means of

accommodation to new methods and changed circumstances. But such advantages may accrue at the expense of youthful members of the work force, to whom entry to the affected occupations or industries is barred. Unless new fields open up to replace the old, the range of job opportunities is narrowed. The fact of shrinking manpower needs in the older fields is, of course, a matter that entrants into the work force take into account. But, productivity and production costs in the industrial sectors covered by such agreements may suffer as a consequence, owing to the inability of employers to seek out and hire the men best matching their needs, regardless of seniority or experience.

The plight of younger members of the labor force handicapped in the search for jobs by inadequate educational or vocational preparation tends to become aggravated as unemployment stretches out. The lengthier the span of joblessness experienced by first-time entrants into the labor force, the more difficult may it become for these persons to sustain their employability and to gain the advantages of job experience at a critical time in their working years. The move from school to a job calls for adjustment most easily achieved when the gap between the two experiences is short.

In addition, a full review would appear warranted of any current policies and practices—either public or private—that tend to restrict rather than strengthen the ability of today's labor market to provide work experience to new entrants and others having limited skills or ability. Even "low" wage rates or part-time schedules may be preferable to no work at all, particularly for young persons in urgent need of job experience.

**Twin requisites: expansion, retraining**

16 Although it may not be difficult to specify

the means by which young persons who are still to enter the labor force may best equip themselves for productive employment in the future, the task of dealing with the present generation of the unemployed is another matter. The recent tax cut and indications that the economy is continuing to expand give promise of overall buoyancy in the labor market for at least the near term ahead. Obviously, the pace of expansion could be stepped up and the growth of income accelerated if more of today's unemployed were equipped with job capabilities that are at present in relatively short supply.

On balance, a broad-gauged attack on persistent unemployment appears to be needed. Manpower training has a key role to play in aiding persons displaced by technological progress to prepare themselves for job opportunities in unfamiliar occupations and industries. The established vocational education program in the schools and the multitude of in-plant training plans provided by private employers undoubtedly will continue to bear major responsibility in the process. The recently inaugurated and pending Federal programs to deal with manpower adjustment have a significant contribution to make as well, but the major share of the job probably remains for instruments long in being—in addition to the workings of "natural" market forces and incentives.

Continuing economic expansion, of course, will be necessary if new job opportunities are to open up for persons available to fill them—including the added numbers associated with a growing population—and if productivity gains are to be matched in growth of output and income. The structuralist and expansionist prescriptions for the nation's unemployment problem thus may be envisaged as two blades of a shears. Both are indispensable; neither will work without the other.