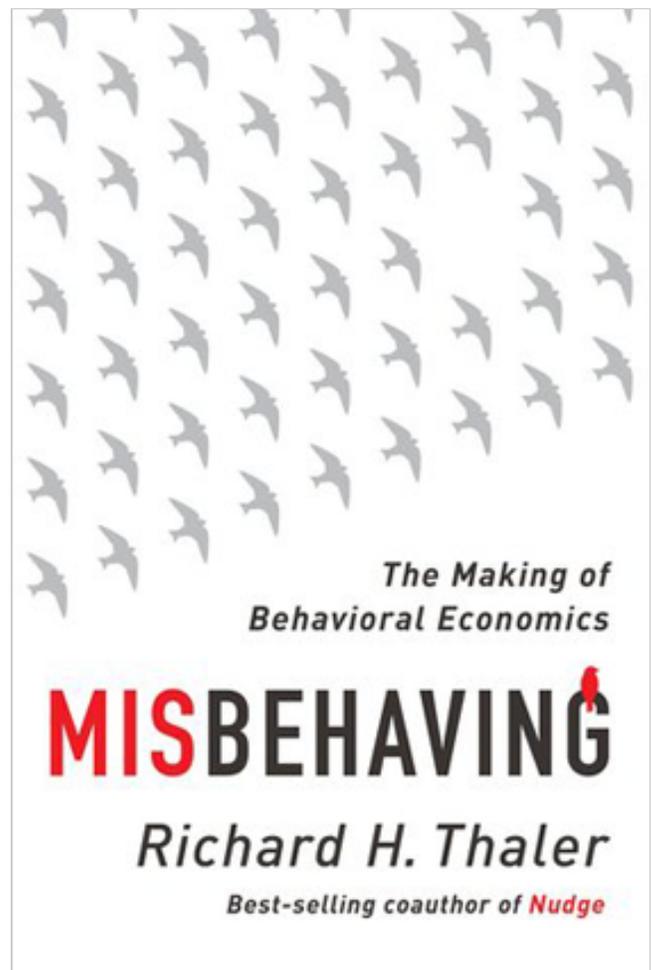


Behavioral economics: Humans vs. Econs, a history of bringing traditional economics down to earth

Misbehaving: The Making of Behavioral Economics. By Richard H. Thaler. New York: W.W. Norton & Company, 2015, 415 pp., \$27.95 hardcover.

In recent years, a new paradigm of economics has emerged which challenges the traditional economic theories that have prevailed for over half a century. In his witty and insightful book, *Misbehaving*, Richard Thaler presents a real-life story of how a few insights from psychology and behavior found their way into the now-recognized field of behavioral economics. Not simply an exposé of the trials and travails of an upstart field, the book provides plenty of material in the best layperson terms possible about why behavior matters. Thaler compares what a “Human” does when faced with real-world choices with what an “Econ” does with choices based on theoretical principles. The former school of thought presents anomalies that have been neither sufficiently explained nor disproved by the leading luminaries of the latter school. In this narrative, readers soon discover the limits of specialized and mathematically based solutions that have reigned for so long in our academic, financial, and economic institutions.

The book is a lot of things: an introductory history of modern economics, a semiautobiographical narrative about Thaler’s academic career, detailed observations of real-life “games,” and clever (or lucky) comebacks to challenges from some of the most intelligent thinkers who have made their mark on the economics profession. It promises to entertain as well as inform, with plenty of concise examples and cases. However, casual readers might find it hard at



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first getting used to the explanations of the behavioral and traditional examples.

This review conveys some of the wide-ranging scope of Thaler's career, plus primary examples of behavioral economics and psychology. The book itself, however, isn't a polemic or a treatise. On the contrary, Thaler believes that there is a place for it within the mainstream: "Theories based on the assumption that everyone is an Econ should not be discarded. They remain useful as starting points for some realistic models."

Economic ideas are valuable not only in what they can explain, but also in what advice they offer for improving people's well-being. Economic theories illuminate, of course, what is *supposed* to happen (the "norm," or normative ideal outcomes), but also what *is happening* (the descriptive, or departures from the norm) and what *should* happen for the benefit of society (the prescriptive, or practical use of the theory). Traditionalists gained great status (including Nobel Prizes) developing normative "rational actor" theories while making important contributions to prescriptive policies; along the way, however, they overlooked key descriptive data by not basing theories on Human decisions. Traditionalists dismissed these anomalies as either one-off errors, special cases covered by existing theories, or quirks that at least didn't disprove their theories. Thaler sardonically terms such data "Supposedly Irrelevant Factors," or SIFs. He emphasizes that economic policies fail because the underlying assumptions about economic agents avoid or ignore the SIF behaviors and decisions that matter most.

Thaler starts with his early years in the 1970s as a graduate economics student at the University of Rochester. Next, he segues to Stanford University, where the psychology of economics became his definitive career path. With promising research directions plus networks of key researchers (Daniel Kahneman and Amos Tversky, among others), Thaler went to Cornell University in 1978. Then he spent about a year at the University of British Columbia in Vancouver during the early 1980s, to continue collaborating with Kahneman. Thaler returned to Cornell in 1985.

Insights into human economic behavior emerged or were already in place during Thaler's early years, and he spent his first 15 years in academia developing and defending those insights. For instance, *prospect theory* states that people's happiness increases as their wealth increases, but at a decreasing rate. This notion implies that people are risk averse: as their wealth increases incrementally under conditions of uncertainty, and as they face potential losses, they tend to have a greater preference for smaller, earlier gains instead of later, larger gains that come with a risk of loss. However, people also tend to seek risk in situations involving loss when the situations are framed or perceived as a chance to break even, even in the face of those losses. This idea encompasses the radical, yet commonsensical, notion that people are more sensitive to *changes* (potential gains and losses) in wealth rather than to absolute levels of wealth.

Related to prospect theory, the *endowment effect* is a SIF which states that people will more likely pay to preserve things they already own over paying for items that are available but that they do not yet own. As part of this effect, a kind of "mental accounting" takes place: in deciding what to choose, people tend to weigh the "out of pocket" expense of giving up items that they own (their endowment) more highly than the potentially greater value of alternative or competing choices. Mental accounting occurs widely in real life, as the book illustrates in many examples and paradigms. Conversely, the standard treatment in current theory considers funds to be completely fungible regardless of labels, accounting practices, budgets, or psychological balance sheets.

In another kind of mental accounting, a sunk cost (of efforts, money, time, emotions, etc.) is a one-time expenditure that cannot be recovered while the continuation of the activity or the consumption of the item in question results in negative utility (or disutility). Although Humans may understand, in principle, that they must ignore sunk costs, ignoring them is quite difficult in practice. When people realize that they can't fully benefit from an item right away, it is feared as a "loss" to be earned back with even further purchases or efforts. Moreover, to some, a sunk cost is an "investment" for future consumption. So, whether a one-time outlay (such as a fee) is personally felt as an investment or a sunk cost can influence a Human's preference for, say, a time share, a membership in a gym, or an expensive bottle of wine. In contrast, Econs never allow sunk costs to influence their decisions, because doing so introduces information that is irrelevant to optimizing solutions and is thus irrational.

Thaler describes two types of consumer utility. *Acquisition utility* resembles the consumer surplus in microeconomic theory, so, as the name implies, acquisition utility is the net amount of well-being a person obtains after subtracting the opportunity costs of a good. *Transaction utility* is the difference between the price actually paid for an item and the price one normally expected to pay, or the reference price. Transaction utility is about whether one received a bargain, got a fair price, or was gouged. Both utilities are observed in a wide array of common sales and price tactics. Thaler points out that sly sellers have an incentive to manipulate a reference price (e.g., "suggested retail price") to generate the illusion of a "deal," particularly when the item is relatively infrequently bought and its quality is hard to determine (e.g., automobiles, men's suits, mattresses). A broader implication is that "good deals" can lure people into making purchases of little value later on, resulting in disutility and sunk-cost problems.

With so many SIFs going on, Thaler's work started focusing on ways Humans choose between present-oriented consumption versus future consumption—in other words, the way Humans exert self-control. (Thaler's research on this topic would become one of his most important contributions to economics.) From the time of Adam Smith up to the 1930s, other economists (e.g., Jevons, Pigou, Fisher, and Keynes) wrote about the consumption behavior of households in terms of time preferences. However, "Econs began to creep in around the time of Fisher, as he started on the theory of how Econs should behave, but it fell to a twenty-two-year-old Paul Samuelson, then in graduate school, to finish the job." Prolific and brilliant, Samuelson established the mathematical rigor found in standard theories today, including the basic economic model of time-dependent, or intertemporal, choice.

The traditional model of consumption posits that Econs' consumption choices in each given period are well ordered and weighed (or discounted) consistently from higher utility (nearer in time) to lower utility (farther in time). Samuelson's simple formula of this time-consistent and smooth discounting of utility became the field's predominant workhorse, although, to be fair, Samuelson warned that his model might not be descriptively accurate. Even so, his intertemporal model became a vital part of macroeconomics, particularly the consumption function, which many well-known economists advanced with increasingly acceptable mathematical rigor.

To Thaler, the principle of time-consistent preferences is shortsighted: Humans, by nature, are time inconsistent. People change between mental accounts of what is preferred now or later on the basis of new information, novel situations, and changes in income. Modern macroeconomists, however, assume that economic agents exert the necessary self-control to plan and calculate their entire "life cycle" of incomes, savings rates, investments, and consumption, with rational expectations about the future. In reaction to this counterintuitive idea, Thaler and his

colleague Hersh Sheffrin proposed the “behavioral life-cycle hypothesis,” in which consumption depends both on one’s mental accounts and on one’s lifetime wealth.

The behavioral life-cycle hypothesis is rooted in the psychology of delayed gratification, or the ability to resist small, immediate rewards in order to receive larger rewards later. As a solution to the problem of some Humans having difficulty delaying gratification, people might create commitment strategies whereby they save for future consumption. Indeed, it is known that people and organizations sometimes use commitment mechanisms to delay, remove, or limit choices because not using those mechanisms gives in to the dangers of present-biased behaviors. Thaler also borrowed the principal–agent model from the theory of organizations to illustrate two types of proxies in a Human deciding to delay gratification: the Planner and the Doer. The Planner is altruistic and sets boundaries and rules to achieve higher goals; the Doer seeks to enjoy things right away and does not care about any future Doers. The Planner–Doer model highlights the tensions that arise in Humans in deciding when to consume, save, etc. The model is instructive in developing a better understanding of how people’s impulses can be directed.

The book’s second half starts approximately in the mid-1980s and includes Thaler’s stint at the University of Chicago from 1995 onward. The discussion gradually shifts to behavioral applications in the financial industry. Having spent his career up to the mid-1980s addressing Human-centric issues in self-control, risk, and preferences, Thaler then proceeded to delve into the flaws of traditional finance theories, notably the efficient market hypothesis, the equity premium puzzle, the capital asset pricing model, and stock price movements. The second half of the book treats these concerns. In characteristic fashion, Thaler examines cases of market theory inconsistencies, such as the 3Com–Palm merger and the pricing puzzles surrounding closed-end mutual funds. At the time, with behavioral and experimental approaches gaining popularity, the field of behavioral finance also was emerging as an alternative to conventional thinking.

Thaler’s efforts did not go unnoticed. During debates with behaviorists about deciding whether to take psychology and economics seriously, adherents of traditional economics were unable to provide conclusive data (or, indeed, any data at all) showing that financial markets behaved consistently, as those economists were wont to predict. Importantly, Thaler and his colleagues continued to successfully counter critics’ views that observed anomalies were one-off outliers which could not be replicated—and, in continuing to conduct surveys, examine real-world cases, and create tests, behaviorists were finding convincing arguments about Humans and markets that some mainstream theorists began to take seriously.

Some examples from which Thaler derived insights were the study of labor markets (e.g., the value of football draft picks), “fairness” (e.g., Uber’s high-peak pricing), narrow framing (e.g., the choice of shifts among New York City taxi drivers), prospect theory (e.g., television game shows), and extreme heuristic biases (e.g., a poorly designed and highly contentious procedure for selecting office space among faculty at the University of Chicago’s Booth School of Business). However, self-control and finance became a new fertile ground for the behavioral economics community. By the mid-1990s, a natural place to apply its theories was in ways to help people save for retirement.

According to Thaler, standard economic theory does a poor job of designing retirement savings programs: the only policy instrument in its toolbox is changes to after-tax returns on savings. One of the more notable aspects of this policy is the creation of tax-free savings accounts (e.g., the individual retirement account, or IRA). However, “there is a basic problem with the use of this policy tool—economic theory does not tell us how responsive savers will be

to such a change. In fact, we cannot even be sure that making saving tax-free will increase or decrease the total amount of money people put aside for retirement.”

Incorporating principles from psychology and economics, Thaler’s Save More Tomorrow™ program (known today as the SMarT program) was a prescriptive approach to raising savings rates. The proposals underlying the program overcame key Human-behavior problems that the tax code is unable to address: (1) inertia and procrastination in changing savings rates unless forced to, such as when one changes jobs, (2) perceiving a paycheck deduction as a loss rather than as a future gain (loss aversion), and (3) low self-control due to “present-bias”—that is, the difficulty of having to make an enrollment decision regarding the future compared with the relative ease of making a decision about today.

The Save More Tomorrow program features some simple solutions. Present-bias is mitigated by automatic enrollment in a retirement plan, rather than presenting the worker with opting out as the first and easiest decision. The program avoids loss aversion by tying savings increases to pay increases after workers choose their default pay deductions. It also allows workers to overcome inertia by leaving the plan in place unless the person opts out. Although the strategy wasn’t well received at first by investment companies, a series of well-timed circumstances eventually made it a feasible choice among both workers and employers. Today, the increasing adoption of “automatic enrollment” savings plans can trace its roots to Thaler’s insights.

