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MANPOWER POLICY AND PROGRAMMES IN THE UNITED STATES. REVIEWS  
OF MANPOWER AND SOCIAL POLICIES, 2.

ORGANISATION FOR ECONOMIC COOPERATION AND DEV.

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EXAMINERS APPOINTED BY THE ORGANISATION FOR ECONOMIC  
COOPERATION AND DEVELOPMENT (OECD) REPRESENTING THE  
INTERNATIONAL LABOUR OFFICE, CANADA, AND SWEDEN, VISITED THE  
UNITED STATES IN JANUARY 1963 TO STUDY THE COUNTRY'S MANPOWER  
POLICY, AND PREPARE A LIST OF QUESTIONS TO BE ADDRESSED TO  
THE UNITED STATES AUTHORITIES. THE EXAMINERS' REPORT AND A  
BACKGROUND REPORT SUBMITTED BY THE UNITED STATES AUTHORITIES  
WERE DISCUSSED AT A 1963 MEETING OF OECD'S MANPOWER AND  
SOCIAL AFFAIRS COMMITTEE, WHEN REPRESENTATIVES OF UNITED  
STATES GOVERNMENT AGENCIES REPLIED TO QUESTIONS RAISED BY THE  
EXAMINERS AND BY MEMBERS OF THE COMMITTEE. BOTH REPORTS AND  
THE EXAMINERS' QUESTIONS AND REPLIES BY THE UNITED STATES  
AUTHORITIES ARE INCLUDED IN THIS DOCUMENT, WITH ATTENTION  
GIVEN IN EACH TO (1) ECONOMIC GROWTH AND THE UNEMPLOYMENT  
PROBLEM, (2) TECHNOLOGICAL CHANGE AND ITS IMPLICATIONS, (3)  
EDUCATION AND TRAINING FOR ECONOMIC GROWTH, AND (4) THE  
EMPLOYMENT SERVICE AND MANPOWER POLICY. THE CONCLUSIONS OF  
THE MANPOWER AND SOCIAL AFFAIRS COMMITTEE ARE INCLUDED. (ET)



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# UNITED STATES

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**OECD**  
**reviews of manpower and social policies**

**2**

**manpower policy and  
programmes in the**

**UNITED STATES**

**ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT**

*The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention provides that the O.E.C.D. shall promote policies designed :*

- to achieve the highest sustainable economic growth and employment and rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy ;*
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development ;*
- to contribute to the expansion of world trade on a multi-lateral, non-discriminatory basis in accordance with international obligations.*

*The legal personality possessed by the Organisation for European Economic Co-operation continues in the O.E.C.D., which came into being on 30th September 1961.*

*The Members of O.E.C.D. are : Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.*

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## FOREWORD

When the Manpower and Social Affairs Committee set up its long term programme in March 1962, it decided to apply the country review procedure, which had proved so successful in other sectors of the Organisation, to the study of manpower and social policies.

The purpose of a country review is to focus attention on the manpower policy in a country in order either to stimulate action within the country itself or to report to other countries what is being done to deal with manpower and social issues in the particular country.

The review is undertaken in agreement with the country concerned. Two or three experts from other Member countries are appointed to visit the country to study the manpower policy or a particular aspect of it and to prepare a list of questions about it. These questions are answered by the representatives of the country and a full discussion of the subject takes place in the Manpower and Social Affairs Committee.

The first of these reviews was devoted to Sweden's labour market policy. The present review which deals with manpower trends, problems, programmes and policies in the United States is the second in the series. Examiners appointed by the O.E.C.D. were : Mr. B. Zoete-weij, Assistant Economic Adviser in the International Labour Office, Dr. W.R. Dymond, Assistant Deputy Minister, Canadian Department of Labour, and Mr. Nils Kellgren, Economic Adviser, Royal National Labour Market Board of Sweden.

The examiners visited the United States in January 1963 and prepared their report on the manpower policy of the country under conditions of rapid technological change, together with a list of questions to be addressed to the United States authorities.

The Examiners' report and the background report submitted by the United States Authorities were discussed at the 4th meeting of the Manpower and Social Affairs Committee from 12th-14th March 1963, when the Honorable John Henning, Under Secretary of Labour, Mr. Seymour Wolfbein, Director of the Office of Manpower, Automation and Training, Mr. Robert C. Goodwin, Administrator, Bureau of Employment Security and Mr. J. Simler of the Council of Economic Advisers, Executive Office of the President replied to questions raised by the examiners and by members of the Committee.

A full written reply to the examiners' questions was submitted later by the United States' authorities.

The Manpower Committee, at its 5th meeting in July 1963, agreed to the publication of the reports on the Examination of the United States. At its 6th meeting on 28th October, the Committee approved a statement on conclusions drawn from this examination which has also been included in this publication.

I

**MANPOWER AND SOCIAL AFFAIRS COMMITTEE  
CONCLUSIONS ON THE EXAMINATION  
OF MANPOWER POLICY IN THE UNITED STATES**

## I. INTRODUCTION

The Member countries of the Organisation for Economic Cooperation and Development have set themselves a collective 50 per cent growth target for the decade 1961-70. Because of the relative size of the United States the achievement of this collective objective will depend to a considerable extent on the growth of its economy during this period. The attainment of an adequate growth rate in the United States will depend, among other things, on the adoption of active manpower policies and programmes, their effective implementation, and the coordination of manpower and economic policies.

The Manpower and Social Affairs Committee has examined the manpower aspects of United States policy in this context. It has sought to take into account the special factors which distinguish the manpower situation in the United States from that of other countries: the sheer geographic size and diversity of the American economy, its Federal-State structure, its distinctive traditions, and the emphasis on voluntary action by the private parties in the labour market, all of which have considerable significance for U.S. manpower policies and programmes. Currently, the tasks of manpower policy in the United States are complicated by persistent non-utilisation and under-utilisation of manpower resources and an increase in its labour force. The problem is complicated by the fact that the American economy will be called to create millions of new jobs during the decade of the sixties to provide employment for vast numbers of new entrants into the labour force and offset the shrinkage in employment resulting from rising productivity. The advanced technology characteristic of the United States also results in rapid and pervasive technical changes that are having a marked impact on its labour market. These factors have been kept in mind in appraising the problems and results of American labour market policy and in anticipating new problems which may face other O.E.C.D. countries in the future.

Overall, it is our judgement that manpower practices and institutions to date have not been adequate for the United States to achieve in a sound fashion, its growth objective. This is a judgement, we note, which is now widely shared in the United States itself, with the result that it has embarked on a "more active manpower policy" as indicated in the President's first annual manpower report.

The goal of this manpower programme is the improvement of the availability, mobility and quality of the human resources within the framework of a free society, and the operation of economic policies

and measures which will help to assure full employment and economic growth. It involves not only the initiation, organisation, improvement and adequate financing of the separate services, but also a coordinated comprehensive effort and programme commensurate with the needs of the particular country.

The Committee sets forth the findings and conclusions of its examination of the United States manpower policy in the hope of stimulating constructive examination of these policies and programmes by the United States. We have drawn on the experiences of Member countries in suggesting possibilities for more intensive manpower programmes by the United States, not because policies of other countries can be automatically transferred and applied, but because we are hopeful that where we believe such action is suitable, the United States may find it useful to examine the suggestions of the Committee.

## II. MANPOWER CONSIDERATIONS IN BROAD ECONOMIC POLICY

The United States is committed to the full employment of its human resources. The continuing high level of unemployment in the United States points to deficiencies in overall demand in the American economy as well as structural maladjustments. Further improvements in labour market programmes in the United States can be expected to help unemployment, but full employment in the United States depends to an important degree upon increases on the demand side. American manpower authorities pointed to actions by the President and the Congress to raise the level of effective demand through tax reductions, changes in depreciation allowances, and a variety of other general and specialized economic measures for the purpose of attaining full employment and growth objectives. Additional measures now in effect (or being considered) aim to stimulate the rate of growth of lagging sectors and to reinforce steps taken to stimulate economic activity as a whole.

Increased coordination of manpower and economic policy and programmes has promoted wide acceptance of the critical role of manpower in the design of policies and the increased size of programmes affecting the labour force. An active manpower policy must take into account not only current problems but also future ones if it is to achieve optimum employment of human resources under changing technology and conditions of demand in the labour market. Thus there is a need to envisage underlying developments affecting the long-term balance of manpower resources and occupational requirements, especially with respect to educational and training implications. In the short-run, there is a continuing need to measure the effectiveness of current programmes, to identify deficiencies and gaps in existing programmes, to appraise the costs and benefits of alternative programmes, and to propose appropriate policies. Partic-

ular attention should be directed to specialized programmes for aiding the adjustment of members of the workforce and communities adversely affected by technological and economic changes which are raising the requirements for competitive participation in the economy.

National full-employment and growth policies can be pursued more vigorously, with less risk of inflationary pressures from labour shortages, or of subsidization of less-productive or declining employing establishments, where active labour market policies facilitate the movement and adaptability of the labour force to changes in demand. Manpower authorities have a special responsibility to keep the public and the parties on the labour market informed as to needs and opportunities for an active labour market policy and to make certain that, in the balance of public policies, the full employment objective is given the high priority it deserves for economic, political, and human interests.

### III. IMPROVING EFFECTIVENESS OF U.S. LABOUR MARKET INSTITUTIONS

The Committee believes there are considerable opportunities in the United States, as evidenced by continuing efforts of the American authorities to improve the effectiveness of labour market institutions and operations with respect to the training, placement, and utilization of the work force. The problems and their solutions involve not only the traditional functions of labour ministries, but also those of other authorities whose functions affect the training and use of manpower, and call for cooperative action on the part of the private parties on the labour market as well as the public authorities. The following findings and conclusions single out some of the important possibilities for further action by the United States, but are not exhaustive of the range of problems and policies touched upon in the course of the examination.

#### DEVELOPMENT OF NEEDED SKILLS

##### a) *Education*

The U.S. educational system has achieved an enviably high level of national educational attainment. Nevertheless, the rapid use of occupational requirements for skill and training, the markedly inadequate educational preparation of many groups to meet the demands of a changing technology, the high unemployment rate among the poorly-educated at the same time that there are labour shortages in various skilled categories, the serious proportion of "drop-outs" amongst school-age youth, all call for expansion, diversification, and improvement of educational opportunities. We endorse the current efforts in the United States to improve the availability and quality of education for both young people and adults, and to develop flexible programmes of academic and vocational study at

all levels of education, better-suited to individual and national needs in a rapidly-changing economic environment. Early action is required for significant potential economic values to be realized in this decade. These programmes will be of great interest to other countries as they enter into advanced stages of technology and as their ages of compulsory education are raised to American levels.

b) *Training*

As stressed in the Examiners' and the United States' reports, a significant proportion of unemployed manpower in the United States is characterized by underskill or inappropriate skill in relation to occupational requirements generated by continued technological advance. Legislative recognition has been given to this problem in the last two years through enactment of governmental programmes to provide needed training for unemployed and under-employed workers. We suggest the need for rapid extension of training systems based on this initial experience. Training programmes to provide for the unemployed for whom new jobs are not immediately available should be expanded; similar expansion should take place in the opportunities available for the employed, including even highly-skilled workers, to assist them in meeting new job demands.

c) *Apprenticeship*

As indicated by the reports made available to the Committee, apprenticeship programmes, which traditionally have been a major means favoured by labour and management for developing specialized skills in many trades, are yielding too few craftsmen. Expansion and strengthening of such programmes are required to prevent economic growth from being obstructed by shortages in these basic skills. It would also appear advantageous to make greater use of pre-apprenticeship programmes.