One can be forgiven for deeming the Save More Tomorrow program to be the crowning achievement of Thaler’s storied career when perhaps his most important achievement is behavioral science’s continuous growth as a serious field for prescriptive solutions. One of the last chapters of the book relates how Thaler visited London at a time when the United Kingdom’s (U.K.’s) Tory party started to find interest in the behavioral sciences as a way of making government more efficient and effective. In 2010, the U.K.’s new government (a Tory–Liberal Democrats coalition) established a Behavioural Insights Team (BIT) “to achieve significant impact in at least two major areas of policy; to spread understanding of behavioral approaches across government; and to achieve at least a tenfold return on the cost of the unit.” Thaler had no small hand in BIT’s founding, particularly because Tory experts with an interest in his earlier book on behavioral prescriptions, *Nudge: Improving Decisions about Health, Wealth, and Happiness* (coauthored with Cass R. Sunstein; New York: Penguin Books, 2009), consulted him. As of 2014, projects or operations to incorporate some aspect of the behavioral sciences into public policy exist in some 136 countries. In the United States, the White House Social and Behavioral Sciences Team carries on the mission of ensuring that, in its own words, “government works best when it’s built for people.”

The Monthly Labor Review at 100—part I: the early years, 1915–30

To help mark the Monthly Labor Review’s centennial, the editors invited several producers and users of BLS data to take a look back at the last 100 years. This opening article in a series of four recounts the early history of the federal government’s premier publication on labor economics and flagship journal of the Bureau of Labor Statistics.

In July of 1915, the U.S. Bureau of Labor Statistics (BLS), under the direction of then-Commissioner Royal Meeker, began publishing a new journal whose purpose, as stated in the first issue, was to “publish the results of original investigations too brief for bulletin purposes, notices of labor legislation by the States or by Congress, and Federal court decisions affecting labor, which from their importance should be given attention before they could ordinarily appear in the bulletins devoted to these subjects.”

In addition, “Through the *Monthly Review*...[a]ttention will be given to the current work of this bureau, the other bureaus of the Department of Labor, or any other Government agencies dealing directly with labor matters. The bureau will aim to keep in touch with the current work of the various State labor bureaus,...the State industrial and workmen’s compensation commissions, the minimum wage commissions, factory and mine inspection offices, the State and municipal employment agencies, and a number of other offices regularly engaged in the study of questions and the publication of reports of special interest to labor....”

Furthermore, “A special purpose of the *Monthly Review* will be to make available...notices and summaries of American and foreign official reports of all bureaus, offices, and commissions of the character indicated above...to keep in touch with the more important current movements and methods for the reporting of industrial accidents and occupational or industrial diseases and for the prevention of these...[and] to report industrial and vocational surveys, the better housing of workingmen, and any other activities, public or private, that have for their object the betterment of industrial conditions [including] [s]ummaries of sickness and out-of-work or old-age benefit funds maintained by large employing corporations, national trade-unions, etc.”



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Thus sprang the aims and aspirations, the purposes and purview, the boundaries and bravura, of the fledgling *Monthly Labor Review*. Over the next hundred years, the *Review* would, from time to time, shift its focus, encompass more topics related to labor, add new departments and features, and modify its appearance, all the while continuing to address labor issues of major importance for the United States and the world. In this series of articles, on this, the one-hundredth anniversary of the federal government's most prominent and most read journal on labor, the *Review* recounts its long, sometimes tortuous, always interesting history through which runs the continuous thread of presenting the reader with timely, accurate information that sheds light on the voluminous labor statistics produced by companies, government agencies, and nonprofit organizations across the U.S. economy. In so doing, the *Review* invites the reader to take part in the telling of its fortunes, marking with it the starts and stops of historical economic events, the changes in emphasis, and the milestones achieved as the story unfolds. Today, a hundred years after its relatively inauspicious, but buoyantly optimistic start, the *Monthly Labor Review* stands as the premier government publication on labor economics and the flagship journal of BLS.

Overview

One hundred years ago, BLS felt the need to fill the informational void it had created when, in July of 1912, it suspended the publication of a bimonthly bulletin on labor issues. Numerous labor-related events and statistics of the day had to be reported in order to keep government agencies, academic researchers, the business community, and, indeed, the general public informed. U.S. economic policy, new statistical measures, business decisions of all sorts, and even individual actions depended on the dissemination of information about the state of labor in the United States. BLS decided to establish the *Monthly Review* (later to become the *Monthly Labor Review*) for this important task.

This initial article recounts how the *Review* began, and continued, to fulfill the task that BLS had assigned it: the kinds of features the *Review* chose to adorn its pages; the topics it covered in the articles it presented; the workings of the U.S. Department of Labor, of state, local, and foreign departments of labor, and of other government agencies that it reported on; and the various statistics that it brought to light for its readers to contemplate, for government officials to use in formulating and implementing policy, and for academicians of all stripes to refer to in their published work. Also prominently featured is a sample of the authors who wrote for the *Review*, from the steady, dependable BLS economists, to “outside” authors working in other government agencies and in academia, to distinguished personages, including BLS commissioners themselves. Through it all, the pages of the early *Review* are laid open, and the tenor of the times made vivid, as the story of the beginning of the Department of Labor's preeminent journal unfolds.

The first features

The very early issues of the *Review* had a number of features about the Department of Labor itself that were considered important enough to publish on a near-monthly or monthly basis. The Department was created by an act of Congress in 1913, not too long before the *Review* began publication in 1915 and 29 years after BLS was established in 1884. (BLS was incorporated into the Department the year the latter was created.) Among the eventful issues of the early 1900s was that of immigration. The Bureau of Immigration, including its Division of Information, was transferred to the Department of Labor along with BLS in 1913, and the Department felt that the public needed to know what was being done about securing jobs for immigrants. Thus was born the feature

“Federal employment work of the Department of Labor,” a listing of, among other things, the number of applications by immigrants for employment positions, and the number of actual hires, over a given period, from 1908 to June 1915 in the July 1915 issue and usually the previous month or two in subsequent issues. The feature brought to the public’s attention two important aspects of those years following the turn of the century: that, as in colonial America, immigrants were coming to the nation in impressive numbers and that the federal government was doing important work keeping track of not just how many had come, but also how many were being hired into gainful employment.



Along with the “Federal employment work” feature came two others related to work done by government: another Department of Labor feature, titled “Conciliation work of the Department of Labor,” first appearing together with the former in the July 1915 issue; and a piece on state and local departments of labor, initially titled “Work of state and municipal public employment bureaus” in the January 1916 issue, shortened to “State and municipal public employment bureaus” in February 1916, rebranded “Work of state and municipal employment bureaus” in March 1916, and expanded to “Work of state and municipal employment bureaus in the United States and of provincial employment bureaus in Canada” in October 1916. The “Conciliation” feature appeared monthly beginning in October 1915 and was a summary and listing of disputes mediated by the Department of Labor and of the results that ensued. As quoted in the July 1915 issue of the *Review*, Section 8 of the act of 1913 that created the Department of Labor declared, “That the Secretary of Labor shall have power to act as mediator and to appoint commissioners of conciliation in labor disputes whenever in his judgment the interests of industrial peace may

require it to be done.” In reporting on the exercise of this power, the *Review* described the strikes and lockouts that took place over a given period and recorded their number; the number of workers affected, both directly and indirectly; and whether mediation by the Department was accepted and, if so, what the result was—from “do,” meaning “still ongoing”; to “strike averted”; to “amicable adjustment”; to “unable to adjust”; and more.

The “State and municipal employment” feature, whatever its changing title, was states’ and localities’ attempt to capture employment statistics similar to those captured by the “Federal employment work” feature but extending to more than just immigrants. Statistics listed were the number of (1) applications from employers seeking workers, (2) workers sought, (3) people applying for work, (4) people referred for a job, and (5) positions filled. These statistics were reported initially only for U.S. cities but, later, through provincial employment bureaus in Montreal and Quebec City, also for cities in Canada. In July 1917, without citing any reason, the *Review* stopped publishing the “Federal employment work” feature, and the other two features lapsed in October 1917.

One can view the statistics given in the aforementioned three features as akin to the “Current labor statistics” feature that ran in the *Review* from July 1947 until June 2013—though on a much lesser scale. In neither case, however, was the feature considered the *Review*’s “bread and butter.” That honor goes to the many articles contributed by authors, both inside and outside of BLS. In the first couple of years, articles published were rarely credited to the authors who penned them: mostly, only the titles, and not the authors’ names, appeared. The first article with an author’s byline was “Occupational disease clinic of New York City Health Department,” by Alice Hamilton, MD; the article appeared in the November 1915 issue and was the only author-attributed article published in the *Review* that year. The year 1916 did not fare much better, with just nine articles (out of the hundreds of pieces appearing in the 12 issues published that entire year) crediting their authors. But by mid-1917, the *Review* apparently decided that it was important to cite the authors of at least certain articles, and thereafter did so with regularity. From then on until 1920, when he resigned his post at BLS to lead the Scientific Division of the International Labor Office, Commissioner Meeker was a not-infrequent contributor to the *Review*.

The breadth of contributors and topics

During those early years and on through the 1920s, the *Review* had a bevy of steady, dependable authors. Besides the BLS commissioners themselves, Alice Hamilton, the first woman appointed to the faculty of Harvard University; Hugh S. Hanna, prolific author of books on labor laws and on workplace accidents and their prevention; Paul Brissenden, labor historian and professor of economics at Columbia University and New York University, best known for his 1919 work on the Industrial Workers of the World titled *The IWW: A study of American Syndicalism*; and BLS economists Leifur Magnusson (a native Icelander) and Alfred Maylander were consistent contributors. Among those also contributing were some of the most prominent academicians, including James T. Shotwell, Canadian-born American history professor at Columbia University, cofounder of the International Labour Organization, managing editor of the 11th edition of the *Encyclopedia Britannica*, and a scholar known for his influence in promoting the inclusion of a declaration of human rights in the United Nations charter. Topics and issues covered were wide ranging, spanning the gamut from employment and unemployment, to wages and work hours, to labor–management relations and collective bargaining, to pensions and health insurance, to workplace safety and health, and more—the vast majority still relevant today.¹ A sampling is illustrative:

Employment and unemployment. “Irregularity of employment,” with no author cited, examined that issue in three different contexts—in the women’s garment industry, in the results of a survey conducted by the American Association of Labor Legislation, and in the city of Philadelphia—in the March 1916 issue. BLS Commissioner Ethelbert Stewart’s March 1923 methodological piece titled “Trend of employment in the manufacturing industries in the United States, June, 1914, to December, 1921” compared four indexes of employment in manufacturing. “Unemployment in the United States,” an April 1928 report to the U.S. Senate by Secretary of Labor James J. Davis, cited worrisome employment losses in the nation between 1925 and early 1928. Finally, a regular feature on employment variously titled (e.g., “Employment in selected U.S. industries,” “Employment and unemployment,” “Trend of employment,” and related titles), beginning in January 1916 and running from then to July 1947 (when it merged with several other features to become “Current labor statistics”), kept readers up to date on the most recent employment and unemployment statistics.

Wages and work hours. In the June 1916 issue of the *Review*, the unattributed “Shorter hours for men as a public welfare measure” hailed an Oregon Supreme Court decision, upheld by the U.S. Supreme Court in 1916, to limit the number of hours that an employer could require an employee to work in mills, factories, and manufacturing establishments to no more than 10 hours per day. Clara E. Mortenson’s March 1920 article “Minimum wage for women in hotels and restaurants in District of Columbia” looked at a recommendation for a living wage set forth by the Minimum Wage Board of Washington, DC, for self-supporting women in two industries with a large proportion of female workers. BLS economist Mary Conyngton’s long, thoughtful piece on “The government’s wage policy during the last quarter century” in the June 1920 issue of the *Review* pondered the federal government’s salary policy—or lack thereof—toward its workers. Summing up the plight of workers’ decreasing purchasing power, the two-part article by BLS Commissioner Ethelbert Stewart titled “Are average wages keeping pace with the increased cost of living?” that appeared in the January and April 1926 issues of the *Review* showed concern on the part of government officials charged with improving the lives of everyday workers regarding whether that was in fact happening.

Labor–management relations and collective bargaining. A number of unattributed articles on collective bargaining agreements in various industries—the cloak, suit, and skirt industry (August 1915), the anthracite coal industry (April 1916), and the New York City dress and waist industry (March 1917)—stressed the beneficial role of collective bargaining in settling labor disputes peacefully and avoiding economically crippling strikes, as well as in building amicable employer–employee–union relationships. In “Employees’ representation in management of industry,” in the February 1920 issue of the *Review*, BLS Commissioner Royal Meeker expressed concern about the slippage of many U.S. factories and even whole industries into autocratic forms of management (perhaps borne of necessity) during World War I and proposed more democracy in employer–employee relations through worker–management committees, a furtherance of union representation, and more collective bargaining. Lastly, in his cautiously hopeful article “The industrial round table for conciliation in labor disputes” (June 1925), Marcus M. Marks, former Manhattan borough president, wrote about how labor–management problems “should be thought out, not fought out,” through the mechanism of roundtables that serve not only employers and employees, but also the general public, whose interests were often ignored in labor disputes.

Pensions and health insurance. Samuel M’Cune Lindsay, president of the American Association for Labor Legislation and professor of social legislation at Columbia University, wrote about the many benefits of social insurance in “Next steps in social insurance in the United States” in the February 1919 issue of the *Review* and speculated that “it will not be long before health insurance will be an established fact and its benefits made applicable to the great body of workmen.” In “Health insurance,” in the September 1919 issue, John A. Lapp and E. H. Lewinski-Corwin laid out the rational basis for a compulsory system of (at least statewide and maybe nationwide) health insurance designed to keep workers from being driven by illness “from a higher to a lower standard of life” and “from independence to dependence.” In the January 1926 issue of the *Review*, Mary Conyngton’s comprehensive “Industrial pensions for old age and disability” reviewed the status of private pension systems from both a national and a state-level perspective, seeking answers to a number of salient questions. Some of the answers she got might seem surprising to today’s readers of the *Review*: unions of the day, on the whole, “look[ed] with disfavor upon such systems,” and a number of U.S. courts found some pension systems unconstitutional; others might not be surprising: like many of today’s employers, a large number of employers of the 1920s had plans whose “actuarial basis [was] ignored” and whose “reserve funds and annual appropriations appear[ed] to have been determined rather arbitrarily.”



Workplace safety and health. The earliest issues of the *Review* exhibited an ongoing concern with the health and safety of workers, presenting a series of articles on particular diseases encountered in the workplace and particular industries in which they were encountered. Among the diseases cited were anilin poisoning (June 1916), anthrax (July 1916, January 1917), tuberculosis (July 1916), and nystagmus (August 1916). Industries

reported included the printing (December 1915), fur and felt-hat (December 1915, March 1916), garment (March 1916), coal-mining (August 1916), chemical (February 1917), and munitions (February 1917) industries. In back-to-back monthly articles, BLS Commissioner Royal Meeker touted the “Prevention of accidents by the statistical method” (March 1920) and lamented “The cost of industrial accidents” (April 1920) that was due to the absence or unreliability of appropriate statistics. Eight months later, Meeker’s articles were fittingly followed by subsequent BLS Commissioner Ethelbert Stewart’s “A plea for more adequate accident compensation rates” (December 1920). Focusing on the “Problems and importance of factory inspection” (July 1922), John P. Meade, the director of the Division of Industrial Safety of the Massachusetts Department of Labor and Industry, pointed out that “work places should be made safe for employees” and that, when employer and employee join hands in a “determined...effort to reduce occupational accidents, improvement is inevitable.” Toward that end, Emery R. Hayhurst, professor of hygiene at The Ohio State University and consultant in industrial hygiene for the Ohio Department of Health, compiled the compendious “Occupational diseases: definition, cause, prevalence, and prevention” (July 1929).

The “Great War,” child labor, and women’s issues. Some topics discussed in the early *Review* were particular to the times. The need to provide for U.S. troops disabled in World War I inspired a number of early *Review* articles. Unattributed, and begun 6 months after U.S. entry into the war, “Provision for disabled soldiers” (October 1917) detailed how the U.S. government aimed to rehabilitate injured soldiers and fit them to become productive wage earners upon their return to civilian life. Carl Hookstadt, an official of the Bureau of Labor Statistics, continued the narrative with the feature “Provision for disabled soldiers and civilians” (March 1918), which appeared as “Provision for disabled soldiers” and under similar titles alternately with a related feature, “Provision for the disabled and vocational education,” until August 1918. Begun in April 1918 by Mrs. M. A. Gadsby and appearing fairly regularly under similar titles through December 1921, “Provision for the disabled and vocational education” cited the war as a “remarkable impetus toward vocational education.”

Child labor was another issue that concerned both economists and the public in the early days of the *Review*. Numerous articles devoted to the topic appeared regularly, and there was even a monthly feature on child labor. The state of Maryland was at the forefront of efforts to regulate (though not abolish—that would come later) child labor. A farsighted, penetrating unattributed article titled “Child labor in Maryland, 1915” in the August 1916 issue of the *Review* began the discussion by detailing the status of child labor in the state and the extent to which it was being dealt with legislatively. In 1915, 18 percent of the more than 155,000 children between the ages of 10 and 16 in Maryland were “gainfully employed” in occupations of all kinds, including some that today would be considered dangerous. The article touted a new law that went into effect on June 1, 1916, and that incorporated “a principle of child-labor legislation long contended for by advocates of child-labor reform.” The year 1921 saw two articles that bore on the topic of child labor in quite different ways. Helen Sumner Woodbury’s “Working children of Boston” in the January issue decried the deplorable conditions under which children labored, even in a relatively enlightened city whose legal regulations were among the most stringent in the nation. The article noted the ubiquitous nature of child labor problems, which “arise wherever the work of undeveloped young persons is used primarily for profit instead of primarily for training.” The author did not shy away from concluding that children who had left school to work in industry were left “permanently handicapped, in most cases for life,” by having forgone further education that would have equipped them not only with an understanding of the world but, ironically, with knowledge that would have enabled them to adapt to changing industrial conditions. In April’s “The trend of child labor in the United States, 1913 to 1920,” Nettie P. McGill, of the Department of Labor’s Children’s Bureau, cited the paucity of

statistical data on child labor in the nation, but still managed to conclude that child labor, both legal and illegal, remained an ever-present problem during the second decade of the 20th century. In particular, World War I produced forces that impelled children into industry, to contribute both to their families' increasing cost of living and to the country's new wartime needs. In 1928, an unattributed article focused on "Vocational education for farm children," lauding the accomplishments of the 4-H Club, founded just a quarter century earlier. Among the organization's achievements recounted in the article were (1) the newfound ability of the youths to persuade their parents to adopt better farm and home practices, (2) the instilling of leadership qualities in the children, (3) the newly sparked interest in learning in the children, many of whom had dropped out of school, and (4) the cultivation in the youths of the desire to remain on the farm and to look upon farming as an attractive career, a trait judged especially valuable in an era when many (more than a million in 1925 alone) were leaving the farm to pursue other careers. (Of course, we now know that this achievement did little to slow the flow of migrants from farms to cities.)



Even some issues that one might think gained currency only relatively recently—women's issues, for example—were discussed and examined in the early years of the *Review*. Practically from its inception, the *Review* had a regular feature, "Women in industry," that, as the name suggests, brought women's workplace concerns to the forefront of attention. As early as the September 1915 issue, the unattributed article "Women in industry in recent state reports" focused on the low wages that women were receiving in many industries and in all states. Selecting California, Connecticut, Minnesota, Missouri, Oregon, and Pennsylvania from among a larger number of states commissioning studies of women's employment and earnings, the article emphasized those states' consideration of minimum-wage legislation or formation of minimum-wage boards, with a poignant discussion of the beneficial effect that raising the minimum wage would have on women in particular. The "Women in industry" feature

regularly examined the variety of industries that women were working in, sometimes by choice, sometimes by necessity, including the necessity of carrying on the work of men who had gone off to fight in World War I. The shift in women's work—indeed, women's work *opportunities*—caused by the war was remarkable, and the *Review* did not fail to take notice, especially in the “Women in industry” feature. The shift was plain for every reader to see; the discussion began in November 1916 with the unattributed “Millinery as a trade for women,” a summary of Lorinda Perry's book of the same name, and progressed through “Domestic service: its advantages and drawbacks as a wage-earning occupation” (March 1917) and “Opportunities for women in domestic science” (April 1917) (both unattributed), Benjamin M. Squires' feature article “Women street railway employees” (May 1918), and the “Women in industry” pieces “Women in the mechanical trades in the United States,” by (Mrs.) V. B. Turner (September 1918), the unattributed “Women in the mechanical trades in the United States” (also September 1918) and “War-time employment of women in the metal trades” (October 1918), and “Employment of women in acetylene welding,” by Helen G. Fisk (May 1919). In a different, broader, perhaps normative vein, the 1920s produced two “Women in industry” articles that recounted the shortcomings of government in two vital aspects affecting the working situation of women. In January 1920, the unattributed “Women in the government service” summarized a Women's Bureau (an agency of the Department of Labor) report calling attention to the exclusion of women from certain civil service examinations—an exclusion resulting in a gender gap in government jobs. At the time, women were excluded from taking tests for 155 scientific and other professional occupations open to men only. Among the tests that women were disqualified from taking were those for occupations and careers involving investigations into “animal parasites,...the mechanical properties of wood,...drug and oil plant cultivating,...tobacco breeding,...the physiology of gas poisoning,” and more. The rationale behind these exclusions was, at best, puzzling because women were permitted to take examinations (1) for jobs involving “testing food and drugs to determine their nutritive and medical quantities,” but not for jobs involving the testing of dyes, and (2) for the occupations of assistant weather observer and assistant horticulturist, but not for jobs involving climatology in relation to agriculture.

In the second unattributed piece, the article examined the “Effects of labor legislation on employment opportunities for women” (November 1928), recounting the events that took place at the Women's Industrial Conference held in Washington, DC, in January 1926 and sponsored by the Women's Bureau. At the conference, it was suggested that much state and federal legislation handicapped women in their bid to get and hold employment and that the Women's Bureau conduct a study to ascertain the facts at hand. The “Women in industry” article presented the results of the study. Perhaps surprisingly, the study found that legislation regulating the hours of work of women and prohibiting them from working at night did not significantly discriminate against women in the manufacturing industries examined (the boot and shoe, clothing, electrical products, hosiery, and paper box industries) or in “stores” (i.e., retail establishments such as grocery stores and clothing stores) and restaurants. Nor was such legislation a significant factor in six particular occupations studied: elevator operators, pharmacists, streetcar conductors and ticket agents, coremakers (makers of sand or wax molds used in the production of metal castings), metal trades, and printing and publishing. However, other, purely prohibitory legislation was found to discriminate against women, eliminating them from the occupations covered, four of which were examined in the study: grinding, polishing, and buffing occupations; electric and acetylene welding; taxicab driving; and gas and electric meter reading. Lest one rejoice at the finding that few industries and occupations were found to have been affected by labor legislation that was potentially discriminatory against women, a theme throughout the study was that other, mostly social factors had more of a discriminatory effect on working women than did the labor legislation. For example, regarding pharmacists, “the small number of women qualified for pharmacy, prejudice

against women, lack of confidence in them, and the physical requirements of the work are the main things... holding women back in this occupation.” Summing up, the authors said, “At present, public opinion does not place a woman on a par with a man pharmacist.” Similarly, in the restaurant industry, “There is a very general feeling among managers of what might be called first-class restaurants” (i.e., restaurants that give “formal service, where the waiters get high tips, that run special suppers after the theater” and “where employment after 10 o’clock at night would be especially desirable”) “that the public desires men for the type of service expected in such places.” The existence of such blatant, *generally accepted* discrimination and prejudice is dismaying, and the reason for its widespread acceptance at the time stood to be (and perhaps was) investigated, but, of course, not in the *Review*, whose policy then was (as it still is now) to be “above the fray,” always observing and ever informative, but apolitical.

International perspective. Finally, as might—or might not—be expected, international labor issues were well represented in early *Review* articles. At the very outset, an unattributed feature variously titled “Employment in various countries,” “Employment in various foreign countries,” “Employment in foreign countries,” and “Employment conditions in foreign countries” ran fairly regularly from the very first issue of the *Review* to January 1917. The initial, July 1915, issue discussed recently reported employment situations in Australia, Canada, Denmark, Finland, France, Germany, Great Britain, the Netherlands, Norway, Sweden, and Switzerland; and the August issue followed up with further reports from Germany and Great Britain. The December 1915 issue offered reports from Austria, Canada, Denmark, France, Germany, Great Britain, Italy, the Netherlands, Sweden, and Switzerland. The European or European-origin (Australia and Canada) focus of the feature was evident, but not unexpected in a journal published in a country with European roots at a time when Europe itself was enmeshed in a “Great War.” The feature appeared again in March and July 1916 and culminated with reports on Canada, France, Germany, Great Britain, the Netherlands, Norway, and Sweden in January 1917. Why the feature was discontinued then is unknown, but that is not to say that the *Review* ceased discussing employment in foreign countries: the employment situation in a particular country would come up not infrequently in brief sections of a broader feature variously titled “Employment and unemployment,” “Employment, unemployment, and labor supply,” “Trend of employment,” “Trend of employment and pay rolls,” “Trend of employment, earnings, and hours,” and “Trends of employment and labor turn-over” that presented statistics and commentary chiefly, but not exclusively, on employment and unemployment in the United States and ran from October 1917 all the way through June 1947.

And often accompanying these features on foreign employment were full articles on many other aspects of international labor, penned by both well-known and not-so-well-known (but eminently qualified) writers. The first of these writers was the Australian politician and judge Henry Bournes Higgins, whose February 1916 article, “Industrial peace in Australia through minimum wage and arbitration,” likened the chaos produced by the “war between the profit maker and the wage earner” to that ushered in by World War I, with the former producing “in the long run as much loss and suffering” as the latter, “not only to the actual combatants, but also to the public.” Higgins proposed the Australian Court of Conciliation and Arbitration, over which he presided from 1907 to 1920, as an example of a solution to the industrial chaos he saw, a solution based on reason, one in which “the process of conciliation, with arbitration in the background, is substituted for the rude and barbarous processes of strike and lockout,...all in the interest of the public.” It is no stretch to say that, despite the 31-year gap in their establishment, the Australian court and the U.S. National Labor Relations Board have much in common.

The early *Review* featured articles on issues affecting countries all over the globe. In a June 1917 article titled “What France is doing for her disabled soldiers and sailors,” reprinted from the British journal *Progress*, Sir Percy Alden, member of the English Parliament from 1906 to 1918, pointed to France as a model to follow in ameliorating the sorrowful conditions faced by returning disabled French servicemen during the first 8 months of World War I. Likening the extant British “poor law” to the French *assistance publique*, both of which “would offend the spirit of any self-respecting nation,” Alden cited the numerous achievements made by France in just a few years in bettering the lives of its disabled soldiers and sailors returning from war and urged Britain to emulate the French example. And in an attempt to bring home the results of peace negotiations after the war and their implications for workers, J. T. Shotwell, Columbia University professor and subsequent coarchitect of the Charter of the United Nations, listed the 41 “Labor provisions in the peace treaty” of Versailles in the August 1919 issue of the *Review*. The treaty, of course, established the League of Nations, and Shotwell’s role in formulating the pact’s labor provisions was matched only by his authorship of the provisions establishing the International Labour Organization.