**STRENGTHENING THE PUBLIC EMPLOYMENT SERVICES**

The Federal-State system of employment services is, in the view of the American authorities, one of the principal instruments for administration of an active manpower programme. Although its functions have been expanded in recent years, the Committee believes the potentialities of the employment service have not yet been fully realized, and suggests strengthening its services in various respects.

a) *Broadened Placement Services*

Further expansion of services for recruitment and placement of workers is necessary in the United States, in the view of the Committee, so long as there remains a considerable volume of unfilled jobs despite a prevailing high level of unemployment; this is particularly im-

portant in the case of technicians and professional personnel, not only in local areas but also on a regional and national scale. In the absence of such expanded services, reduction of geographic and other imbalances in requirements and resources is needlessly tardy and haphazard. Employed persons should have access to and be encouraged to use these services to enable them to find jobs utilizing their fullest capacity. Special placement activities for groups encountering unusual difficulties in securing employment, such as young people, older persons, women, and the handicapped, are doing — and could do more — to promote their hiring. The placement services could well become the centre for integrating all the various aids and services provided for job-seekers and employers. Direct employment measures should be considered for groups capable of productive efforts but not gainfully employed. At the same time, recognition must be given to the minority position of the public placement services in the total of job placements, and encouragement and aid accordingly provided through guidance and counselling in the school systems and elsewhere to those who will be obtaining employment in other ways.

**b) *Mobility Aids***

Because workers ordinarily have to bear the costs of job changes involving geographic movement, labour is less mobile than would be advantageous, both to workers as individuals, and to the economy, in terms of the matching of labour needs and supply. A programme to aid the mobility of workers willing to undertake employment in other communities, with counsel and financial assistance, would help significantly in meeting changing geographic manpower requirements. On the other hand, information and counselling services must be adequate to discourage unrewarding movements and those for which receiving communities are not prepared. The Committee noted with interest the provision in the recently enacted Trade Expansion Act for relocation allowances to workers who lose jobs as a result of United States tariff cuts.

**c) *Open access to Job Opportunities***

The Committee noted the efforts reported by the American authorities to eliminate discrimination based on race, in the public employment services, in apprenticeship and the new training programmes, and in basic education. Such discrimination frustrates the aspirations of individuals, and is a gross waste of human resources and a drag on economic growth. The intensified and resourceful efforts to eliminate discrimination in education, training and employment, now being undertaken as a matter of the highest public policy in the United States, should yield immeasurable returns in human terms as well as in economic progress and manpower utilisation.

## **NECESSARY INFORMATION AND RESEARCH PROGRAMMES**

The United States system of collection and use of information on employment and unemployment, and its newer programmes of research, are excellent in many respects, but should be improved in major areas to provide informed bases for initiating new services, improving the effectiveness of labour market operations, recruiting for shortage occupations, and realizing better coordination between economic and manpower policies. The information programme should be constructed to enable private and public groups to anticipate changes in the labour market and to motivate them to take action to adjust to them.

The Committee attaches the highest importance to new efforts reported by the American authorities, to initiate a current series on job vacancies in sufficient occupational and labour market detail to be useful for operational purposes, although this is admittedly difficult to achieve in such a large country. Current information on total job vacancies is also indispensable for appraising the economic significance of unemployment at any time, whether it is frictional in character and consistent with full employment or whether it results to a large extent from lack of demand. The usefulness of vacancies data depends not only on the types and fineness of the breakdowns provided, but particularly on the length of the series available. Since in the latter respect, it seems unlikely that it would be possible to extend any newly-developed series very far back in time, the Committee recognizes that a new series would need to be interpreted with great caution for several years.

Similarly, the Committee notes the beginning of an "advance warning system" based on reports of impending layoffs resulting from technological innovations, and an experimental effort to use electronic communications equipment for facilitating inter-area placement. Considerable research of high quality is already being done in the United States in anticipating changing occupational, industrial, and geographic requirements for manpower, but the Committee believes further efforts are necessary to improve its reliability and detail in order to meet the need for such information for educational planning, vocational counselling and joint efforts by labour and management to adjust to technological change with minimum hardship or impediment to economic growth.

## **INCREASING EMPLOYMENT OPPORTUNITIES IN DEPRESSED AREAS**

Apart from general economic programmes to stimulate national manpower demand, specialized programmes to encourage local and regional development of employment opportunities can contribute notably to improved national use of manpower resources. It would be a mistake to rely exclusively on efforts to facilitate the movement of workers to jobs. A well-rounded manpower programme in the United

States requires efforts to bring jobs to workers, where this is economically feasible.

In recent years there has been an encouraging increase in the United States, in specialized legislation to aid community programmes for redevelopment of the economic and social structure of areas of inadequate employment opportunity, and to expand public works and modernize services in surplus-labour areas. The scope of these measures however, still appears too modest in relation to the size of the country, numbers of persons in the depressed areas, and the tremendous human, natural, private and public resources available in them.

#### **INCOME MAINTENANCE AND SOCIAL SERVICES**

The highly-developed unemployment insurance system in the United States is intended primarily to maintain workers' income and expenditures, in some reasonable relationship to the usual levels, during limited periods of unemployment. Even for these purposes, however, the benefits provided by these programmes are inadequate. The national sum of payments, which rise and fall with the level of economic activity, serves as a major, automatic stabilizer in the American economy. Its role, in this respect as well, would be strengthened if benefit levels were more adequate. Unemployment insurance also serves important functions, from employers' and workers' points of view, in preventing disorganization of the labour market during periods of heavy unemployment. More attention, however, might usefully be given to the question how the unemployment insurance system could be used constructively to encourage mobility and retraining of unemployed workers. Other social security programmes and social services might also be usefully examined in terms of their relationship to manpower policy objectives.

#### **EMPLOYMENT POLICIES IN THE PRIVATE SECTOR**

Recent developments in the United States have highlighted the problems which employers and unions face in adjusting to technological change. The Committee notes various instances of pioneering efforts by the partners in industry to find means for accommodating management's interests in continuing industrial innovation, and workers' interests in job security, as well as certain governmental efforts to facilitate these joint efforts without undue interference in the process of collective bargaining. The Committee believes traditional policies followed by employers and unions should be re-examined in the light of goals of public policy, and that constructive and mutually-satisfactory solutions by the parties will be facilitated by the success of public policies to achieve full employment and economic growth.

## **II**

**REPORT BY THE UNITED STATES'  
AUTHORITIES  
ON  
MANPOWER TRENDS, OUTLOOK  
AND PROGRAMMES  
IN THE UNITED STATES**

## INTRODUCTION

1. Growth and change have been the keynotes of American manpower throughout its history. Vast increases in the population and labour force, and changes in its composition and capacity to produce, have in large measure provided the source of America's national strength and the basis for its cultural and material riches.

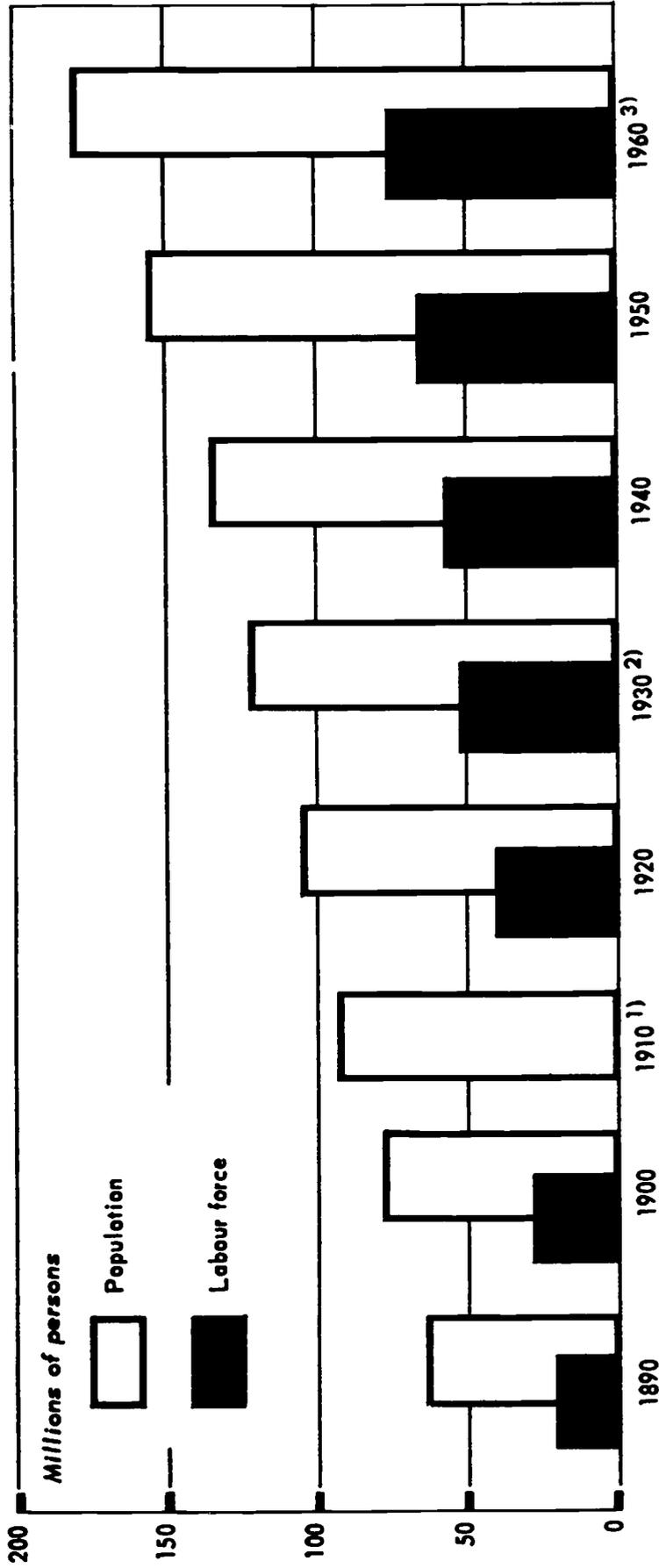
2. However, critical problems remain. Because so many are doing so well, there is a risk that the grievous burdens which still fall on a comparative few will be overlooked, and that the proportions of the problems emerging from the very fact of progress will be underestimated.