The list of countries covered by the early *Review* stretched from the aforementioned Australia and France to nations of Asia and Latin America. Representative countries were *Canada* (F. A. Acland, “Labor conditions in Canada as affected by the war,” June 1917, and Benjamin M. Squires, “The Industrial Disputes Investigation Act of Canada,” September 1917); *Mexico* (Ethel C. Yohe, “Protection of workers under Mexican state labor laws,” December 1923, “Comparison of workmen’s compensation laws of the Mexican states,” February 1924, and “Labor law of Jalisco, Mexico,” June 1924); the *United Kingdom* (G. D. H. Cole, “National guilds movement in Great Britain,” July 1919, and Henry J. Harris, “The British national health insurance system, 1911–1919,” January 1920, and “British National Health Insurance Act of May 20, 1920”); *France and Belgium* (Mary T. Waggaman, “Expansion of the ‘family-wage’ system in France and Belgium,” October 1923); *Germany* (Alfred Maylander, “Wages in Germany,” December 1917, and “German Metal Workers’ Federation study of the German automobile industry,” March 1925, Anna Kalet, “Effect of the war on working children in Germany,” July 1921, Emil Frankel, “How Germany settles industrial disputes,” September 1923, and Fritz Kummer, “Trade-union movement of Germany and its problems,” March 1926, and “The German Federation of Labor—its strength and organization,” December 1928); *Austria* (Fritz Rager, “Chambers of labor in Austria,” February 1927); *Norway* (Reginald Heber Smith, “Conciliation procedure in the administration of justice in Norway,” June 1926); *Estonia* (Andrew Pranspill, “Land law of Esthonia,” April 1924); *Brazil* (Ethelbert Stewart, “The new immigration quotas, former quotas, and immigration intakes,” August 1924, James A. Rowan, “Trade-union movement and wages in Brazil,” September 1925, and “Old age and disability retirement law for railway employees in Brazil,” December 1925, and Moisés Poblete Troncoso, “Labor movement in Brazil,” July 1929); *Uruguay* (Percy A. Martin and Earl M. Smith, “Labor legislation in Uruguay,” October 1927); *Cuba* (Moisés Poblete Troncoso, “Labor legislation in Cuba and certain Central American countries,” September 1929); *China* (Ta Chen, “Wages and hours of labor in five Chinese cities, 1917 and 1920,” August 1921, “Shipping strike in Hongkong,” May 1922, and “Labor conditions in China,” November 1924, and S. K. Sheldon Tso, “The unionization of labor in China,” November 1927, and “Labor movement in China,” August 1928); *Japan* (Ta Chen, “Labor conditions in Japan,” November 1925); and *India* (Rajani Kanta Das, “Rise of factory labor in India,” March 1922).

Conclusion

In sum, the early *Review* was both like and unlike its later editions. Like them, it had recurring features that presented tables with the latest labor statistics; articles that examined labor-related issues of the day; a “stable” of authors, both inside and outside BLS, who contributed regularly to the journal; and many topics for discussion that are still recognizable and timely today. Unlike later editions, however, the fledgling *Review* had numerous unattributed articles and features; had no charts, graphs, or maps; and included a number of topics that would receive little or no attention in today’s *Review* (e.g., industrial poisons and the diseases they were held to cause; food control in the United States during wartime; child labor, which is illegal, or at least regulated, in the nation today; and even eugenics—see Warren S. Thompson, “Eugenics as viewed by a sociologist,” in the February 1924 issue). Thus, the *Review* has changed over the years, clearly reflecting both the different issues that became important with the passing decades and the technological advances in the publishing industry, but maintaining continuity amid the change by presenting the same *kinds* of timely features and articles, by a passel of authors of the same consistent writing ability, from decade to decade. The next installment in this series of articles brings out both the change and the continuity, the growing pains and the underlying stability, of the “adolescent” *Monthly Labor Review*.

SUGGESTED CITATION

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NOTES

¹ Besides the sampling of articles listed next, there were regular, usually monthly, sometimes less frequent, features on each of these topics listing current statistics related to them. Though separate, these features, combined, were similar to the “Current labor statistics” feature begun in the July 1947 issue of the *Review*.

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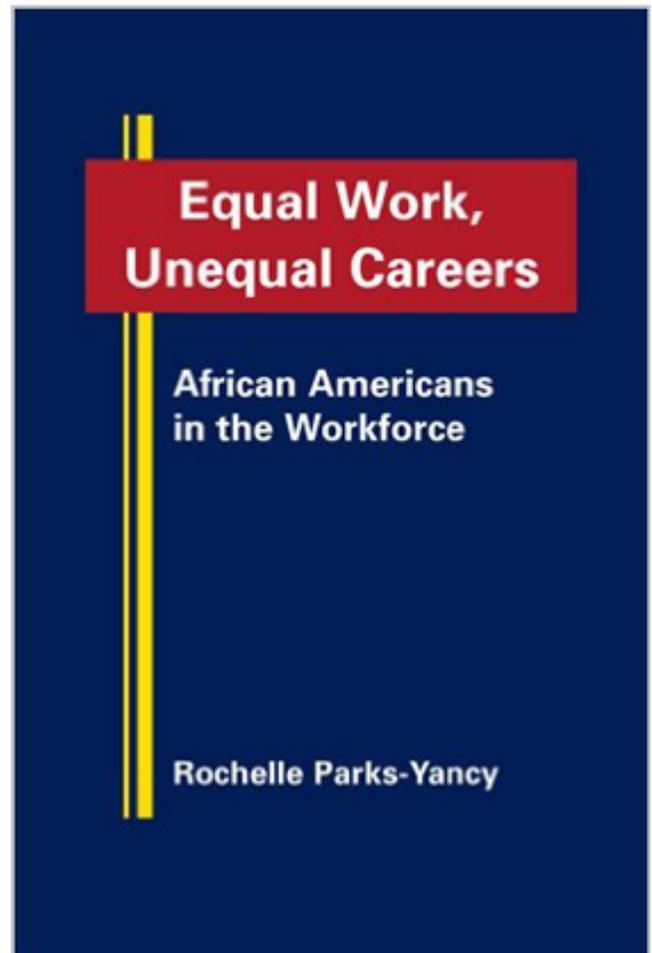
Social capital and career advancement for African Americans

Equal Work, Unequal Careers: African Americans in the Workforce. By Rochelle Parks-Yancy. Boulder, CO: FirstForumPress, 2010, 153 pp., \$55/hardback.

In the spring of 2015, the Congressional Black Caucus' 46-member diversity task force sponsored Tech 2020 in Washington, DC—and it let the tech industry know that it “meant business” when it asked that a large segment of the industry’s new hires in the next 5 years be African Americans. The request has made Rochelle Parks-Yancy’s book *Equal Work, Unequal Careers: African Americans in the Workforce*, published by FirstForumPress in 2010, particularly relevant.

When Google released its diversity figures in 2013, the public learned that 83 percent of its workforce was men and 60 percent was White, with only 1 percent Black. Company leadership was 72 percent White, 23 percent Asian, 2 percent Black, and 1 percent Hispanic. But the proportion of Blacks has lagged behind that of Whites in almost every industry, Parks-Yancy points out.

Early in her book, she says that studies indicate that 80 percent of all jobs are found through social capital—capital that African Americans, whether highly educated or not, have lacked. In addition, both the amount and type of education that individuals attain are closely related to the extent of information and influence embedded in their social networks. Whites are more likely than Blacks to complete college, and there are considerable differences in students’ choices of college majors. Blacks often major in education and social work, as opposed to business, engineering, or computer science.



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Also, African Americans and women have been systematically directed to seemingly high-profile positions that are, in fact, of low organizational value and do not afford entry into the firms' power structure. The jobs they occupy are primarily in personnel, public relations, and affirmative action capacities.

Notably, Parks-Yancy, associate professor of management in the Jesse H. Jones School of Business at Texas Southern University, finds that White women, like Blacks, often lack the social capital that is important to career success, so she includes these women with Blacks in her analysis. However, she does say that White students who are graduated from high school are more likely to find a job through personal relationships than are African Americans, who instead receive more help from institutional sources: employment agencies, student career offices, and the like.

Parks-Yancy points out that a number of nonprofit and government social programs offer social and financial support to youths from disadvantaged backgrounds. These programs give a "leg up" to those who fail to have access to social capital in their own sphere or to those whose resources offer few career returns.

Nonetheless, African American workers who are downsized or fired from a relatively high-status position may take longer to find a similar job, given their paucity of social ties on the job. And the same goes for women. Moreover, social capital is important to moving up within an organization, as well as changing jobs across organizations. Progressing at work includes being promoted, having access to specialized training, being assigned to major projects, and more. But when African Americans or women seek to advance their careers, they often have to obtain information and influence from colleagues and managers who are White males. Layoffs can be especially difficult for both Blacks and women, because the managers for whom they once worked, and who might have taken them with them when they moved up, may be gone.

Still, Blacks have found opportunity at all levels of government in which civil rights legislation has been actively supported. Included in government are the staffs of public schools at all levels. Some geographic areas that are hubs for particular industries or for government agencies have offered more opportunity to qualified applicants than other areas have: witness the migration of blacks from the Deep South several generations or so ago on the perception that the District of Columbia offered greater opportunity to aspiring Blacks.

The author points out that a number of African Americans have access to social capital resources from philanthropic organizations, universities, corporate programs, and work-related contacts that took an interest in them. Without these interventions, historically disadvantaged groups would probably remain so within and across generations.

Parks-Yancy recommends networking for a college-educated Black student seeking a job. One possibility is getting to know key professors, who may be a conduit to an internship or a job referral. A student can achieve this aim by consistently visiting the professor and discussing the subject matter with him or her, the author observes. Then she says, "If the executive of a major corporation speaks to students about his or her career, students should make a concentrated effort to talk with that speaker after their presentation. This includes introducing themselves, discussing their career ambitions, discussing potential job opportunities, and obtaining the presenter's business card."

She also says that middle-class or working-class African Americans who are not students can use a similar technique: keeping in touch with mentors, getting involved in activities related to their work, participating in civic and social programs, and actively networking with all adults who are in such programs. Career management also

includes membership and active involvement in professional organizations—involvement that can lead to accessing a variety of social capital resources.

The balance of technology, data, and values

Editor's note: This essay is part of a series being published to help commemorate the Monthly Labor Review's centennial (July 1915–July 2015). The essays—written by eminent authorities and distinguished experts in a broad range of fields—cover a variety of topics pertinent to the Review and the work of the Bureau of Labor Statistics. Each essay is unique and comprises the words and opinion of the author. We've found these essays to be enlightening and inspirational. We hope you do as well.

The series of articles published by the *Monthly Labor Review* in celebration of the hundredth anniversary of the journal is an invaluable historical compilation of robust research and analysis. This centennial celebration comes at a time when it is difficult to speculate about what our economy and labor market will look like in the future, given how quickly technological advances have moved in the last 40 years. Technology is intertwined in our everyday lives as it never has been before, personally and professionally, and we are bombarded by data, facts, and requests at the same time that the world of information has been turned inside out. The demand for immediate communication and interconnectedness has become a way of life in such a short timespan that we often forget that the word “Internet” was not part of our vernacular 25 years ago.

The effects of the rapid change in, and new expectations about, how technology is being incorporated into our lives are directly reflected in our workplaces and the overall economy. Innovations in communication, organization, and creation continue to drive the evolving and adapting business practices across all industries and, in many regards, have become the centerpiece of our economy. New technology in one industry causes ripples throughout other industries and transforms occupations. We have seen new occupations come to the forefront, such as *computer network support specialist* and *Web developer* in the information technology–related industries, and we will continue to see this trend become more robust in the next 25 years.

We are a society rich with information and data available at our fingertips, and a variety of data sources provides indicators of the economic landscape before us and reveals the results and effects of market and policy changes. The data analyzed and highlighted in publications such as the *Monthly Labor Review* shed light on who is participating in our labor markets, how strong our economy is, how safe workplaces are, and so much more. But even with the incredible breadth of information we are equipped with to prepare us as workers, businesses, and



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policymakers, and despite the dramatic changes experienced in recent years, a certain fundamental remains intact: labor markets are the culmination of voluntary exchanges, controlled by the actions and choices of all individuals involved. In other words, human behavior was, is, and will be the core component of labor markets in the past, present, and future.

As a consequence, the greatest challenge in the next 25 years will remain the same challenge that humans have faced since “work” was formalized. It is the ability to cultivate and inspire the core values that lead to a strong, productive workforce. Honesty, integrity, ambition, a work ethic, accountability, responsibility, and vision are only some of the values that are sought out by businesses and organizations across the board, because individuals with these values lead the way to change, success, and new approaches. Qualifications, skills, and knowledge can be earned, acquired, and gained, but the core values are paramount. Business voices its need for a strong workforce. Candidates voice frustration over their inability to find jobs at which they may be successful. Researchers and analysts have mounds of information that provides insight into these concerns, but the challenge will remain of how not to over- or underrate these values in the decisionmaking or analytical process just because they are difficult to define or measure.

Technology has moved us into a world of quick facts, information overload, and easily accessible data—a world that often provides a sense of security and confidence. We are well equipped with the data needed to evaluate the current state of labor markets and the overall economy, and that analysis is invaluable. However, we cannot minimize the importance of the qualitative aspects that are critical to economic success. The challenge of how to balance and leverage all of the data available without losing the human elements that are fundamental to labor market transactions will become more and more evident—for businesses, workers, and researchers alike. Economic data and labor market information keep the pulse of the economy, but it is society’s ability to grab hold of the core values in our current workforce and instill them in our future workforce that is the spirit.

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Sluggish post-recession wage growth: are we comparing apples to apples?

Douglas Himes

“What’s up with wage growth?” (by Mary C. Daly, Bart Hobijn, and Benjamin Pyle in *FRBSF EconomicLetter*, Federal Reserve Bank of San Francisco, March 2016) examines what they and others see as sluggish growth in wages during the recovery after the recent recession and asks, basically, are we sure we are comparing apples to apples?

In other words, suppose we compare average wages from one period with the average wages of another period. Economic theory says that wage growth should decrease as unemployment increases during a recession, and then increase during a recovery. During the 2007–09 recession, wage growth declined as unemployment increased. But since the recession ended, wage growth has been less than expected. This seems odd to Daly, Hobijn, and Pyle and many other economists, especially considering that unemployment and job growth statistics seem to show an improving economy. However, the most basic assumption of all comparisons, in economics and every other scientific discipline, is *ceteris paribus*, which is “all or other things being equal or held constant” in Latin.

When we compare wages in one period with wages in another period, we assume (probably without really thinking about it) that the wages in both periods are for the same group of workers doing the same jobs in the same area. Is this a reasonable assumption? In the real world, perhaps not, and the longer the time between the two periods, the less so. There are sure to be many workers who were employed, and thus earned wages, in both periods. There are also some workers who were working in the first period, but not the second, perhaps because they became unemployed or they retired or they left the labor force for some other reason. There are also some workers who earned wages in the second period but were not working or maybe were not even in the labor force during the first. This difference in the composition of employment from one period to another has, say the authors, an effect on wage statistics.

Movements into and out of employment can reduce the growth of the average wage measure for the group as a whole, even if a large portion of workers are continuously employed and earning wages that are stable or increasing. Older workers, who are typically experienced and at the height of their earning potential, retire and are replaced by younger, less experienced workers earning lower wages.

During the 2007–09 recession, the authors say, firms retained their experienced workers, while they laid off less-experienced workers. Perhaps managers thought that the less-experienced would be easier to replace once business conditions improve. “Last hired, first fired,” as the saying goes. This particular composition of

employment, relatively more higher-paid workers, tempered the expected tendency for low wage growth during a recession.

During the post-recession recovery period, the less-experienced were rehired and new workers found jobs for the first time. These lower-paid workers produced the opposite effect on the wage measure. Relatively more lower-paid workers in the employment composition put a damper on wage growth, causing it to increase less than would be expected in a recovery. Another consideration is the effect of retiring baby boomers on aggregate statistics. Older, higher-paid workers exiting the labor force has exerted a downward pressure on wage growth in recent years.

The authors sum up by saying that changes in the composition of employment has had a significant impact on aggregate wage measures over the period they studied. Aggregate wage measures, which compare all of the workers in one period with all of the workers in another, may not be as good an economic indicator as has been thought. Measures of wage growth that are calculated with wage data from workers who are continuously employed would be an improvement.

The Monthly Labor Review at 100—part II: the “middle years,” 1930–80

To help mark the Monthly Labor Review’s centennial, the editors invited several producers and users of BLS data to take a look back at the last 100 years. This second article in a series of four recounts the “middle years” (1930–80) of the federal government’s premier publication on labor economics and flagship journal of the Bureau of Labor Statistics.

The five decades from 1930 to 1980 saw the *Review* blossom in its three roles of recorder, analyzer, and mover of important economic events.¹ This second of four installments delves into what went on in those years and how the *Review* fulfilled those roles in capturing the tenor of the times.

The Great Depression and its aftermath



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The Great Depression brought with it suffering on a scale not seen in the United States since perhaps the Civil War, and the *Review* covered it all. A survey conducted by the Wharton School of Finance and Commerce in May 1932 estimated that 35.8 percent of all families residing in Philadelphia were in some kind of economic distress, from having insufficient food, clothing, or heat, to having been evicted for unpaid rent, to lacking medical attention, to suffering the loss of their home or furniture.² More than coincidentally, the *Review* of the early 1930s had a number of features on unemployment, employment, welfare (then called relief), and social insurance that augmented and amplified the survey's findings. Articles and other features by Frederick E. Croxton (sometimes with a coauthor) illustrate the dire mood of the times: "Displacement of Morse telegraphers in railroad systems" (May 1932); "Family unemployment in Syracuse, N.Y." (November 1931) and "Emergency labor camps in Pennsylvania" (June 1932), both with John Nye Webb; "An analysis of the Buffalo, N.Y., unemployment surveys, 1929 to 1932" (February 1933), synthesizing findings from four surveys on unemployment in a city hard hit by the depression; and "Longshore labor conditions and port decasualization in the United States" (December 1933, with Fred C. Croxton), a commentary on the need to eliminate the employment of casual longshore workers in order to stabilize the workforce in an industry whose workers' average earnings fell drastically from 1927 to 1932. Also illustrative of both the profound impact of the recession and the need for policy-guided social help are "Employment, hours, earnings, and production under the N.R.A." (Witt Bowden, May 1934), an examination of the role of the National Industrial Recovery Act in checking and then reversing the falling earnings of U.S. workers in the face of increasing productivity; the two-part "Operation of unemployment-benefit plans in the United States up to 1934" (Anice L. Whitney, June and July 1934), a review of three BLS studies of unemployment benefit systems

in the United States at a time when the only public unemployment insurance compensation system was at the state level and had just been established in Wisconsin; and “Unemployment relief from federal funds, first 11 months of 1934” (Florence M. Clark, March 1935), a piece laying bare the extent of the numerous purposes for which federal funds were being granted to alleviate the human suffering and economic damage caused by the depression. In her article, Clark pointed out that, in April 1934, the Federal Emergency Relief Administration established an entire rural rehabilitation program aimed specifically at providing different forms of relief for four kinds of rural families affected by the depression. The relief measures were (1) seed and farm animals, equipment, and buildings for families residing on fertile land; (2) relocation to fertile land or employment on land-related work projects for families residing on submarginal land; (3) commodity exchanges at which “labor may be performed in exchange for surplus commodities produced by farm families on relief,” for families in towns with fewer than 5,000 inhabitants; and (4) all of the preceding measures for “families left ‘stranded’ by the relocation or abandonment of local industries.”

President Franklin D. Roosevelt’s New Deal, begun in 1933, resulted in the Social Security Act of 1935, a landmark piece of legislation that led to a spate of articles published in the *Review*. As Phyllis Groom put it, the “cost of living, expenditures, and consumption were analyzed in terms of the depression, and a series of articles... described the plight of agricultural migrants.”³ Leading the effort was BLS economist Faith M. Williams, who, either alone or together with colleagues, produced no fewer than 25 articles on the first three of these topics in a span of about 6½ years. From 1934 through 1939, Williams and her colleagues published articles on the cost of living of federal employees residing in Washington, DC (March 1934, July 1934); the cost of goods purchased by wage earners and lower-salaried workers (September 1935); living costs in 1938 (March 1939); expenditures of wage earners and lower-salaried workers (April 1935) and of wage earners and clerical workers in 11 New Hampshire communities (March 1936), in Richmond, Birmingham, and New Orleans (May 1936), in the four Michigan cities of Detroit, Grand Rapids, Lansing, and Marquette (June 1936), in Boston and Springfield, Massachusetts (September 1936), and in Rochester, Columbus, and Seattle (December 1936); expenditures of wage earners and lower-salaried clerical workers in New York City (January 1937) and of families of Black wage earners and clerical workers in Richmond, Birmingham, and New Orleans (April 1937); changes in family expenditures in the post–World War I period (November 1938); and food consumption at different economic levels (April 1936). Then, beginning in December 1939 and every month thereafter through August 1940, the effort culminated in a running series of nine articles by Williams and Alice C. Hanson on various aspects of family and individual expenditures: first, two general articles on, respectively, the expenditure habits of wage earners and clerical workers (December 1939) and income, family size, and the economic level of the family (January 1940) and, then, articles specifically on wage earners’ and clerical workers’ expenditures for clothing (February); transportation and recreation (March); housing (April); medical care, personal care, and miscellaneous items (May); and housefurnishings and household operation (June). The eighth entry in the series was a general article on the savings of wage earners and clerical workers (July), and the series concluded in August with an article specifically on wage earners’ and clerical workers’ expenditures on food. Rounding out Williams and colleagues’ articles on wage earners’ and clerical workers’ expenditures were two solo articles, one in June 1937 by Hanson reporting on workers in the five Pennsylvania cities of Johnstown, Lancaster, Philadelphia, Pittsburgh, and Scranton, and the other in September 1937 by Genevieve B. Wimsatt canvassing workers in the five California cities of Los Angeles, Modesto, Sacramento, San Diego, and San Francisco–Oakland.



As mentioned, articles on agricultural migrants also followed the introduction of the New Deal and Social Security. Paul S. Taylor and Tom Vasey began the discussion with their February 1936 piece, “Drought refugee and labor migration to California, June–December 1935,” highlighting the efforts of state inspectors to demographically classify the large numbers of unskilled workers seeking agricultural employment in California. Migrating mostly from the drought and “Dust Bowl” that devastated the nation’s Great Plains states, these workers, often with their families in tow, sought out California for work because of the prospects that that state’s continuous harvests would keep them employed for the foreseeable future. The movement, said Taylor and Vasey, “represents a labor migration and population shift...of major import...an index of major problems of relief, rehabilitation, and human resettlement with which...the Government [is] grappling and must continue to grapple.” Explicitly following up on Taylor and Vasey’s article was one by Edward J. Rowell, titled “Drought refugee and labor migration to California in 1936,” published in December of that year. In it, besides noting that the flow of migrants to the state continued throughout the year, Rowell emphasized that neither government agencies nor private establishments seemed to be able to cope with the problems in settlement, relief, housing, health, and living standards that accompanied the migrants on their path to what might best be described as “unsettled employment conditions.” Taylor and Rowell continued, both separately and as coauthors, to underscore California’s role as a destination for migrant agricultural workers in three more articles published during the 1930s: in the first, “Migratory farm labor in the United States” (Taylor, March 1937), the state was featured as part of a broader discussion about the issue of the nation’s agricultural migrants; in the second, titled “Refugee labor migration to California, 1937” (August 1938), coauthors Taylor and Rowell noted that many of the migrants had lost their farms when the price of cotton fell not long after World War I. Subsequently, these former farm owners became tenants or sharecroppers, then laborers,

and, finally, migrants when cotton prices fell again, followed by drought and mechanization. In the third article, titled “Patterns of agricultural labor migration within California” (November 1938), Taylor and Rowell collaborated again, this time to point out the challenges faced by the state of California in having to educate the migrants’ children, the vast majority of whom spoke a language other than English.

Finally, a series of three articles published successively in 1937 noted that California wasn’t the only destination of migrant agricultural workers over the decade. In July, N. A. Tolles reported on a Department of Labor “Survey of labor migration between states” which found, among other things, that, besides California, “the cotton and vegetable areas of the Southwest, the apple, hop, and berry regions of the Pacific Northwest, the pea fields of Idaho, the beet fields of Colorado, Wyoming, Montana, and Idaho, the berry fields of Arkansas, and the citrus and vegetable areas of Florida” were all attractive havens for migratory workers from outside the state (in addition to attracting many in-state agricultural migrants). Despite the findings of the survey, Tolles concluded that “very little is known concerning the regularity of employment or the comparative earnings” of those migratory workers “who seek permanent relocation.” Following on the heels of Tolles’ article, Paul H. Landis wrote about “Seasonal agricultural labor in the Yakima Valley” in the August issue of the *Review*. Landis estimated that anywhere from about 30,000 to 37,000 “transient” workers found agricultural work in the valley from June to October each year, harvesting cherries, hops, and Washington’s famous apples. The trouble was that few of these workers were employed full time and, during the rest of the year, they were likely unemployed or, if they were lucky, found employment in nonagricultural jobs. On a more general note, Julius T. Wendzel’s September article, “Distribution of hired farm laborers in the United States,” drew a distinction between farms with just one or a few hired hands and those which hired workers in large numbers. Citing an earlier study by Louise E. Howard which found that, on farms with only one or a few hired agricultural workers, these workers enjoyed a close relationship with their employer that assured them relatively good working conditions,⁴ Wendzel pointed to that very relationship as, ironically, a likely reason for the federal government’s reluctance to enact legislation extending worker’s rights to agricultural labor. Viewing these hired hands as not unlike family members, who often received little or even no pay for their work and to whom it was felt that, therefore, no legislation need be extended, the government, according to Wendzel, neglected the fact that, though small in percentage, the *number* of farms with more than a few workers was considerable and the *number of workers* on them was even greater. In all, Wendzel found that almost 650,000 out of about 1,650,000—or approximately 40 percent of all—hired agricultural laborers worked on farms which were large enough that the employee–employer relationship was unlikely to be the familial one described. It was these workers who needed worker’s rights legislation, he maintained.

World War II and the postwar years



The coming of World War II brought a number of new issues to the *Review*. At first, with the war confined to Europe, a new feature on foreign wartime emergency controls was introduced and attention was paid to how the war was affecting labor in European countries. Later, after Pearl Harbor, the focus shifted to how the nation's war industries were coping with increases in the supply of labor and in productivity required to meet wartime demands. In this regard, the titles alone of several articles are illustrative: "Effect of defense program on private manufacturing employment" (Thomas F. Corcoran and Harrison F. Houghton, January 1942); "Labor in transition to a war economy" (Witt Bowden, April 1942); "Working hours in war production plants, February 1942" (Harrison F. Houghton, May 1942); "War and the increase in federal employment" (Kathryn R. Murphy and Simon Krixtein, August 1942); "Effect of the war on textile employment" (Ruth E. Clem, September 1942); and "Problem of

absenteeism in relation to war production” (Duane Evans, January 1943). A series of articles running over several issues examined the war’s effect on labor in a number of different countries and regions of the world: Australia (March 1942), New Zealand (April 1942), French North Africa (May 1943), Hungary (June 1943), Greece (August 1943), India (September 1943), Bulgaria (October 1943), Yugoslavia and Fascist Italy (November 1943), the Netherlands (January 1944), Belgium (February 1944), Thailand (June 1944), China (January 1945), and, finally, the defeated Axis power Germany itself (March 1945). By 1945, however, with the ending of the war in both Europe and the Pacific theater, the *Review* turned to what the economic picture would look like after the war.

One issue that occupied the *Review*’s ruminations about the postwar scenario was how the nation’s economy would absorb the millions of returning servicemen and women. The September 1945 article “Income from wages and salaries in the postwar period,” by Robert J. Myers and N. Arnold Tolles, expressed the concern that the only way the postwar economy could sustain the wartime level of wage and salary income would be under the combination of full employment and considerably higher wage rates. The dilemma the authors posed for the economy was that

With anything less than full employment, the volume of wage [and] salary payments would decline; a level of employment comparable to that of the prewar year 1939 might result in a drop of roughly \$40 billion, or about 40 percent [presumably, of gross domestic or gross national product]....The achievement of full employment, however, will require a level of production far beyond any level previously attained in peacetime.

Thus, it seemed impossible—or at least highly improbable—that wages and salaries could remain at wartime levels. Of course, events disproved this pessimistic view: the newly burgeoning consumer economy, and the merchants who strove to keep up with it, not only kept wages from falling, but actually fueled a remarkable wage growth—and all under the aegis of as close to a full economy as could be achieved.

With unemployment quite low from just after the war on into the mid-1950s,⁵ the incidence of collective bargaining rose in those years. Union membership was at its highest then, having reached a peak of 28.3 percent of employed workers in 1954,⁶ and the *Review* published a multitude of pieces germane to the situation. Covering a substantial portion of the period of high union influence was a running feature titled “Developments in industrial relations” that began in May 1951. The feature reported on the provisions of contracts negotiated between unions and companies and between unions and government agencies. A conduit of valuable information for both company executives and union leaders (as well as labor economists) during a time of union expansion, the feature continued past that time and well into the 1990s, in its last year or so under the simpler title “Industrial relations.”