3. Although the population as a whole, and even many of the unemployed, enjoy a far higher standard of living than the workers of many other nations, too much of America's human resources are still wasted in idleness and underemployment with resulting hardship to individuals and loss to the Nation. During the past five years the United States has had an average of 6 per cent of her labour force totally idle, large numbers reduced to part-time work, and others underemployed because the growth of job opportunities was not enough to permit them to work at their highest level of training. Still others were not able to develop their natural potential to the fullest, for want of adequate educational opportunities or of concern for them as human beings. Many were denied their right to contribute or develop their skills because of racial and other discrimination.

4. During the past half century, the American population has doubled. In the past 20 years alone, there has been a gain of nearly 50 million persons. Moreover, the character of economic life has changed radically. For example, one of every three Americans lived on a farm a half century ago; today, only one in ten lives on a farm.

5. This growth and change continues. By the end of the present decade, the population may approach 210 million, a gain of 30 million over 1960. Continued large changes are expected in the character of the economy as agricultural employment declines further and as employment in other goods-producing industries assumes less relative importance to the total.

TOTAL POPULATION AND LABOUR FORCE, 1890-1960



1. Comparable labour force estimate not available.
  2. Data prior to 1930 are decennial census figures. Beginning 1930, labour force data are annual averages and population figures are estimates, including Armed Forces abroad, as of July 1 of each year.
  3. Includes Alaska and Hawaii.
- Sources : Social Science Research Council, U.S. Department of Commerce, and U.S. Department of Labor.

6. Growth and change in the United States have in the past increased the standard of living for large numbers of the population, and brought responsibilities to the Nation in world affairs, as well as obligations for defending the free world. The magnitude of future growth presents both a challenge and a difficulty. An unusually large number of children born during the postwar period will be reaching working age during the next few years. During the 1960's, approximately 26 million young workers will enter the labour force — 40 per cent more than during the 1950's. If America's economic growth matches its population growth, and if these youngsters are prepared to fill the jobs which will be open, then the United States can look forward to the rising standards of living that accompany full employment and prosperity. However, if there are frequent economic downturns and feeble recoveries, if there is inadequate education and training of the young persons entering the labour force, and if there is inadequate provision for helping in the adaptation which large numbers of the labour force will have to make, then America will face great difficulties both in meeting its domestic obligations and in maintaining its world leadership.

7. The American economy is vastly more complex today than it was a half-century ago. Industries and occupations unheard of only a few years ago are expanding dramatically, while other industries and occupations are declining. Workers who have spent a large part of their working life in an occupation have found themselves displaced, and unable to qualify for the new jobs which are being created. Generally, the new jobs have required higher levels of education and training so that workers have faced considerable problems in adapting to the changing job demands.

8. Moreover, there have been questions as to the adequacy of the rate of economic growth in the United States in the past few years. Both output and employment growth in the past 5 years have lagged as compared with the previous decade. As a result of this slackening of economic growth as well as an acceleration of shifts in the economic structure which added to the re-employment difficulties of displaced workers, unemployment has persisted at disturbingly high levels in recent years, averaging about 6 per cent overall in the five year period, 1958-62. Even discounting some portion of this as representing unavoidable frictional unemployment, the rate of idleness is still too high. In the report which follows, background information is presented on recent unemployment problems of the United States in a changing manpower situation, with a view towards illuminating the areas where the government can assist, with an active manpower policy conducted within the framework of a free and voluntarist society, the re-employment of idle workers and the adaptation of workers to changing job requirements.

## *Chapter I*

### RECENT MANPOWER TRENDS

1. Four million persons were unemployed on the average each month in 1962 — about  $5\frac{1}{2}$  per cent of the civilian labour force. This was the fifth consecutive year in which the annual unemployment rate averaged at least  $5\frac{1}{2}$  per cent.
2. Although employment in general has shown a substantial recovery from the recession low point in early 1961, there has been no significant reduction in unemployment since early 1962, and no significant gain in employment since mid-1962.
3. Employment increases continued in some industrial sectors during 1962 — especially in service, finance, and State and local governments. But employment in manufacturing, construction, mining and transportation (which together account for close to 45 per cent of employment in non-agricultural establishments) that year remained below pre-recession (1960) levels.
4. The employment and unemployment patterns of recent years have been influenced by the following major forces :
  - a) Between 1947 and 1962 real gross national product (excluding general government) increased by 67 per cent. About nine-tenths of this rise resulted from increases in productivity. During this period private employment increased by about 12 per cent, but man-hours only  $4\frac{1}{2}$  per cent. This reflected the fact that most of the increase in total employment from 1947 to 1962 was in part-time employment.
  - b) During the short period of the past five years, there have been two recessions in which the seasonally adjusted unemployment rate has approached or passed the 7 per cent mark. The unemployment rate rose to a peak of  $7\frac{1}{2}$  per cent in mid-1958 and recovered only to about 5 per cent for limited periods in 1959-60. Unemployment rose again to a peak of 7 per cent in the Spring of 1961, and hovered at about  $5\frac{1}{2}$  per cent throughout 1962.
  - c) In each recovery period following the three recessions in the past 10 years, unemployment has settled at a higher level.

Thus, the 4.3 per cent unemployment rate of 1955-57 was substantially above the 1951-53 rate of 3.1 per cent. Unemployment rates which fell no lower than 5 per cent for limited periods in 1959-60, continued the upward trend, and the 1962 rate of 5.6 per cent edged it up a bit further.

- d) The rise of unemployment in recent years has occurred very largely in long-term unemployment :

From 1957 to 1962 :

Total unemployment increased from 2.9 million to 4.0 million — up almost 40 per cent.

Long-term unemployment (15 weeks or over) rose by 100 per cent.

Very long-term unemployment (6 months or over) rose by almost 150 per cent.

5. These facts raise a number of questions, particularly in reference to financial hardships suffered by workers over periods of long unemployment even when assisted by unemployment compensation benefits. Moreover, they suggest the extent of erosion of workers' skills under the impact of long-term unemployment.

6. In addition, these figures indicate not only that the economy has not been completely successful in recent years in approaching a full utilisation of manpower resources, but that in fact, it may have been moving further away from that objective.

#### THE PATTERN OF EMPLOYMENT AND UNEMPLOYMENT, 1957-1962

7. Two factors appear to have been most closely associated with the rise in unemployment during the past five years :

- a) a decline in the rate of overall growth in output and employment, and
- b) an association of industrial and occupational employment shifts within the economy.

#### *Decline in Rate of Growth*

8. The overall rate of economic growth in the past five years was significantly below the rate of growth of the previous decade. From 1947 to 1957 the Nation's gross national product (in constant dollars) rose by 45 per cent, or at an annual rate of 3.8 per cent. During the past five years, however, the increase in G.N.P. has amounted to about 15 per cent or an annual rate of 2.9 per cent.

9. Similarly, the rate of job growth has slowed down significantly in the private sector of the economy. Between 1947 and 1957, employment in private non-farm industries increased yearly by an average of 700,000 jobs ; from 1957 to 1962 the annual increase in employment dropped to 175,000. Moreover, most of the increase in wage and

salary employment since 1957 has been due to a rise in the number of part-time jobs.

10. Most of the industries which provided employment increases in the first decade after World War II either slowed down or declined during the past five years. For the entire period since 1947, the industries of major job growth in the private economy were trade, contract construction, services and finance. But in both trade and construction the major expansion occurred before 1957; since then, employment growth in trade has slackened substantially and there has been an actual decline in construction employment.

11. Employment in the service industry has continued to expand during the past five years at about its previous rate. However, in finance, insurance and real estate, another industry of rapid growth, the rate of increase since 1957 has been somewhat slower.

12. Only in the public sector of the economy has there been an increase in the rate of employment growth since 1957 as compared with the previous decade. This growth has been overwhelmingly in State and local employment — largely in school systems. The average annual increase in State and local employment between 1947 and 1957 was about 4½ per cent, or about 185,000 jobs yearly; since 1957 employment in this sector has grown an average 4¾ per cent a year, or by about 285,000 jobs yearly.

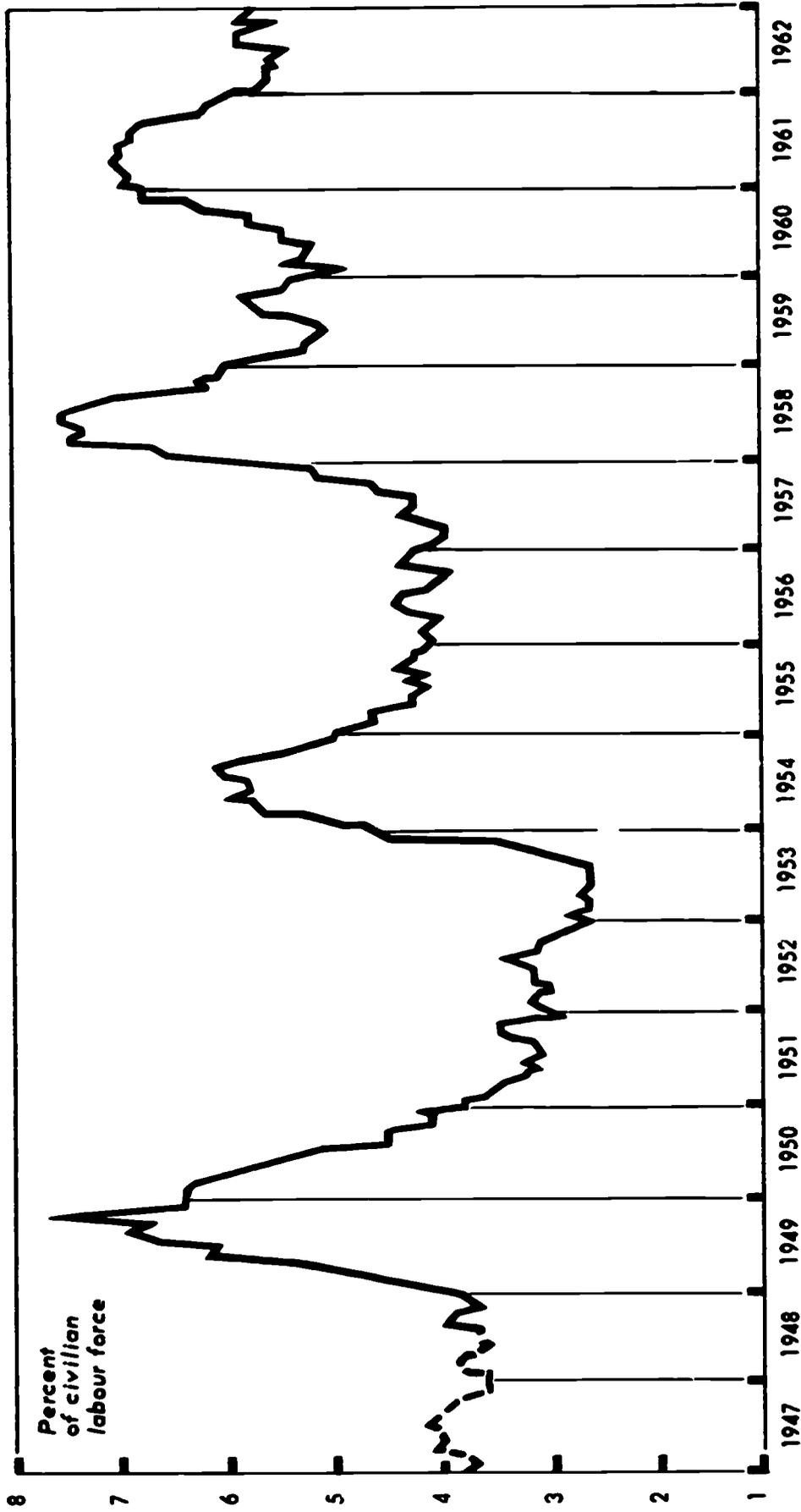
#### *Industrial and Occupational Shifts*

13. Occupational and industrial changes have been taking place which have increased the re-employment problems of displaced workers. These shifts have taken two forms. Along with the decline in the rate of over-all job growth, there has been in the past five years, a speed-up in the long-term shift away from the output of goods and towards more services. In addition, there has been a shift in employment towards relatively more skilled occupations.