Throughout the postwar years, numerous articles related the story of the burgeoning influence of unions and the agreements achieved through collective bargaining. The topics ranged from the highly general to the narrowly circumscribed and from the ostensibly prescriptive⁷ to the purely descriptive. In the vein of the broad, general theme was a special section titled “50 years’ progress of American labor” in the 35th-anniversary issue of the *Review* in July 1950. The section, in honor of the centennial of labor leader Samuel J. Gompers, founder of the American Federation of Labor, presented nine articles on various aspects of working life related to the American laborer. From the worker’s relation to industry as a whole and to his or her particular job, to the worker’s quest for job security, to the role of government and labor legislation in the worker’s life, the articles, written by notables ranging from a former BLS commissioner, to the chairman of the Social Security Board, to labor leaders, to university professors, as well as BLS economists, examined the progress made, and the obstacles encountered, by U.S. workers from all over the labor spectrum. At the other end of the continuum were more narrowly

circumscribed yearly reports on union wage scales in a number of occupations in four industries (building trades, local city truckdriving, local transit, and printing) from 1947 to 1956 and one industry (baking) from 1947 to 1952. In all these occupations and industries, wages showed an uninterrupted, often substantial, rise from year to year over the entire period.

In the realm of prescriptive topics was a February 1951 piece titled “Perlman’s theory of the labor movement” in which five labor economists revisited their colleague Selig Perlman’s idea that the American labor movement, unlike the European labor movement, was *job conscious* rather than class conscious. Marxists had argued that American unions were too concerned with improvements in wages and working conditions (thereby implying an acceptance of capitalism) and not concerned enough about class distinctions and inciting revolution. Perlman countered their argument by pointing out that the American situation was different from the European one: workers were, on the whole, economically better off in the United States, and whatever conflict there was between employers and employees was due not to capitalism per se, but to the downward pressure on wages—correctable by unions—exerted by the marketplace. Thus, the goals of unions were more businesslike than those of their European counterparts and were properly defined by union members rather than intellectuals such as Marx and Lenin. Through the *Review*, Perlman’s theory, originally set forth in 1928, was assessed against the empirical realities that had accrued since its inception. There was no consensus among the five economists: three found that Perlman’s theory was still valid in 1951, and two maintained that changing events had left the theory wanting in its original form.



As regards descriptive pieces, because describing what takes place in the labor market is the chief role—indeed the *sine qua non*—of the *Review*, the vast majority of its articles fall into this category. During the postwar years, numerous aspects of collective bargaining were discussed. The list is long: grievance procedures, health plans, wage scales, reemployment of veterans, guaranteed employment, employment of workers with disabilities,

premium pay for weekend work, employer and employee obligations and rights, arbitration provisions, no-raid agreements, sickness and accident benefits, union-security provisions, safety provisions, cost-of-living wage adjustments, employee-benefit plans, wage escalator clauses, length-of-service benefits, work stoppage provisions, the employer's duty to supply data for collective bargaining, shift operations and pay differentials, pension plans (a series of three articles published, respectively, in March, May, and July 1953), holiday provisions, strike-control provisions, paid rest-period provisions, military-service payments, anti-Communist provisions, reporting and callback pay, paid leave on death in family, paid jury leave, seniority, employment and age, and dismissal pay provisions. BLS analysts reported on all these topics, bringing the increasing role of unions and collective bargaining during the immediate postwar years to the forefront of the public's attention.

Civil rights, poverty, and the “Great Society”

Union membership began to wane in 1955 and has declined consistently since then.⁸ Still, the lot of many workers improved, and the focus of the *Review* shifted to what economist Edward D. Hollander described in the June 1963 issue as the national agenda of the 1960s: “solving the stubborn problems of the less favored and all-too-large minorities, who have been relegated to the periphery or who are altogether outside the labor force.” As the Civil Rights Movement brought Americans face to face with the legacy of slavery, as the War on Poverty sought to better the conditions of minorities and the poor, and as the Great Society endeavored to balance the exigencies of military combat with the needs of the War on Poverty, the *Review* aimed its sights on all these topics and put forth a number of articles addressing them. The contrast between the period before the inception of these momentous movements and programs and the years that followed is perhaps best brought out in the difference between the rosy picture painted by three articles that described the former time and the reality check afforded by numerous articles published after that time. A December 1962 article by Marion Hayes spoke of “A century of change: Negroes [sic] in the U.S. economy, 1860–1960,” a century in which, to be sure, African Americans were better off at the end than they were at the beginning, but only because at the beginning they were under the utterly shameful, crushing yoke of slavery. The economic, health, and educational gains cited by Hayes, while real, still left African Americans considerably behind Whites in many measures of well-being. In June 1963, two articles under the feature “Measures of workers' wealth and welfare” touted a large increase in “Workers' wealth and family living standards” (Helen H. Lamale) and government programs aimed at boosting “Social expenditures and worker welfare” (Ida C. Merriam) as instrumental in raising living standards during the 1950s. However, the first article neglected to talk about the wealth and living standards of African Americans, and the second failed to discuss how, if at all, the social welfare programs benefited those same African Americans.

By 1964, however, with the advent of the Civil Rights Movement, the War on Poverty, and the Great Society, the overall situation of African Americans had begun to change for the better. Reflecting the change, the *Review* began to publish article after article on various aspects of these great undertakings—a phenomenon that lasted well into the 1970s. Each year brought a spate of new articles, many of whose titles attested to the remarkable turnaround. A sampling of articles, one or more from each of those years, is illustrative:

The 1960s. Among the first *Review* articles relating the historic events taking place in the sixties was March 1964's “Poverty in America,” an excerpt from chapter 2 of the annual report of the President's Council of Economic Advisers. The article brought home the point that the endemic poverty which was an everyday experience of 9.3 million families in the United States could not even be addressed, let alone solved, until the majority of Americans recognized its existence. The poor, said the Council, lived in “a world apart, . . . isolated

from the mainstream of American life and...concerned with [their] day-to-day survival.” Focusing on the long term, the Council laid out a 12-point strategy against the root causes of poverty. Then, in May and June 1965, the *Review* published Dorothy Newman’s two-part treatise on “The Negro’s [sic] journey to the city.” In the first part, the author recounted African Americans’ migration from the rural South to large metropolitan areas across the country in the hope of finding better jobs and more education. Newman described the migration as “unparalleled in American history.” In the second part, she contrasted the relative paucity of jobs available to African Americans at the time with the availability of jobs for immigrants at the turn of the 20th century. She concluded that “industry appear[ed] to have played a hoax” on African Americans, enticing them to leave the farm for cities in which manufacturing employment was declining. Subsequently, shedding further light on the plight of urban Blacks, James R. Wetzel and Susan S. Holland compared the employment situation of Whites and Blacks living in “Poverty areas of our major cities” in the October 1966 issue of the *Review*. Their overall finding was that, by almost every measure of economic well-being, including unemployment rate, hours worked, labor force participation rate, and type of employment (skilled vs. unskilled jobs), African Americans living in poverty areas were less well off than Whites living in those same areas.

The year 1967 saw the *Review* publish four articles on race and discrimination excerpted from the winter meetings of the Industrial Relations Research Association (IRRA), a labor organization for professionals in industrial relations and human resources. In the first, titled “Poverty in the ghetto—the view from Watts,” published in the February issue, Paul Bullock focused on the cynicism he found in residents of Watts, the Los Angeles community that had suffered riots 2 years earlier. Bullock cited the duplicity of the larger U.S. society in, at the same time, condemning those residents (and others living in similar circumstances) when they were unable to live up to the behavior and morality of the larger society, yet imposing conditions, such as poor public education and mass incarceration, that made it difficult for them to do so. The second and third articles on race and discrimination appeared in the March issue. In “Processing employment discrimination cases,” Alfred W. Blumrosen examined the shortcomings of the otherwise vaunted Title VII of the Civil Rights Act of 1964. Citing the view of supporters of civil rights legislation that the act, as passed by Congress, was a “watered-down” version of the original conception and a “toothless tiger,” Blumrosen pointed to its detrimental effect on the individual right to sue. Standing with the civil rights supporters and the Equal Opportunity Employment Commission, he called for further legislation to restore the powers that had been originally proposed for the act before the U.S. Senate and House of Representatives stripped it of those powers. In the other March article on discrimination, Peter B. Doeringer called to account “Discriminatory promotion systems” that subtly limited African Americans’ opportunities for advancement on the job. Never explicit, the patterns of racial discrimination inhering in these promotion systems, maintained Doeringer, could be divided into three broad categories: (1) those restricting Black workers to the lower paying job classifications and ladders for promotion within a given department, (2) those restricting Black workers to entire departments that were less desirable or to unskilled job classifications that had no possibility of promotion, and (3) those with two separate lines of promotion, one (with more opportunities) for Whites and the other (with fewer opportunities) for Blacks. Doeringer proposed various remedies for dealing with these systems, but issued a number of caveats that could affect their adoption or efficacy. Finally, in the fourth article from the IRRA, Herbert R. Northrup added another narrative on discrimination to Doeringer’s account. In “The racial policies of American industry,” in the July issue, he analyzed the rationales of employer policies with an eye toward understanding why some industries, and some companies within an industry, “are more hospitable to minority group employment than are others.” Without offering any answers, he proposed testing 11 hypotheses bearing on

the racial policies of employers. The findings, he suggested, “combined with labor market analysis and trends and with business and job forecasting, would permit a more rational attack on discrimination in employment.” Whether his hypotheses bore fruit may or may not be ascertainable from his numerous publications.



With the arrival of 1968, the *Review* continued its coverage of the momentous societal transformation that was taking place in the nation in regard to civil rights, poverty, and the Great Society. In the February issue, Harvey R. Hamel discussed the “Educational attainment of workers,” focusing on the disparity in educational attainment between African Americans and Whites, a disparity that led, and still leads, to differences in the two groups’ occupational distribution and to higher unemployment rates for African Americans. Hamel brought to the reader’s attention the fact that average educational attainment had risen considerably in the United States from 1952 to 1967. But the effect was disparate: although both Blacks and Whites had increased their educational attainment (and, indeed, Blacks had done so at a faster pace than Whites), the representation of the two groups in the U.S. occupational distribution was quite different. Hamel found that, in general, White workers had a greater representation in “the more desirable occupations” while Black workers were “overly concentrated in less preferable jobs.” Specifically, in March 1967, half of White men, but only a fourth of African American men, were employed in professional and technical jobs, in managerial occupations, or as officials, proprietors, or skilled craftworkers. In contrast, African American men were overrepresented in semiskilled and unskilled blue-collar jobs and in service occupations. But perhaps the most important of Hamel’s findings was that “variations in levels of educational attainment alone [were] not sufficient to explain the...occupational differential.” Using quantitative techniques, he showed that the expected number of Black men working in each occupation studied, assuming full equality of employment opportunity at each education level, was substantially (and perhaps significantly—Hamel gave no estimates of statistical significance) above the actual number working in that occupation. He concluded that the difference in the proportions of White men and Black men working in the various occupations was attributable, “not to an education effect but to other factors such as employment discrimination, inferior quality of education, residence, lack of capital to enter business, or inability...to obtain jobs commensurate with their education levels.”

As the decade of the 1960s came to a close, Hazel M. Willacy brought the social and job problems still facing poor African American (as well as poor White) men into perspective with her 1969 *Review* article “Men in poverty neighborhoods: a status report.” Despite the achievements of the Civil Rights Movement, the War on Poverty, and the Great Society, much remained to be done for the “significant proportion of the Nation’s men [who] live[d] in poverty and degradation.” Recounting the reasons these individuals were “unable to fulfill their role of family breadwinner,” Willacy cited “health problems, low educational attainment, their previous work experience, discrimination, [and] the lack of suitable job opportunities.” All these factors resulted in the chief problem confronting men living in poverty neighborhoods: inadequate earnings, even though most of the men residing in those neighborhoods were employed. The reasons for their inadequate earnings were both manifold and familiar, running the gamut from being confined to part-time jobs because of slack work, shortages of materials, or inability to find full-time employment; to finding work only in unskilled, semiskilled, or low-paying service jobs; to failing to get financial backing for self-employment. In keeping with the *Review*’s mandate of being policy neutral, Willacy offered no solutions to these problems.

The 1970s. The decade of the seventies opened with the *Review* continuing to report on poverty and (by now the aftermath of) the Civil Rights Movement. In the June 1970 issue, Hazel M. Willacy and Harvey J. Hilaski coauthored an article on the status of “Working women in urban poverty neighborhoods.” Asserting that the problems associated with these neighborhoods fell most heavily, in increasing order, on women, working women, and African American working women (many of whom were single heads of households), the authors found, as many had before, that “less skilled, intermittent, and often low-paying jobs” were what kept those

women in poverty. One statistic stood out in particular: almost 20 percent of African American women living in urban poverty neighborhoods were private household workers, whereas just 3 percent of White women residing in those same neighborhoods were. Then, in an article on “Differentials and overlaps in annual earnings of blacks and whites” in the June 1971 issue, Arnold Strasser pointed out that, despite significant differences, there was a considerable overlap between Blacks and Whites in the earnings distribution. The article was, in effect, a counterpoint to what Hamel had found in his 1968 analysis of the *occupational* distribution. In that piece, Hamel showed that White workers were overrepresented in what he called “the more desirable occupations” while Black workers were overrepresented in “less preferable jobs.” He counted professional and technical jobs, managerial occupations, officials, proprietors, and skilled craftworkers among the more desirable occupations. Jobs he saw as less preferable were semiskilled and unskilled blue-collar jobs and service occupations. The difference in representation in the occupational distribution would, of course, likely lead to a difference in the earnings distribution, with Black workers tending toward the bottom because of their lesser earnings from the “less preferable jobs.” In a novel approach, however, Strasser showed that, although, in general, that was true, the overall picture obscured the fact that, when the percentages of Black and White workers who fell within the same earnings brackets were compared, *71 percent of men and 83 percent of women of each race had identical earnings*. Thus, the earnings disparity between the two races was due entirely to the 29 percent of men and 17 percent of women whose earnings fell outside the area of overlap: Black workers whose earnings were outside the overlap area were in the lower earnings categories, while White workers whose earnings were outside were in the higher earnings categories. Strasser concluded on an optimistic note: recent changes indicate that “it is reasonable to assume that there has been a narrowing in the earnings differential between blacks and whites and a concomitant increase in the distributional overlap of earnings of blacks and whites.”

In the May 1972 issue of the *Review*, Herbert Hammerman reported on “Minority workers in construction referral unions.” Viewing unions as an important factor in increasing employment and job security for minorities, Hammerman discussed one type of union—the construction referral union—and the role it was playing in locating and advancing employment opportunities for minorities. Set up as a helpful conduit to employment for craftworkers in various industries (e.g., construction, transportation, trade, and manufacturing), the typical referral union represented “workers in one or more trades, such as electricians, carpenters, plumbers and pipefitters, . . . , truckdrivers, waiters, and building service employees.” The jobs of these workers varied widely, but shared a number of characteristics: they were “casual, intermittent, and of limited duration,” offered “fluctuating work opportunities,” and were performed “at scattered and varied worksites.” As Hammerman explained, “Without unionization, these conditions of employment lead, almost inevitably, to great day-to-day job insecurity.” The issue posed in the article was whether one particular type of referral union—the construction referral union—served minority workers effectively. After substantial analysis, he concluded that, although, in general, minorities either were overrepresented (Hispanics and Native Americans)⁹ in that union, with double their proportions in industry as whole, or had about the same proportion of members as they had in industry (Blacks), all of them were underrepresented in high-skill, high-paying trades represented by companies with which the unions collectively bargained. In particular, noted Hammerman, “if black membership in the 12 internationals of the mechanical trades and the miscellaneous construction trades had reached . . . the level of 5 percent in 1969, it would have been 30,000 greater than it

was....Such [a] modest goal would seem to be attainable [through] training,...affirmative action programs, and litigation under the Equal Employment Opportunity Act of 1972.”



Hispanics occupied the forefront of the *Review*'s pages among minorities in April of 1973, with two articles demonstrating that the concerns of the War on Poverty reached minorities other than African Americans: Paul M. Ryscavage and Earl F. Mellor's "The economic situation of Spanish Americans" and "Factors affecting the job status of workers with Spanish surnames," by Jerolyn R. Lyle. In the first, Ryscavage and Mellor found that low pay, high unemployment, few marketable skills, and the language barrier presented by English were depressing the incomes of Hispanics.¹⁰ The authors traced these disabling factors largely to relatively low educational attainment, with the median years of schooling completed by Hispanic people 25 years and older just 9.6, compared with 12.1 for the total U.S. population. A reason for optimism for the future, however, was that 9 out of 10 Hispanic youths and young adults ages 10 to 24 reported that they could read and write English. In the second article, Lyle, apprehending that "Spanish-surnamed workers [were] at a significantly lower rung on the occupational ladder than other white ("Anglo") workers," developed a model to test the relative importance of factors affecting the behavior of employers and factors outside the employment context in an attempt to explain the higher proportion of Hispanic workers in the lower paying occupations. Hypothesizing that the problem was the presence of one or more factors presenting a barrier to the upward mobility of Hispanic workers, she classified the possible factors into two categories: those which were likely to affect the employer's behavior (e.g., unionization, local attitudes toward equality for minorities) and those which were not (e.g., the worker's educational attainment and access to public transportation). Then she

performed two regressions, one by industry and one by Standard Metropolitan Statistical Area. The results were telling: in the regression by industry, none of the factors that were not likely to affect the employer's behavior were significant in impeding the upward mobility of Hispanic workers, especially for men, but also, to a lesser extent, for women; in the regression by Standard Metropolitan Statistical Area, the results were mixed, with the factors that were likely to affect the employer's behavior (as well as some that were not) playing a significant role in impeding the upward mobility of both men and women. Lyle concluded that "factors directly affecting the behavior of the employer are of more significance vis-à-vis the occupational status of the Spanish-surnamed worker than factors relating to the worker himself or to the community." The implication was that changes in corporate policies and processes would be more likely to lower barriers to advancement for Hispanic workers than would policies designed, for example, to improve education or transportation in large cities.

The June 1974 issue featured an article with the intriguing title "Black studies in the Department of Labor, 1897–1907," by Jonathan Grossman, a social science advisor in the U.S. Department of Labor and a professor of labor history at the University of Maryland. The article offered the reader a retrospective look at a little-known turn-of-the-century groundbreaking effort of the Department that brought the condition of African Americans in the United States to the attention of the American public—perhaps for the first time in such a concerted, deliberate manner by a federal agency. Although not entirely transparent, evidence indicates that George G. Bradford, a Boston businessman and trustee of Atlanta University from 1895 to 1902, and Horace Bumstead, also of Boston, and president of Atlanta University from 1888 to 1907, originated the idea of having the university carry out a systematic study of "the physical and moral condition of city blacks" and then have the Department, under then–Commissioner of Labor Carroll D. Wright, tabulate the results and publish them jointly with the university. Their combined efforts culminated in the publication of nine investigations over the timespan mentioned in the title of the *Review* article. A chief contributor to the studies, penning three of them, was the distinguished Black scholar and social activist W. E. B. Du Bois, like Bradford and Bumstead, originally from Massachusetts. The studies covered a host of topics, but their chief thrust was to bring to light both the differences and the similarities of Blacks living in different circumstances in different U.S. locales, from Farmville, Prince Edward County, Virginia; to the "Black Belt" of the South, encompassing a swath of territory in what are today portions of the Census South Atlantic, East South Central, and West South Central Divisions; to the community of Sandy Spring, Maryland, settled largely by Quakers who emancipated their slaves even before the Civil War; and more. Ultimately, the Department and the university parted ways, and the effort was abandoned, a victim of the then-prevalent climate of racial strife left over by the Civil War, the failure of Reconstruction, and the decision in *Plessy v. Ferguson* establishing "separate but equal" facilities in the South. The latter in particular made the "[c]alm discussion of [the] economic and social conditions of blacks...difficult." Charles P. Neill, appointed by President Theodore Roosevelt to succeed Commissioner Wright in 1906, lost interest in the Black Studies program and ended it in the midst of a shortage of money and the demotion of the Department of Labor to a bureau within the newly created Department of Commerce and Labor. Still, the legacy of the relatively short-lived program remains in its nine publications, genuine contributions to the literature on Blacks in America.

Like 1973, the year 1975 saw two *Review* articles on the situation of Hispanics in the nation. Two subgroups of Hispanics were the focus this time: Mexicans and Puerto Ricans. In "Immigrant Mexicans and the U.S. work force," in the May issue, Walter A. Fogel pointed out the dilemma that Mexican immigrants—including, and

even especially, illegal immigrants—presented to the U.S. labor market: their work, at one and the same time, resulted in “lower wages and prices and greater employment and output than would exist in the absence of these workers; also less unionization and greater income inequality.” Singling out illegal immigrants, he said, “The match between illegal Mexicans and secondary markets is particularly good.”¹¹ Characterizing illegal immigrants as having little skill; needing a job quickly; being, of necessity, docile workers; and being unlikely to continue employment for very long, Fogel said, “The last characteristic makes him particularly suitable for seasonal employment. He not only accepts layoffs unquestioningly, but also returns to Mexico in most instances and, consequently, exerts no demand on community social services. Because of these characteristics, he represents almost an ideal labor supply to some U.S. farm employers.”

In the second article, “The jobs Puerto Ricans hold in New York City,” appearing in the October issue, Lois S. Gray learned from the 1970 census that most Puerto Ricans living in New York that year held blue-collar jobs and suffered higher-than-average unemployment. Just 33 percent of the city’s Puerto Rican workers were in white-collar jobs, compared with 58 percent of all city workers. Still, the percentage was a marked improvement over the 1960 figure of almost 19 percent. Typical private industry jobs held by New York City Puerto Rican men were in manufacturing, where many were textile and metalworking operators and painters of manufactured products; transportation, in which many drove taxis and buses; retail trade, in which they served as meatcutters, packers, and wrappers; and service, where they accounted for one-fifth of dishwashers and dining room attendants. New York City Puerto Rican women typically held jobs as service workers in laundry and drycleaning establishments; graders, sorters, sewers, and stitchers in the apparel industry; hairdressers in retail establishments; and nursing aides in the healthcare industry. In the public sector, the patterns were similar. Of note, Gray observed that there were “many more professional and managerial opportunities for Puerto Ricans on the island than on the mainland” and “Puerto Ricans who return to the island after acquiring mainland experience often move from blue-collar to white-collar employment.” Migration to the mainland was thus seen as a double-edged sword, entailing a risk of downward mobility for the highly skilled but offering the prospect of upward mobility for those with little skill or work experience.

Part of the landscape of the civil rights struggle of the 1960s and 1970s was the women’s movement. The *Review*, of course, had published many articles on women’s issues (see part I of this series for a number of examples during the early years), but the new fervor felt in the sixties and seventies for the cause of women reached far into the publications world. The Women’s Bureau of the Department of Labor, established in 1920, saw its first African American woman, Elizabeth Duncan Koontz, elected in 1969, and with her tenure came an increased emphasis on eliminating discrimination against women in the workforce. The *Review* reflected this emphasis in numerous articles published over the period. Two special sections in particular confronted the problem of workplace discrimination and the associated challenges that women faced. In the June 1970 issue, the section “Women at work” featured the article “Reducing discrimination: role of the Equal Pay Act,” by Robert D. Moran, in which the author both lauded the passage by Congress of the groundbreaking Equal Pay Act of 1963 and decried the attempts by employers to thwart it on a number of (usually transparent) pretexts. As an example of what the act had achieved, Moran cited one court decision that awarded 230 women who were doing essentially the same job as men, but under a different job title, a substantial amount of backpay, plus an increase in their hourly wage to bring their wages to parity with those paid the men.¹² In his ruling in the case, Chief Judge Abraham Freedman poignantly stated that the Equal Pay Act was designed “as a broad charter of women’s rights in the economic field”

and “sought to overcome the age-old belief in women’s inferiority and to eliminate the depressing effects on living standards of reduced wages for female workers and the economic and social consequences which flow from it.”¹³



The second special section, titled “Women in the workplace,” appeared in the May 1974 issue of the *Review*. In it, Janice Neipert Hedges and Stephen E. Bemis touted some of the progress made in combating gender stereotyping on the job since the passage of the Equal Pay Act of 1963 and Title VII of the Civil Rights Act of 1964.

Their article, “Sex stereotyping: its decline in skilled trades,” related how a January 1973 consent decree between the American Telephone and Telegraph Company (AT&T), on the one hand, and the Department of Labor and the Equal Employment Opportunity Commission, on the other, spurred AT&T and, later, other employers to adopt a series of “affirmative action” personnel policies aimed at ending the gender stereotyping of jobs. Among the policies adopted were goals and timetables for placing women in skilled jobs and management-level positions. No longer would the discrimination afforded by gender stereotyping be permitted: employers found guilty of violating the decree would be fined. Hedges and Bemis went on to report that, as a result of the decree and the passage of all the associated governmental legislation, “in 1970 almost half a million women were working in skilled occupations, up from 277,000 in 1960.” The rate of growth, about 80 percent, was double the rate of growth for women in all occupations and 8 times that of men in skilled occupations. The ramifications touched many aspects of women’s lives, from the social, to the legal, to the economic, to the psychological—and the future, maintained the authors, was rosy: “The employment of women in the skilled trades can be expected to increase, as widespread reappraisal and rejection of the sex stereotyping of jobs are reflected in institutional changes.”

Lest one think that such a future was assured, another article in the series, “Where women work—an analysis by industry and occupation,” by Elizabeth Waldman and Beverly J. McEaddy, alluded to the notion that progress, though perhaps steady, might be slow. Analyzing data from three sources—the payroll or establishment (Current Employment Statistics) survey, the household survey (Current Population Survey), and decennial censuses from 1940, 1950, 1960, and 1970—the authors concluded that, like men, women found jobs in the fastest growing industries, but unlike men, they remained clustered in just a few occupation groups. Throughout those decades, both the number and percentage of women employed in nonagricultural industries grew steadily until, by 1970, women in the labor force numbered about 27.5 million and made up 40 percent of the workforce. Yet, no matter the industry, women found employment in fewer occupation groups than men. In the service industry—the industry that employed the largest number of women in each of the census years examined—women were employed mostly as elementary and high school teachers, nurses, social workers, and librarians, all relatively low-paying occupations. In government, women held jobs as teachers, administrators, clerical workers, maintenance workers, and librarians. About 77 percent were in the lowest paying jobs, at grade levels GS-1 through GS-6, while another 20 percent were at grade levels GS-7 through GS-11. Only 3 percent held jobs at grade levels GS-12 and above. In trade, nearly 90 percent of women were in retail trade, where low-paying sales, clerical, and service jobs predominated; women who worked in eating and drinking establishments were mostly waitresses, cooks, and clerical workers, again low-paying jobs. In manufacturing, 60 percent of women were employed in the low-paying production aspect of the industry, as operatives, checkers, examiners, and inspectors, and as sewers and stitchers. Despite some inroads made over the decades that followed, the overall situation would persist even until the present: in 2013, women still were the majority of workers in many low-paying occupations and their earnings remained considerably less than that of men.¹⁴

Economically, the 1970s ended on a discordant note, with 1979 average inflation at 11.3 percent, the highest seen since 1947 (14.4 percent).¹⁵ The *Review* carefully observed the upward spiral throughout 1978 and 1979, reporting monthly numbers in “Current labor statistics,” a regular section since July 1947, and publishing annual and quarterly features covering the rapidly deteriorating situation. In the annual feature, the February 1978 article titled “Price changes in 1977—an analysis,” by Toshiko Nakayama, Craig Howell, Paul Monson, and William Thomas, foreshadowed what was to come, noting that in 1977 the Consumer Price Index (CPI) rose 6.8 percent after having fallen to a 4-year low in 1976. Then, over the last 7 months of 1978, Nakayama, Howell, and Monson

added three installments in “The anatomy of price change” feature. In the first, “Food prices lead acceleration of inflation in first quarter” (June), they reported a 9.3-percent increase in the CPI during the first quarter of the year—a rise almost twice as fast as that in the second half of 1977. In the second installment, “Double-digit inflation returns in second quarter” (September), those same authors saw inflation rates returning to those encountered during the foray of the CPI into rates 10 percent and higher from February 1974 through April 1975. Finally, in the third installment, “Slowdown in food prices curbs inflation in third quarter” (December), Nakayama and Howell reported that the inflation rate had moderated briefly from July through September.