#### *Shift from Goods to Services*

- a) The proportion of all workers in goods-producing industries (agriculture, mining, manufacturing, and construction) fell from 51 per cent in 1947 to 46 per cent in 1957, and to 42 per cent in 1962. The rate of decline in the last five years was about two-thirds greater than in the previous decade.
- b) By contrast, the service sector of the economy has increased its rate of employment growth because of the expansion in State and local governments, and the continued employment growth of service and (at a slower rate) finance, insurance, and real estate.
- c) Sharp increases in farm productivity throughout the postwar period have continued to stimulate one of the most important of

SEASONALLY ADJUSTED UNEMPLOYMENT RATE, 1947-62



the manpower shifts in the economy — out of agriculture and into non-agricultural jobs. During the past 15 years agricultural employment has declined at an average rate of 200,000 per year. From 8.3 million in 1947, the level has declined steadily to 5.2 million in 1962. This drop has been entirely among farmers and unpaid family helpers ; the number of paid farm workers remains roughly the same as in 1947. Thus, the shift from agriculture remains one of the major continuing structural adjustments in the labour market.

- d) Another significant employment trend of recent years has been the relative decline in manufacturing employment. Between 1937 and 1947, manufacturing payroll employment increased by almost 5 million or 44 per cent. In the following decade from 1947 to 1957, manufacturing industries added 1½ million new jobs, or an increase of 10 per cent. Since 1957, however, the number of workers in manufacturing has actually declined by close to half a million, or 2½ per cent. The net result is that over the last 15-year period, the proportion of non-farm payroll employment in manufacturing declined from 35 per cent to 30 per cent.

#### *Occupational Shifts*

- e) Along with the shift in composition of industrial employment has come a somewhat related occupational change with equally important implications. The trend from goods to service industries has had a counterpart in a shift from blue-collar to white-collar occupations. The past decade-and-a-half has seen an acceleration of the long-term trend of increase in the professional, managerial, clerical and sales occupations, at the expense of the manual occupations.
- f) An important example of this shift has occurred in manufacturing, where the number of production workers has declined significantly in recent years, while the number of non-production workers has continued to rise.
- g) In 1956, for the first time, the number of white-collar workers employed in the United States exceeded that of blue-collar workers. Employment of blue-collar or manual workers in 1962 was only slightly (3 per cent) above the level of 15 years earlier.
- h) But, equally significant, among both blue and white-collar occupations, rapid technological change has resulted in a shift away from unskilled jobs toward occupations requiring longer education and more intensive training. This is demonstrated by the fact that among the fastest growing occupational groups in the 1950's were professional, technical and kindred workers (among the most highly trained in the white-collar group).
- i) Among the blue-collar workers, almost all of the increase in employment in the past decade occurred among skilled craftsmen.

although even this group has been growing at a rate slower than the economy as a whole. The numbers of farm and non-farm labourers and semi-skilled workers combined, have actually declined in the past decade-and-a-half.

- j) Thus, virtually all the occupations providing expanding employment opportunities in the postwar years, have been those requiring relatively long periods of education and formal training. Many of the jobs requiring little or no training which were available in past decades to workers disemployed in contracting areas of the economy, are disappearing. As a result, technological change and the dynamics of economic growth are tending to result in longer periods of unemployment and higher unemployment rates for workers who do not have education and skills required by modern industry.

#### HOURS OF WORK

14. Despite relatively high unemployment rates and only modest increases in employment during 1962, the average work-week of 40.5 hours in non-agricultural industries reflected substantial amounts of overtime work. Within manufacturing, overtime work was evident in every industry group, even though gross weekly hours ranged from under 36 (in apparel) to 42 or more (in paper and transportation equipment — the latter reflecting a high rate of automobile output in 1962).

15. Among the broad industry groups, the average weekly hours worked by wage and salary workers ranged roughly between 39 and 43 hours. Workweeks averaging below 39 hours were common to the service industries, including education, entertainment and recreation. Comparatively long work-weeks were common in the transportation and mining industries.

16. In terms of occupations, the longest work-weeks among non-farm workers are usually registered by those groups having the lowest unemployment rates and the highest degree of education and training. In addition, an average of 50 hours a week was worked by farmers, farm managers, proprietors and non-farm managers in 1962. These groups include a high proportion of self-employed and supervisory personnel. The next longest average work-week (almost 42 hours) was recorded by professional workers and skilled craftsmen. At the other end of the scale, the unskilled groups such as non-farm labourers and service workers (excluding household service) tended to work the fewest hours.

17. Since the end of World War II, the average work-week in the total economy has tended to drift downwards, continuing its long-term decline. The reduction in hours has been effected mainly in non-manufacturing industries where work-weeks had been above 40

hours (as in railroads), rather than in industries where the work-week had already declined to or below 40 hours. In addition, some industries (notably trade) have scheduled shorter hours of work in order to accommodate housewives and other workers who can work only part-time.

18. In manufacturing, however, where standard work-weeks of 40 hours or less are already the general rule, there has been little apparent trend since 1947, at least in scheduled paid hours of work. Changes in factory worktime have occurred, but primarily from extensions of fringe benefits providing for paid vacations, holidays and leave. These changes have not been reflected in the measures of paid hours of work, and have generally affected the workyear rather than the work-week.

19. The benefits of increased output and increased productivity have in the past been enjoyed both in real income and in working conditions. In the past, while both the American work-week has been reduced dramatically and the real income of workers increased sharply, most of the increase in productivity has gone into higher real wages rather than into shorter hours of work. Further, during periods of high unemployment, efforts to "share the work" have led to a shortening of the scheduled work-week.

20. One of the by-products of the slow growth in job opportunities in recent years, has been a tendency to seek a shorter work-week as a solution. However, governmental authorities in the United States are of the opinion that an across-the-board, generalized reduction of hours would provide no panacea for unemployment and could well fail to achieve the purpose for which it was intended. On the other hand, little objection exists to a continuation of the historical function of collective bargaining in which the option of enjoying the fruits of increased productivity, whether in shorter hours or higher income, is a legitimate subject for negotiation.

## *Chapter 11*

### **A PROFILE OF UNEMPLOYMENT**

1. Some groups in the labour force are particularly hard hit by unemployment. Often, they are concentrated in a geographic area where industries have declined, leaving a chronically depressed labour market. Or, in any labour market, they may be disadvantaged by reason of age, colour, or lack of adequate training or education.

#### **YOUNG PERSONS**

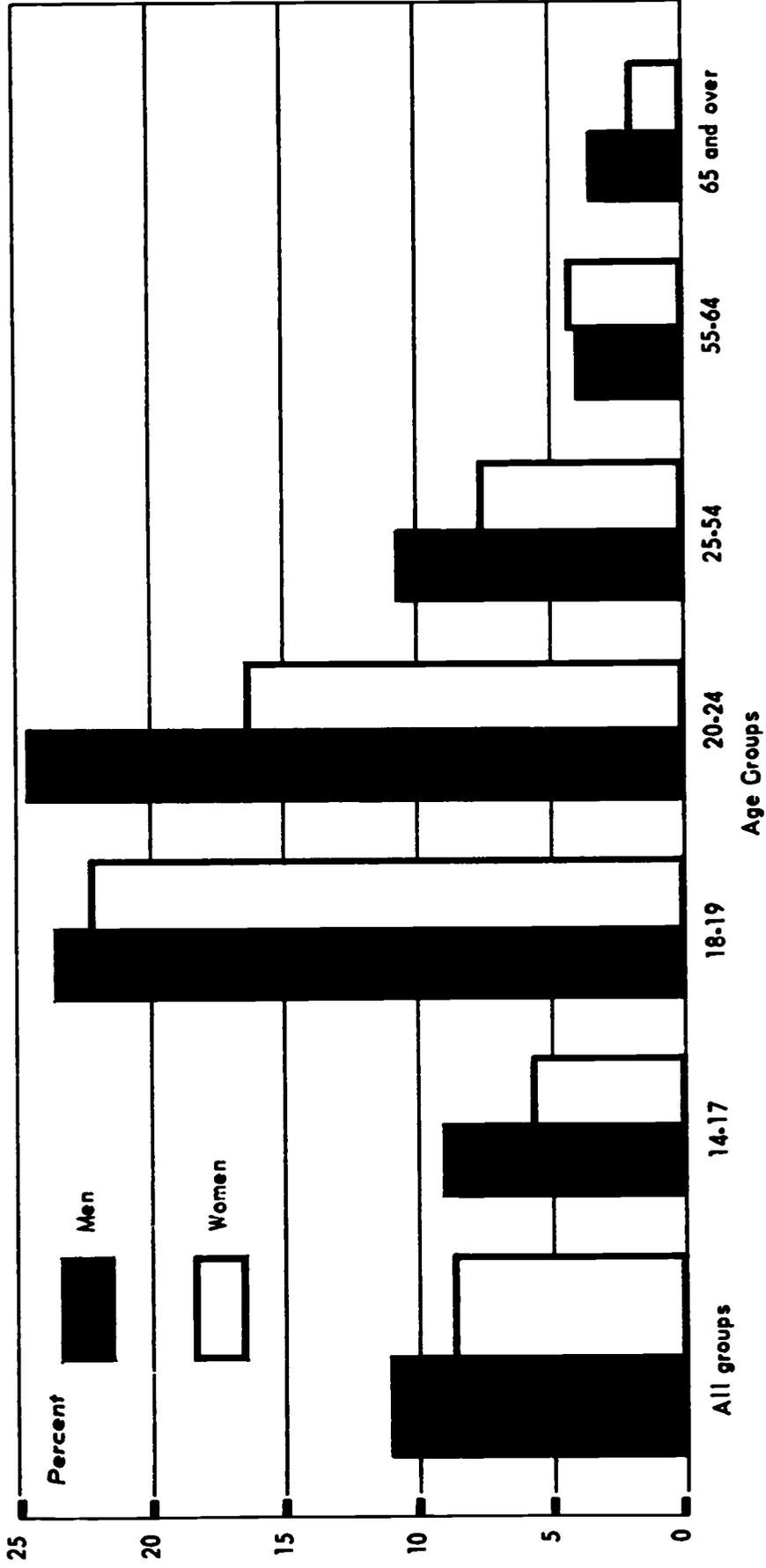
2. Unemployment has always been substantially higher among young persons than among adults. In 1962, for example, the unemployment rate for labour force members 14-19 years of age was about 13 per cent; for those in their early 20's the unemployment rate was 9 per cent, but for adults of 25 years and over it averaged somewhat over 5 per cent. Although they represent only one-fifth of the labour force, young persons under 25 total over a third of the unemployed.