The annual feature's March 1979 entry, “Price changes in 1978—an analysis,” by Craig Howell, William Thomas, Walter Lane, and Andrew Clem, reported an inflation rate of about 9 percent over the year, more than at any time since 1974—and things didn't appear to be getting any better, as evidenced by the title alone of an article penned by Howell, Thomas, and Eddie Lamb in June 1979: “First-quarter food and fuel prices propel inflation rate to 5-year high.” Commenting on the inflation scenario were two June 1979 articles about the effects of rising inflation on wages and the cost of living. In one, titled “Wage increases of 1978 absorbed by inflation,” Joan D. Borum hailed the large over-the-year pay increases for most workers, but then lamented that the raises failed to keep pace with price increases. “As a result,” she said, “the average American worker experienced a decline in purchasing power.” In the other article, “Cost-of-living adjustment: keeping up with inflation?” Victor J. Sheifer bemoaned the failure of collectively bargained escalator clauses to protect the worker against the higher prices seen in 1978; that year, said Sheifer, average cost-of-living adjustment yields met just 57 percent of the increase in prices that was due to inflation. Then, in a September 1979 summary labor force report titled “Energy buoys double-digit inflation, food price surge ebbs in second quarter,” Howell, Clem, and Lamb attested to the continuing downbeat inflation situation, observing that “the substantial deceleration in food price increases” was not enough to offset the “upsurge in prices for energy-related items during the second quarter of 1979.” In December 1979, “The anatomy of price change” feature returned, with Howell, Thomas, and Lamb reporting, “Consumer prices rise at 13-percent rate for the third consecutive quarter.” Workers were losing ground to inflation, and the scene was set for 2 years of steadily eroding consumer purchasing power as the 1970s drew to a close.

Conclusion

The period 1930–80 saw unprecedented economic and political events that steered the discourse in the *Review*. A notable shift in publication coverage from the early years was the greater emphasis on topics related to poverty, organized labor, and race and gender issues. As will be demonstrated in part III of this series of articles, these themes, supplemented with new ones, continued to receive attention in subsequent decades.

SUGGESTED CITATION

Brian I. Baker, “The Monthly Labor Review at 100—part II: the “middle years,” 1930–80,” *Monthly Labor Review*, U.S. Bureau of Labor Statistics, May 2016, <https://doi.org/10.21916/mlr.2016.22>.

NOTES

¹ This section owes much to Phyllis Groom's insightful, engaging article “From Model-T to Medicare—paragraphs from history,” *Monthly Labor Review*, July 1965, pp. 778–786.

² See “Employment statistics and conditions: conditions in families of the unemployed in Philadelphia, May 1932,” *Handbook of Labor Statistics*, Bulletin 616 (U.S. Bureau of Labor Statistics, 1936), pp. 184–186, especially table 1, p. 184.

³ Groom, “From Model-T to Medicare,” p. 782.

⁴ Louise E. Howard, *Labour in agriculture—an international survey* (London, U.K.: Oxford University Press, 1935).

⁵ From 1947 to 1957, the annual average unemployment rate varied from a low of less than 3 percent in 1953 to a high of 5.9 percent in 1949, averaging about 4.2 percent over the period. (See “Databases, tables, & calculators by subject” (U.S. Bureau of Labor Statistics), https://data.bls.gov/timeseries/LNU04000000?years_option=all_years&periods_option=specific_periods&periods=Annual+Data.)

⁶ See Gerald Mayer, *Union membership trends in the United States* (Congressional Research Service, The Library of Congress, August 31, 2004), especially “Summary,” at beginning of document (no page number), http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1176&context=key_workplace.

⁷ “Ostensibly” because, as an apolitical agency, BLS does not prescribe policy. However, it is not precluded from *reporting on* theories or other matters that may have policy consequences.

⁸ See Mayer, *Union membership trends in the United States*, especially figure 1, “Union membership as a percent of employment, 1930–2003.”

⁹ Hammerman used the terms “Spanish American” and “American Indian,” both fallen into disuse today.

¹⁰ Like Hammerman before them, Ryscavage and Mellor used the term “Spanish American” to denote the ethnic group that we might today call Hispanics.

¹¹ Secondary markets are markets characterized by high turnover, low pay, and usually part-time or temporary work.

¹² *Shultz v. Wheaton Glass Co.* (C.A. 3, January 3, 1970), 421 F.2d 259.

¹³ *Ibid.*

¹⁴ See “30 leading occupations for employed women by selected characteristics (2013 annual averages),” *Leading occupations* (U.S. Department of Labor, Women’s Bureau).

¹⁵ See “Table of historical inflation rates by month and year,” *Historical inflation rates: 1914–2016* (San Antonio: Coinnews Media Group, January 20, 2016), <http://www.usinflationcalculator.com/inflation/historical-inflation-rates>.

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Would standardized job testing assist employers in hiring the right employee?

John C. Roach

In most cases, interviewing and hiring the employees who are best suited for particular jobs is the manager's responsibility. With time and experience, one would think that a manager would get better at identifying the candidate who is a good fit. However, this is often not the case, as managers may be biased or have poor judgment. Is it possible for a manager to be completely objective and leave personal preferences out when selecting an employee for the job?

Today, firms relying solely on interviews, resumes, and manager decisions to hire low-skill, service-sector workers have been catapulted into a sea of poor-quality workers—workers with short-lived job tenures. In an effort to improve the hiring process, some firms are now using job testing and workforce analytics to evaluate job applicants. Do managers who have standardized test results at their disposal make better hiring decisions than managers who rely only on the application and interview? Should a firm rely solely on the job testing method for the hiring process? A recent study suggests that, for low-skill service sector employers, the answer to both questions is an emphatic “Yes.”

In “[Discretion in hiring](#)” (National Bureau of Economic Research, Working Paper 21709, November 2015), Mitchell Hoffman, Lisa B. Kahn, and Danielle Li test the process of utilizing a job test and assess the value of managerial discretion in the hiring process.

The researchers conducted a study using data from an anonymous job-testing firm that provides online testing for 15 client firms who employ low-skill service sector employees. These tests were in the form of online questionnaires comprising a large battery of questions on technical skill, personality traits, cognitive skills, the applicant's suitability for the job, and different job scenarios. At the completion of the test, the job-testing firm identified the applicants whose responses matched those that have shown to produce successful employees in the past. Applicants were assigned a green–yellow–red color code associated with their scores. Green applicants scored highest on questions predictive of future workplace success, and red applicants scored lowest on such questions. This information was provided to the firms involved in the hiring process, and managers were encouraged to factor scores into hiring recommendations.

The data firms compared the traditional managerial hiring decisions relying only on managerial discretion with hiring decisions made using the job-test method scores. The authors found that increasing managerial discretion in hiring, by minimizing or ignoring job test scores, results in worse outcomes. This suggests that managers often hire using poor judgment and personal bias, resulting in poor quality workers, short job tenures, and agency problems. For the firms that relied most heavily on job test results to hire new employees, the researchers found workers with

higher scores who often made for better quality low-skill workers. Additionally, workers hired with job testing had about 15 percent longer tenures with each respective hiring firm.

In conclusion, testing from this research has shown that firms can improve hiring process and the quality of workers, resulting in longer-tenured employees, by relying on the job testing process. However, if the managers have access to other information that can provide valuable information on job applicants, firms may opt to use other methods to improve the hiring process and results.

New insights into callback likelihood for unemployed job applicants

Peter C. Fisk

You applied for a job but got no response. How come?

A recent study may help to answer that question. Henry S. Farber, Dan Silverman, and Till von Wachter conducted the research and reported their findings in “[Factors Determining Callbacks to Job Applications by the Unemployed: An Audit Study](#)” (National Bureau of Economic Research, Working Paper 21689, October 2015).

Their approach was to submit fictitious job applications in response to real posted openings, concentrating on three variable characteristics as possible factors in whether applicants received a callback: age, duration of unemployment, and whether the applicant had taken a lower-quality interim job. (Implicitly, the study’s definition of *unemployed* seems to differ from that used by the U.S. Bureau of Labor Statistics, which would classify interim job holders as employed.) The three variables under study were randomized among applicants. All applications were for administrative support jobs, and all applicants were women with substantial relevant work experience and 4 years of college education. The report includes examples of the résumés as an appendix.

Several key findings emerged. First, there was no relationship between unemployment duration and the callback rate. This contrasts with previous findings associating longer unemployment spells with lower callback rates and reduced likelihood of job finding. The authors thus surmise that the previously identified correlations don’t necessarily apply to all subgroups of the labor force. They also raise the possibility that the previously observed correlations might not be entirely attributable to a causal effect on employer behavior, but perhaps to other factors such as changes in the jobseeker’s search behavior as the period of unemployment lengthens.

Second, workers age 50 and over were significantly less likely to receive a callback than workers in their 30s and 40s, reinforcing previous observations of age discrimination in the U.S. labor market. Presumably, employers readily deduce an applicant’s approximate age from the dates of employment history and college graduation.

Third, applicants who had taken a low-level interim job were significantly less likely to receive a callback. This finding could have important implications for people weighing the potential costs and benefits of taking such a job to help make ends meet, or in deciding whether to mention an interim job on a résumé. The authors note that this negative effect of interim jobs on callback rates may be related to automated screening of résumés.

Observable characteristics, such as age or whether the applicant has an interim job, have less effect among employers who call back a higher percentage of applicants. The authors interpret this as an indication that when employers are more strongly motivated to hire, they are less selective with regard to the variables under study, and

that aggregate demand stimulus may therefore be an effective policy remedy to help boost hiring interest in job applicants who aren't currently receiving callbacks.

The researchers acknowledge that because they restricted their focus to work-experienced, college-educated women seeking administrative support jobs, the findings might be demonstrative of only this demographic subgroup, and not necessarily the labor force as a whole.

The Monthly Labor Review through a century of economic transformation

Editor's note: This essay is part of a series being published to help commemorate the Monthly Labor Review's centennial (July 1915–July 2015). The essays—written by eminent authorities and distinguished experts in a broad range of fields—cover a variety of topics pertinent to the Review and the work of the Bureau of Labor Statistics. Each essay is unique and comprises the words and opinion of the author. We've found these essays to be enlightening and inspirational. We hope you do as well.

When Royal Meeker, appointed Commissioner of Labor Statistics by President Woodrow Wilson in 1913, launched the *Monthly Review* in 1915, the world of work and the workforce looked dramatically different from what they look today.¹ I doubt that he could have ever imagined that the Industrial Age he had seen dawn would give way to the information economy and the rise of Apple, Google, and Microsoft. Not even science-fiction writers of his day would have imagined how robots, computers, and nanotechnologies would transform how work gets done and what is produced. At the time, agriculture was king, with 1 out of every 3 workers employed on farms. Today, it's about 2 out of every 100 workers, yet the United States leads the world in food exports. Paid vacation, sick days, pensions, and health insurance—all nonexistent a century ago—have become commonplace benefits enjoyed by workers. Child labor in the United States has largely disappeared, labor force participation rates among older workers have declined steadily, and women now account for nearly half of the workforce.

These are but a handful of the dramatic, and not readily predictable, transformations that the economy and workers have undergone since the *Review's* first appearance. The journal has been a faithful and trusted chronicler of these transformations and other emerging trends in the workplace and the workforce. It has a justly deserved reputation for presenting factual information on key aspects of this constantly changing environment. It should be applauded for a job well (even if somewhat dryly) done.

In the journal's 50th anniversary issue, 13 former Secretaries of Labor and experts in labor relations advised the *Review* to focus on the challenges posed by technology, on the role of unions and the nature of collective bargaining, and on the challenges faced by different groups in the workforce.² Plus ça change, plus c'est la même



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chose. I suspect that, over the next 50 years, the *Review* will continue to report on how technological change affects the way in which we do our jobs and what products are available. We will also need to know how workers get the skills and knowledge to fit into the new jobs being created. Globalization will interact with and accentuate the impacts of technology interacting with workers and companies in new ways. What happens in markets in one corner of the globe will have increasingly larger and faster ripple effects elsewhere. This will affect rates of job creation and destruction, alter mobility and tenure patterns, and change price and wage dynamics. The organization of work will also change, to fit the new technology and to accommodate the new workers. Whether unions continue to decline or not, workers will continue to seek mechanisms to exercise their individual and collective voices.

Technological change will continue to transform the *Review* itself. Over the past century, the journal went from a printed periodical with a monthly circulation of 8,000 copies to an online publication with 1.1 million monthly page views.³ I suspect that 50 years hence, the online version of the *Review* will also be relegated to the dust heap of history, perhaps replaced by some virtual reality or artificial intelligence format. Indeed, technological change will likely have profound impacts not only on how the Bureau of Labor Statistics (BLS) communicates with the public but also on how it gathers data to begin with. Web-scraped data, sensor data, satellite data, social media data, and administrative records offer a wealth of potentially useful information, with richer geographic and temporal variability, at a fraction of the cost of the traditional sample survey that has been the bread and butter of BLS. Harnessing and accurately using these new data will pose significant challenges. That said, I doubt that they will eliminate the need for an entity such as BLS or a communications platform like the *Review*. Although data are becoming more plentiful, their reliability is often suspect or unknown. The public, and policymakers, will want and need accurate, objective information on the performance of our economy, the nature of work, and worker outcomes.

SUGGESTED CITATION

Edward Montgomery, "The Monthly Labor Review through a century of economic transformation," *Monthly Labor Review*, U.S. Bureau of Labor Statistics, May 2016, <https://doi.org/10.21916/mlr.2016.23>.

NOTES

¹ For an interesting discussion of the history of the Bureau of Labor Statistics, see Joseph P. Goldberg and William T. Moye, *The first hundred years of the Bureau of Labor Statistics*, Bulletin 2235 (U.S. Bureau of Labor Statistics, September 1985), <https://www.bls.gov/opub/blsfirsthundredyears/>.

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