3. There are some obvious reasons for the relatively higher rates of unemployment for these young people. In this group are included a very large proportion of new entrants into the labour market, and they frequently have a period of unemployment associated with "shopping around" for a job. They frequently hold part-time jobs which are sporadic and occasional. Young people also tend to change their jobs more frequently than older persons as they seek the "right" job. Moreover, starting out on their working careers, young people tend to be relatively vulnerable to the lay-offs because of lack of seniority and inexperience.

4. High rates of unemployment for young people have often been accepted as an inevitable byproduct of a free market economy. However, this problem has taken on increased urgency recently for several reasons.

a) Although unemployment rates have risen among all groups since 1957, the rise has been large in absolute terms among young persons. Particularly dramatic has been the sharp rise in the rate of long-term unemployment for young men and women in their early 20's. The rate of long-term unemployment has risen by about 50 per cent for the labour force as a whole in the past five years,

PERCENT OF PERSONS CHANGING JOBS, BY AGE AND SEX, 1961<sup>1</sup>



1. Persons 14 years of age and over who changed jobs, as a percent of those who worked in 1961.

but for the 20-24 year olds this rate increased by more than 100 per cent.

- b) A tremendous surge of new young workers — 26 million in all — will be entering the labour force in the next years, the result of the high birth rates of the immediate post-World War II years — putting additional pressure on the labour market.
- c) There has been an acceleration in recent years of the relative decline in the number of unskilled and semi-skilled jobs which usually provide first employment opportunities for new young workers.
- d) There has been increased recognition that there is nothing “inevitable” about high rates of unemployment for young people. In other free market economies such as Great Britain, the rate of unemployment for youngsters appears to be no higher than for adults. Intensive studies of foreign labour markets have shown that adequate programmes for vocational guidance, training and placement of youth can be keys to a lower unemployment rate.

#### **DROP-OUTS**

5. Although the rate of unemployment is high among all young people, it is far higher for youngsters who dropped out of school before graduating than for the high school graduate. Dropouts differ considerably from high school graduates ; a greater proportion were men, were non-whites, and were in farm areas.

6. But the most dramatic of the differences is economic — 37 per cent of the drop-outs who left school in 1961 were unemployed in October, as compared with 18 per cent of the high school graduates.

7. Rates of unemployment for both drop-outs and graduates decline as they grow older and obtain more job experience. However, school dropouts are not able to overcome many of their disadvantages and continue to suffer from considerably more unemployment than graduates. Those who dropped out of school in 1959 had a rate of unemployment in October 1961, twice as high as that for the high school graduates of 1959. Altogether, a total of 500,000 drop-outs 16 to 24 years of age were unemployed in October 1961, accounting for about one-half of all persons in these ages who were unemployed and out of school. They accounted for about 13 per cent of all unemployed persons.

8. Even when they find employment, school drop-outs obtain much less desirable jobs than those held by high school graduates. In October 1961, one year after attending school, some 45 per cent of drop-outs were employed as labourers as compared with 19 per cent of graduates. Conversely, 41 per cent of graduates were employed in clerical occupations as compared with 11 per cent of drop-outs.

#### OLDER WORKERS

9. The unemployment problem facing the older worker is often rooted in the obsolescence of his skills in a rapidly changing economy. Moreover, his problem is often complicated by lack of mobility.

10. The incidence of unemployment is higher for those past age 55 than among younger men. In 1962, for example, men 55 to 69 years of age had an unemployment rate of 4.7 per cent, while men 30 to 54 years had a rate of 3.8 per cent.

11. Unemployment rates for men 55 years of age and over in the labour force, have generally shown less tendency to rise during a recession. On the other hand, they have taken longer to recover. These men are better protected by seniority against layoff but once they lose a job, they face more serious difficulties in finding another. In the 1961 recovery, the unemployment rate for men 55 to 64 actually continued to rise well after the bottom of the recession had been reached.

12. Unemployment tends to be of longer duration as workers advance in years. Among the total unemployed, some 3 out of 10 had been seeking work 15 weeks or longer. This ratio was slightly less than 2 out of 10 for teenagers, but almost 4 out of 10 for those 45 to 64 years of age, and almost 5 out of 10 for the 65 or older group. Those unemployed 27 or more weeks follow a similar trend.

#### NON-WHITE WORKERS

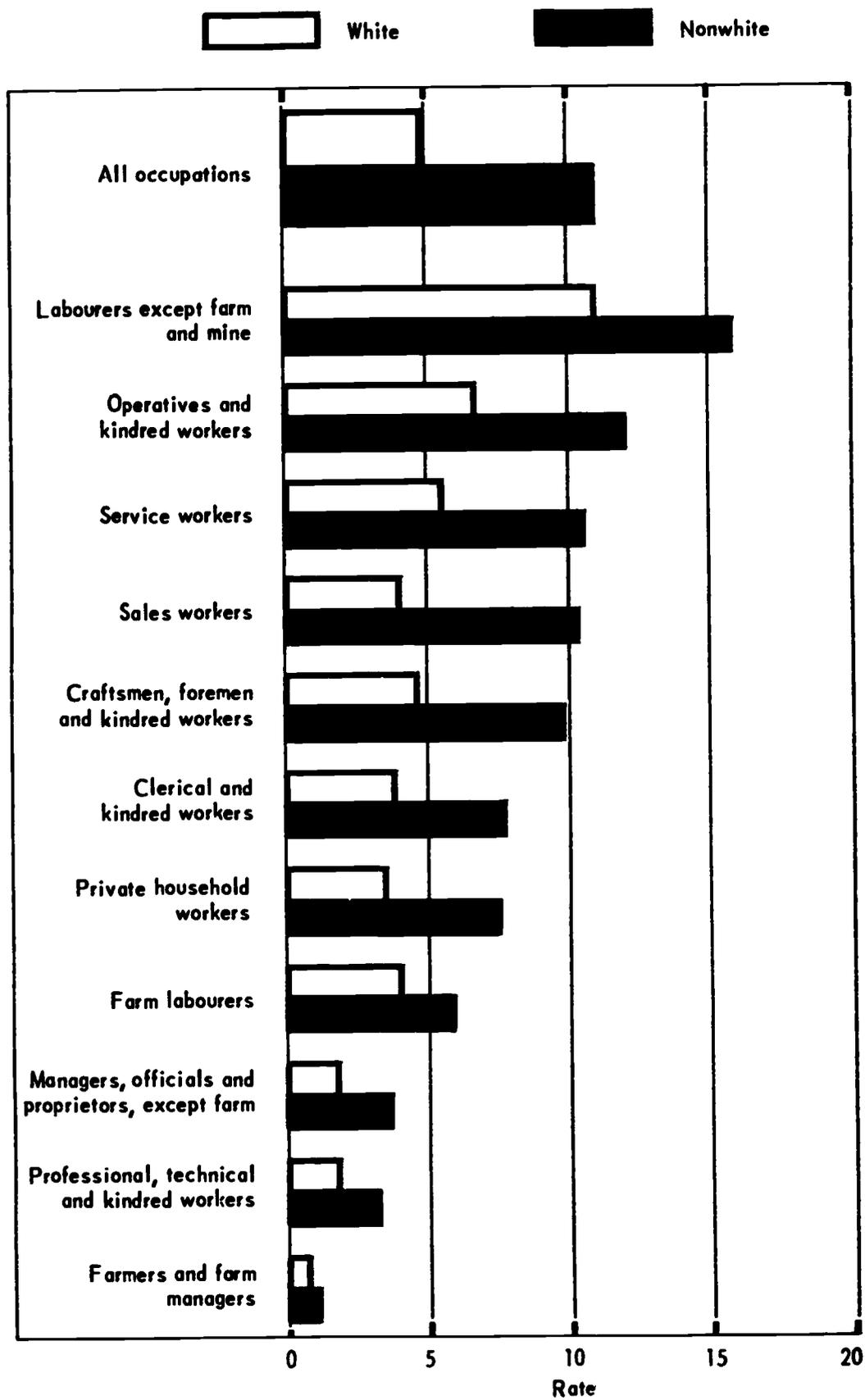
13. Throughout the postwar period, the incidence of unemployment has been much heavier among non-white than among white workers. In 1962, non-whites (mainly Negroes) made up 11 per cent of the civilian labour force, but 22 per cent of the unemployed. More than one in ten was unemployed in 1962 — an unemployed rate over twice that of white workers. Moreover, the gap in white and non-white unemployment rates has increased since 1957.

14. All youngsters have high unemployment rates. But non-white teenagers have among the highest unemployment rates of any age group in the labour force. In 1962, the unemployment rate for non-white boys 14-19 years of age stood at 21 per cent, for girls at 28 per cent. The comparable figure for white boys and girls was 12 per cent.

15. Despite some increase in occupational opportunities since World War II, non-white workers were still concentrated in relatively un-skilled work — farm and non-farm labour, domestic service — and in semi-skilled production jobs. These are also the occupational groups where unemployment rates are highest.

16. If the occupational distribution of whites and non-whites in the labour force were identical, it has been estimated that the dif-

UNEMPLOYMENT RATES BY COLOUR AND OCCUPATIONS, 1962



ference in the overall rate of unemployment would be cut in half. The remaining difference reflects the fact that non-white workers have higher unemployment rates than white workers in the same occupation group.

17. Unemployment spells also tend to last longer among non-white than among white workers. For example, on the average in 1962, about one-third of all jobless non-white workers had been out of work 15 weeks or longer; the comparable figure for unemployed white workers was 27 per cent. Non-white workers, who represented 11 per cent of the labour force, and 22 per cent of the unemployed, accounted for 26 per cent of the long-term unemployed.

18. During postwar recessions, unemployment rose by about the same relative amount among both white and non-white workers from the pre-recession level to the trough. During the recovery periods, however, there appears to have been a definite lag in the recovery of unemployed rates among non-whites, both in the overall rate of unemployment, and in the extent of long-term unemployment. For non-white workers, the recovery not only came later; it was also less vigorous. Thus the result has been to widen the white and non-white disparity in unemployment in recent years. Although the non-white worker may not be the first to be laid off, it appears that once he loses his job, he is less likely to be recalled or to find another.

#### UNSKILLED WORKERS

19. Virtually every study concerned with employment and unemployment conditions points up the importance of skill, training, and education in the labour market. In the groups discussed — the young worker, the older worker, the non-white worker, — the absence of needed occupational skills looms large in their employment difficulties. The highest unemployment rates among major non-farm occupation groups in the postwar period have been recorded by non-farm labourers, operatives (largely semi-skilled production workers in manufacturing and machine operators in other industries) and service workers (not including professional or domestic service workers), all relatively unskilled groups.

20. At the other end of the scale, unemployment rates are extremely low among professional and technical workers, and among managers, officials, and proprietors.

21. There is a strong relationship between education, occupation and unemployment. With each step up the educational and occupational ladder, the rate of unemployment shows a significant drop. In March 1959 (the latest data for which figures are available) unemployment rates ranged from 10 per cent for those who did not complete their elementary school education to under 2 per cent for college graduates.

#### INDUSTRIES OF HIGH UNEMPLOYMENT

22. High rates of unemployment are of course not solely the result of insufficient skill and training. Unemployment is also high among both skilled and unskilled workers in industries where employment is highly seasonal or irregular for other reasons, in industries which are particularly sensitive to the business cycle, and in industries which are subject to secular declines in production and employment. Of course, within a given industry, the skilled worker is less likely to be laid off than the less skilled.

23. Construction is a prime example of an industry where workers are subject to a high risk of unemployment. In 1962, their unemployment rate was 12 per cent; more than twice that for all workers. Construction is subject to sharp seasonal fluctuations; it is an activity characterized by short-term projects and loose attachments between employers and employees; and construction employment tends to vary sharply with the business cycle.

24. Unemployment also tends to run high in agriculture among paid workers, largely because their work is seasonal, subject to disruptions due to bad weather. And, of course, employment opportunities have been declining over the long run in agriculture.

25. The rate of unemployment among mine workers has been higher than the overall average rate in each of the last 14 years. This industry, too, has been subject to a long-term reduction in jobs because of mechanization and competition from other products. Long-term unemployment has always been especially high among mine workers who lose their jobs, since mining communities tend to offer little in the way of alternative employment opportunities.

26. Within manufacturing, there is considerable variation in the extent of unemployment by industry and also from year to year, depending on the business cycle. Probably the most important manufacturing industry with a high risk of unemployment is the automobile industry; it responds very sharply to declines in general business conditions, and also to fluctuations of its own. In 1961, unemployment averaged over 14 per cent, going as high as 27 per cent in some months. The industry is also subject to some seasonal unemployment, as during the fall plants are shut down for short periods for model changeover.

27. The highest percentage increase in unemployment rates from 1957 to 1962 occurred in trade and finance. However, the unemployment rate in finance, at 3 per cent, remains among the lowest of all industries.

#### THE LOCATION OF UNEMPLOYMENT

28. The impact of unemployment is felt unevenly not only by different groups in the population and by occupations and industries,

but also by different communities. In December 1962, for example, 41 of the 150 major labour market areas regularly classified by the Department of Labor were listed as having relatively substantial unemployment. Thus, the incidence of joblessness was substantially above the national average in over a quarter of the major labour market areas.

29. Many of the 41 major areas with substantial unemployment have had persistent unemployment problems for several years; in some instances these areas have been characterized by high unemployment levels for over a decade, both in periods of overall national prosperity as well as during recessions. Chronic higher-than-average unemployment in these and in many smaller areas throughout the Nation is directly related to factors such as the shutdown of obsolete plants, the transfer of important local industries to other areas, changes in consumer demand, changes in technology, or the depletion or exhaustion of natural resources. Local employment cutbacks arising out of these developments have been particularly severe in coal mining, textile, steel, auto and machinery centres.

30. The major areas of persistent unemployment are located in seven different States and in Puerto Rico. In virtually all of these areas, the high level of unemployment is related to either a major decline or virtual disappearance of the area's major industry or industries.

### *Chapter III*

## THE MANPOWER OUTLOOK

1. An unprecedented growth in the labour force is in prospect for the United States during the 1960's. In terms of numbers, this will provide one essential element required for rapid rates of national economic growth.
2. By the same token, jobs must be created in the 1960's in numbers greater than ever before in our history, to provide employment for the ever-increasing number of workers available.
3. In aggregate terms, 13 million more jobs will need to be created by 1970 to provide for labour force growth alone. In addition, if we assume no more than a continuation of the postwar rate of increase in productivity, employment opportunities equivalent to over two million jobs per year will be needed to offset advances in technology.
4. These are formidable tasks. But these overall figures do not fully define the size and complexity of the tasks. The changing pattern of labour force growth and shifting manpower requirement in industries and occupations associated with a dynamic economy, must all be examined to give full dimension to the problems associated with our manpower future.

#### LABOUR FORCE GROWTH

5. Probably the most significant factor in determining labour force trends is the rate of growth of population. The population increase in the decade ahead is expected to be about the same as the growth during the 1950's, but the rate of growth for different age groups will vary substantially.
6. During the last decade there was actually more of an increase in the number of persons under 14 years of age (15 million) than in the much larger population of 14 years and over (14 million). As a result, labour force growth is expected to be substantially greater in the present decade than in the 1950's. Thus, whereas the annual rate of labour force growth during the previous decade averaged about 800,000 a year, it is expected to average closer to a million and a quarter a year during the 1960's.

7. The most dramatic change will occur in the age group 14 to 24, as the large number of youngsters born during the postwar baby boom begin to reach working age. Between 1950 and 1960 the labour force aged 14-24 increased by under 400,000 ; between 1960 and 1970 this group is expected to increase by over 6 million.

8. In the age groups above 25, population changes will be much less marked up to 1970. In fact, the 34-44 year-old group will even decrease in number by about 5 per cent from 1960-1970, reflecting a drop in births in the depression years of the 1930's.

9. Although the population in the older ages is expected to increase substantially during the 1960's, the effect on the labour force will be entirely offset by declining rates of labour force participation by older men, because of increased availability of public and private pension benefits.

10. These labour force trends have many important implications. The number of young workers who will enter the labour force between 1960 and 1970 (26 million) is far greater than any which the country has ever had to educate, train and absorb into employment in any comparable length of time. The sheer size of the group is certain to mean increased competition for jobs, especially for the kinds of jobs in which young people normally find employment. The need for good educational preparation and occupational training for these youngsters will, moreover, be intensified by rising educational requirements for many kinds of work and the narrowing of opportunities for employment in the less-skilled jobs.

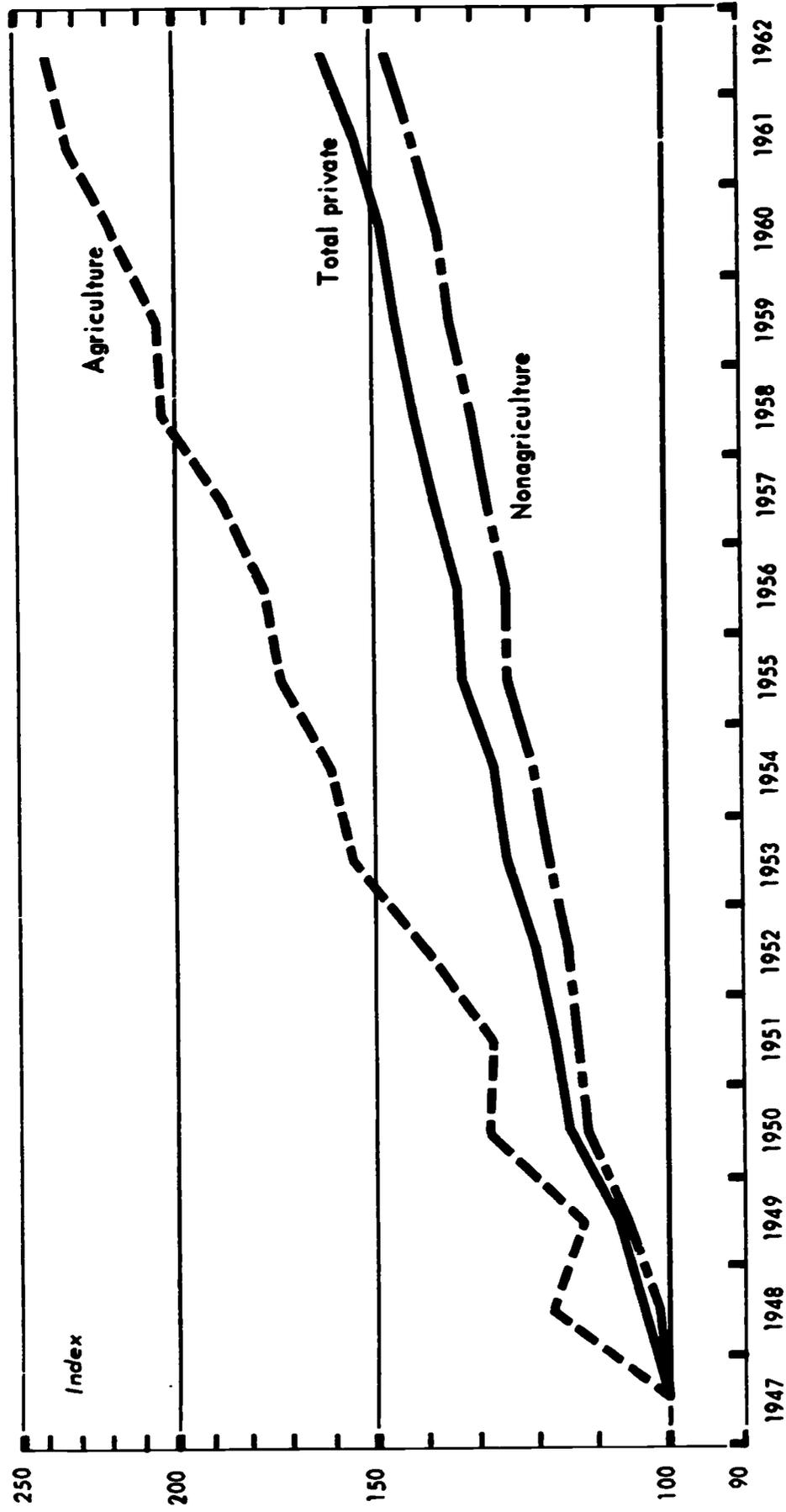
11. Estimates indicate that as many as 30 per cent of the young people beginning work in the 1960's — 7½ million out of the expected 26 million — may not even complete high school. Under the circumstances of increased competition and rising educational requirements for employment in expanding industries and occupations, these youngsters are likely to have an extremely difficult period of adjustment to the labour market, and to face long periods of unemployment or under-employment in a changing economy.

#### **EMPLOYMENT IMPACT OF PRODUCTIVITY TRENDS**

12. Productivity has risen in the United States since World War II at a rate somewhat above the long-term trend of the past half century. From 1947 to 1962 output per man-hour for all workers in the private economy increased at a rate equivalent to 3 per cent per year. In comparison, over the past half century, the average annual gain has been 2.4 per cent.

13. Long-term productivity gains stem from such basic factors as advances in technology and its application, improvements in the education and training of labour force, and increases in capital

INDEXES OF OUTPUT PER MAN-HOUR : TOTAL PRIVATE, AGRICULTURE AND NONAGRICULTURE, 1947-62  
 MAN-HOUR ESTIMATES BASED PRIMARILY ON ESTABLISHMENT DATA



investment. In the short-run, however, other factors may hold sway. During the early postwar years, productivity increases were associated with relatively rapid increases in overall levels of output. A decline in the rate of productivity increase after 1954 occurred concurrently with a drop in the rate of growth of output, but was not as sharp. The failure of the economy to achieve full utilization of production capacity in recent years appears to be a relevant factor.

14. The postwar period has witnessed an impressive increase in technological innovations in American industry which have helped to affect profoundly the employment structure of the economy. Many of the technological innovations reflect previous investment in research and development activities. Expenditure for research and development rose from slightly over \$5 billion in 1953-54, the first year for which figures are available, to \$14 billion in 1960-61.

15. The extremely high levels of investment in these activities in the past few years are sure to have great implications for technology and productivity changes — and thus for employment — in coming years, especially with an increase in the rate of national output and more complete use of available capacity.

#### INDUSTRIAL EMPLOYMENT OUTLOOK

16. Manpower projections for the next decade indicate continued significant changes in the industrial distribution of employment, under the impact of a variety of factors.

17. Agriculture is expected to continue its trend of employment decline under the impact of rising productivity. There will be a continued decline in the number of farms, particularly small low-income units, which will result in a substantial decrease in the number of farmers. As a result, agricultural employment is expected to drop at an average rate of 150,000 a year during the decade of the 1960's. Thus, not only will there be no employment opportunities in the farm sector of the economy, but farmers will continue to move into non-farm jobs at about the current rate.

18. Under conditions of full employment among non-agricultural industries, those furnishing services are expected to continue to show a much more rapid rate of growth in employment than those producing goods. Wage and salary employment in service industries (mainly trade, finance, State and local government and other services) may increase by almost 30 per cent during this decade. On the other hand, most goods producing industries are expected to increase only moderately.

19. In summary, the service sectors of the economy will be employing larger and larger proportions of the labour force, and their requirements will be mainly for skilled, well-educated workers.

20. Within manufacturing, where only a comparatively modest growth is anticipated in the next decade, employment trends will differ significantly, with substantial employment growth indicated in technical and scientific industries. Within manufacturing as a whole, the major employment increases will continue to be among white-collar workers — professional, administrative, clerical and sales.

#### OCCUPATIONAL OUTLOOK

21. Reflecting the growth in the service components of the economy and in the production of relatively complex technical products, the fastest growing occupations during the next decade will be the professional and technical positions, especially engineers, scientists and technicians, and the white-collar clerical and sales occupations. Among manual occupations, only the most skilled groups (craftsmen, foremen, etc.) will expand at a rate at least as rapid as total employment. The number of semi-skilled jobs is expected to increase at two-thirds the rate of growth of total employment, and the number of unskilled jobs will remain about the same, continuing their long-term relative decline.

22. Thus, virtually all of the industry and occupation trends foreseeable for the next decade or more, underline the need for increased education for all young people entering the labour force. In addition, these trends underline the need for programmes of retraining to meet the needs of everchanging industrial and technological progress.

## *Chapter IV*

### EDUCATION AND TRAINING

1. The growing need for a well-trained, well-educated labour force, accompanied as it has been by a rising standard of living, has brought about a notable advance in the educational levels of persons in the labour force. Between 1940 and 1959, the median years of school completed for the labour force as a whole lengthened from 9 to 12 years. The percentage of workers who had graduated from high school rose from 32 to 51 per cent and the number of college graduates rose from 5.7 to 9.7 per cent.

#### YOUNG WORKERS

2. As might be expected where the length of schooling is steadily increasing, the educational attainment of the younger workers, those in the 18-34 year age group, is higher than that of the labour force as a whole. In 1959, 62 per cent of the younger workers had graduated from high school and more than 10 per cent from college. Among these younger workers, the educational level of white urban workers significantly exceeded that of the non-white and rural groups.

3. Despite the general improvement in the educational preparation of young workers, large numbers enter the labour force without having completed their high school education and without any of the requisite skills that are currently in demand and for which demand will grow in the future. In recent years, a tenth of the pupils entering school left before finishing their 9th year. Almost a third of those reaching the 9th grade did not complete their high school education. If there is a continuation of the current pattern of school dropouts, about 7.5 million young workers in the next decade will enter the labour market without completing high school and 2.5 million will have less than eight years of school attendance.

4. The unemployment rate for school "dropouts" is much higher (in October 1961, 50 per cent higher), their earnings lower and their opportunities much more limited than for young workers who have received high school diplomas. Public attention has focussed on the dropouts because the declining percentage of unskilled jobs available

in the economy limits the employment opportunities for this group. They have also been forced to take jobs with low earnings and suffer frequent and long periods of unemployment.

5. Tests indicate that many of the "dropouts" have the capacity to complete their high school studies. American public policy is directed towards re-education of the number of school dropouts and to the training of those who have already left school. A major campaign has been initiated in the past few years by Governmental and private agencies for these purposes, and various approaches are being explored to make the educational process meaningful and attractive to potential dropouts and to those who have already quit school, so that they will continue or resume their education.

6. Some studies have indicated that, although economic considerations are a factor in school dropouts, basic psychological maladjustment, poor school attendance, school failures, a lack of cultural background and a lack of counselling are of major significance.

#### RECENT TRENDS

7. The relative numbers of workers who are college graduates have risen especially fast in the past 10 years — from 7.9 per cent in 1952 to 11 per cent in 1962, for those 18 years old and over. This population includes a number of workers who have not yet completed their formal education. The increase in the proportion that has completed high school is also noteworthy; this proportion rose from 42.8 to 55.8 per cent over the past decade, a gain of more than 25 per cent. At the lower end of the educational ladder, the proportion of workers with less than 5 years of school fell from 7.3 to 4.6 per cent. But this 4.6 per cent of the labour force represents 3.1 million men and women workers, all of whom had less than the 5 years of schooling generally regarded as the minimum for "vocational literacy" in the present-day economic and technological world.

8. An interesting development in the past decade is that men, who previously lagged behind their women co-workers in years of school completed, have been rapidly overtaking them. In 1952, the median years of school completed was 10.4 for men workers and 12.0 for women — a difference of 1.6 years. By 1962, this difference had practically disappeared, with the median for men at 12.0 years and that for women at 12.2 years. The most striking educational gain recorded for men, as compared to women workers, was in the proportion completing four or more years of college.

9. The persistent differences between white and non-white workers in educational attainment have also been drastically reduced in recent years. In the past decade, the proportion of non-white workers who had completed high school rose very sharply — from 17 to 32 per cent. The corresponding increase for white workers was much less rapid

— from 46 to 57 per cent. At the same time, the proportion of non-white workers who had completed 8 years of school or less fell from 65 to 45 per cent.

10. The improvement in educational attainment has extended, in greater or lesser degree, to both men and women workers in every age group from the youngest to the oldest. It has been much more pronounced in some groups than others, however. Though the educational level of the younger women workers (18 to 34 years old) rose only slightly during the past decade, the corresponding increase among the younger male workers was substantial. Furthermore, the largest relative gain in the educational level for any age-sex group in the civilian labour force was registered for men 35 to 44 years old — many of them veterans of World War II, who reaped great educational benefits from the G.I. bill.

11. Gains in educational attainment have also extended to workers in many different occupational groups. In a variety of occupations, relatively high levels of education are now the rule, though there are, of course, wide differences in education among occupational groups — as shown in the following tabulation of average years of school completed as of March 1962 :

<i>Occupational group</i>	<i>Average years of schooling</i>
Professional, technical, and kindred workers .....	16.2
Managers, officials, and proprietors, except farm .....	12.5
Clerical and kindred workers .....	12.5
Sales workers .....	12.5
Craftsmen, foremen, and kindred workers .....	11.2
Operatives and kindred workers .....	10.1
Private household workers .....	8.7
Other service workers .....	10.8
Labourers, except farm and mine .....	8.9
Farmers and farm managers .....	8.8
Farm labourers and foremen .....	8.5

12. Though the professional and technical workers group includes many people in occupations — such as technician, actor, or musician — for which college graduation is not normally required, the average educational preparation of this group now exceeds 4 years of college. For proprietors and salaried managers and officials, and also clerical and sales workers, some post-high-school is now common. Skilled workers average slightly over 3 years of high school, with operatives and service workers not far behind in educational attainment. Only for farm workers, labourers, and private household workers is an eighth grade education still the average level of schooling. These findings — coupled with the expectation of rapidly expanding man-

power demand in professional and other high-level occupations and of narrowing opportunities for the unskilled — are among the many strands of evidence pointing toward the economic importance of increased educational preparation for employment.

#### FUTURE NEEDS

13. Although educational attainment and opportunities are comparatively high in the United States (of every ten youngsters now in American grade schools, seven will earn a high school diploma, four will complete at least two years of college, and two will be graduated from college. Opportunities for education in most other countries are generally much more severely restricted, college education being generally limited to an elite few) — the needs of the economy will require still higher levels of education in the future. This will reflect the much greater expansion of those occupations which require the highest degree of education and training. For example, professional and technical occupations are expected to increase by 45 per cent between 1960 and 1970 (versus 20 per cent for total employment); the education of workers in these occupations at present represents an average of more than 16 years of schooling and even more schooling is likely to be required in the future.

14. One of the serious deficiencies in the educational structure is the field of vocational education. Although many fine vocational education systems are in operation in the United States, the quality and availability of vocational education as a whole is very uneven. A recent Presidential panel of consultants reported that vocational education is not available in enough schools, particularly in smaller areas. Consequently, vocational education is not available to all who need it and is not preparing enough persons for jobs.

15. The panel recommended an agenda for action, which provides that in a changing world of work, vocational education must :

- Offer training opportunities to the 21 million non-college graduates who will enter the labour market in the 1960's.
- Provide training or retraining for the millions of workers whose skills and technical knowledge must be updated, as well as those whose jobs will disappear due to automation or economic change.
- Meet the critical need for highly skilled craftsmen and technicians through education and training beyond the high school.
- Expand vocational and technical training programmes consistent with employment possibilities and national economic needs.
- Make education and training opportunities equally available to all, regardless of race, sex, or place of residence.

16. The increasing emphasis on education as a means of achieving full employment and the maximum utilization of America's human resources indicates a further expansion of educational facilities and services to meet the needs.

17. In addition, programmes of retraining of workers already in the labour force, provided for by the Area Redevelopment Act and the Manpower Training and Development Act are the beginning of a breakthrough in the concept of public responsibility for training and retraining. With the acceptance of this central idea of the need for training in a dynamically changing economy, and the delegation of administrative responsibility for the use of appropriated funds to the U.S. Department of Labor, a significant start has been made towards meeting the problem of alleviating and preventing the unemployment resulting from the lack of qualification by workers for existing jobs.

## *Chapter V*

# THE EMPLOYMENT SERVICE

### ORIGIN AND STRUCTURE

1. The Federal-State employment service system came into existence as the result of the Wagner-Peyser Act of 1933. Since the enactment of this Act, the employment service system has grown to over 1,900 offices serving the manpower needs of communities throughout the nation. The Employment Service has a staff of between 15 and 20 thousand personnel (depending on the allocation of overhead staff also serving the Unemployment Insurance System).

2. Under the American system, the individual States are responsible for employment service operations within the boundaries of their jurisdiction. The Bureau of Employment Security within the U.S. Department of Labor provides funds for the operation of these State agencies and sets basic policies and operating standards for the State agencies.

3. Far reaching changes in labour markets and in the economy have in turn given rise to changes in the occupational needs of the country, to substantial and persistent pockets of unemployment as a result of technology and industrial mobility, to obsolescent skills, increased numbers of younger and older workers in the labour force, all of which call for action designed to develop and utilize more effectively our manpower resources.

4. While for many years efforts have been made to strengthen the employment service to cope with the emerging problems, not until 1961 were any concrete steps taken to provide the needed additional resources. President Kennedy in his Economic Message to the Congress on February 2, 1961, directed the Secretary of Labor "to take necessary steps to provide better service for... job seekers registered with the United States Employment Service". Since that time, more action has been taken to strengthen and improve the employment service system than at any time since its beginning in 1933, except under national emergency conditions.

#### SEPARATE IDENTITY OF THE EMPLOYMENT SERVICE

5. As part of the reorganization at the Federal level, the United States employment Service in February 1962, was established as a clearly identifiable organization within the Bureau of Employment Security. Major steps have been taken to promote separate identity for the Employment Service in the State and local offices.

6. The United States Employment Service is now a co-ordinate service with the Unemployment Insurance Service under the Administrator of the Bureau of Employment Security. The U.S.E.S. Director has full responsibility for directing policy and administration of the Service, with a direct line of communication and authority to his representative in each regional office. The U.S.E.S. also has its own technical staff and related programme research resources.

#### EMPHASIS ON JOB PLACEMENT AND MANPOWER RESPONSIBILITIES

7. The U.S.E.S. is in process of strengthening its national and regional office technical staff resources so as to strengthen basic placement operations, counselling services, employer and union relations, youth services, professional placement services, and services to minority group applicants. Also, attempts are being made to analyze the immediate and long range impact of unemployment resulting from automation and other technological changes in our modern society. Technical staff are implementing the Employment Service's role in Area Redevelopment Assistance, Manpower Development and Training, Community Employment Development, and Manpower Programme Research.

8. The first appreciable increase in employment service staff resources since 1947 occurred in May-June 1961, and fiscal year 1962.

9. Since May 1961, the staff has been increased by 4,700, or about one-third, to implement the improvement of the Employment Service. Of this number, 2,800 were added in the 55 largest metropolitan areas.

10. At the time that efforts to strengthen the Employment Service were begun, it was recognized that the operations most in need of improvement were in the large metropolitan areas. The Service had not kept up with the growth of the labour force and the complex problems of the changing labour market. It was obvious, too, that the amalgamation of employment service and unemployment insurance functions in local offices had created an image of an "unemployment office" rather than an "employment office".

11. Therefore since early 1962, the United States Employment Service and the affiliated State Employment Service have embarked on a programme, primarily in the 55 largest metropolitan areas, to adapt local office organization to emerging labour market needs.

The improvements include provision of additional staff to carry out an expanded employment service programme, the separation of E.S. and U.I. activities, the organization of local offices along industrial-occupational lines, and the establishment of special purpose placement offices to serve professional, managerial and technical workers, and those in clerical, sales, service and trade occupations. Wherever necessary, better locations and modern quarters are being obtained for these offices.

#### EXPANDED PROGRAMME OF SERVICE TO YOUTH

12. The U.S.E.S. and the affiliated State agencies embarked on a greatly expanded programme of counselling, testing, and placement activity for young people who are out of school and unemployed. A national Youth Employment Division has been created and a youth service specialist has been designated in each region.

13. Youth placement and counselling specialists have been provided in the larger local offices. As of October, 1962, 20 metropolitan areas have specifically designated area youth coordinators or part-time and occasional youth specialists with primary duties elsewhere in the organization. In addition to these local area specialists, 27 States have designated a State Supervisor of Youth Services for overall guidance for the programme in the State. Although this is a great step forward in providing specialized employment services to youth, this number of specialists does not yet adequately meet current needs and especially those of the ever-increasing number of young people entering the labour market each year.

14. The services being provided to the young job seekers include registrations, counselling, testing, selective placement, group guidance, special job finding efforts, regular placement services, research in youth occupations and related subjects, demonstration projects to find better employment methods for young people, and cooperative activities with various civic and educational groups and agencies.

#### AN APPROACH TO PROBLEMS OF AUTOMATION

15. Special emphasis has been given to an action programme to minimize the adverse employment effects of automation and other technological changes. A number of demonstration projects and studies have been undertaken. These projects, operating through local employment service offices, were designed to discover the impact of technological change on employment in local labour markets, and the impact and nature of mass layoffs and persistent unemployment.

16. Services to affected workers include intensive interviewing, testing, counselling, placement efforts, and referral to training. These services are aimed at enhancing opportunity for continuous employ-

ment, and facilitating reemployment, or occupational reorientation where required, so as to minimize occupational dislocation and the impact on a community.

#### **STEPPING UP PROFESSIONAL PLACEMENT**

17. In keeping with occupational shifts in the nation's work force, more attention is being given to the growing demands for professional, technical and managerial personnel. Placements in professional, technical and managerial occupations were up 24 per cent for the nation as a whole, and 28 per cent in the 55 largest metropolitan areas from July 1961 through June 1962. Such increases were the result of redirected programme emphasis, backed up with improved placement techniques, more attractive local office quarters and a strengthening of the professional office network.

#### **INCREASED CONTACTS WITH EMPLOYERS**

18. With increased staff resources, local offices have increased their employer visiting activities to acquaint employers with the services available through the employment service. In 1961, 906,200 non-agricultural establishments listed orders with the public employment offices. This represented an increase of 6.4 per cent over 1960.

19. Other programmes that were accelerated as part of the E.S. improvement programme, include services to minority group workers and community employment development activities.

#### **THE EMPLOYMENT SERVICE AND MANPOWER DATA AND ITS RELATION TO NATIONAL ECONOMIC POLICY AND STRATEGY**

20. The United States Employment Service through its affiliated State agencies and their local offices throughout the country provides a network for information on current and emerging manpower problems in the local communities. The data collected are the basis for the classification of major and minor labour market areas according to labour supply. These classifications take into account the extent of the unemployment and the labour demand and supply relationships in the area. Currently a total of about 800 areas including 150 major labour market areas are so classified. The classification is used as a basis for designating areas eligible for such programmes as area redevelopment (A.R.A.), special defence procurement policies and the Public Works Acceleration Act.

#### **LABOUR MARKET ANALYSIS AND INFORMATION**

21. A wide variety of other information is also developed, including data on employment and unemployment trends, demand

and supply of labour by occupations, labour market outlook, wages, labour turnover, and related factors. Such information, compiled on an area, industry or occupational basis, is helpful to employers who are planning recruitment activities, expansion, training programmes, or location of new plants and establishments.

22. In order to evaluate local economic conditions for determining employment service policies and operations, estimates of total unemployment are prepared for 150 major labour market areas and a number of smaller areas. Similarly, monthly data on employment and labour turnover of wage and salaried workers in non-agricultural activities are collected for States and many of the major areas.

23. The development of occupational labour market information is another important employment service programme. It includes area skill surveys to provide comprehensive local information on the occupational composition of current employment, current vacancies and future manpower requirements (generally 2 and 5 years hence). Such information is essential to a community in its long-term manpower planning.

24. As a part of the occupational information programme, the State employment services also prepare occupational guides which are designed for use in vocational guidance and employment counselling. These guides contain information about job duties, significant occupations in a community, and anticipated job opportunities, as well as related information on such items as training and experience requirements. These guides supplement the studies which provide information on a national basis which are found in the Occupational Outlook Handbook.

#### TESTING, GUIDANCE AND COUNSELLING

25. Local offices provide counselling service for applicants who may need help in making a vocational choice, a vocational change, or adjustment to a job for which they have been trained. The need for counselling is most common with special worker groups such as youth, servicemen recently released from military service, housewives entering or reentering the labour market, older workers who have been laid off, displaced or retired, handicapped applicants and minority group members.

26. Tests are frequently used in local offices to help determine the acquired skills or potential abilities of applicants for work. Aptitude tests have been developed for more than 400 specific occupations. More than 1,425 local employment offices are equipped with testing facilities. The types of tests administered include proficiency and trade tests to measure occupational skills already acquired, as aids for the selection of qualified applicants for referral to jobs. For trainee-type jobs, specific aptitude test batteries are used in selecting

applicants with the necessary potential abilities. For applicants who are uncertain about what they want to do and who need help in making a vocational choice, the Interest Check List and the General Aptitude Test Battery (G.A.T.B.) are used. The Interest Check List serves to relate preferred activities to fields of work ; and the General Aptitude Test Battery provides the counsellor with leads as to the fields of work in which an applicant is likely to be more successful.

27. The volume of counselling and testing activities performed by the employment service in recent years is as follows :

ACTIVITY	FISCAL YEAR 1961	FISCAL YEAR 1962
Specific Test .....	648,000	847,000
Proficiency Test .....	579,000	632,000
G.A.T.B. ....	573,000	697,000
Counselling interviews .....	1,783,000	2,021,000

#### PROGRAMMES FOR UNIFYING LABOUR MARKET SERVICES

28. The U.S.E.S. provides an inter-area recruitment service which operates throughout the national, regional, State, and all local employment service offices as an integral part of the overall placement function. Although employers and applicants are served in a wide range of occupational categories, the majority of job orders represent professional, technical and skilled occupations.

29. Briefly, inter-area recruitment operates in the following manner : if an employer places a job order in any local office of the employment service and it is found that no qualified applicants are available locally, inter-area recruitment service may be utilized. Such an order is cleared first to "areas of direct clearance". These are usually offices only a short distance from the order-holding office either within the same State or in a different State. If it is found that qualified applicants are not available in these areas of direct clearance, the order is sent to the State office where it is reviewed in the light of all available labour market information. The State office may decide to refer the order to other States where applicants are most likely to be available. The order may also be included on the State Inventory of Job Openings which is distributed to all other States. Any office that has a qualified applicant for any order in clearance may then arrange for referral of that applicant with the office that holds the order.

30. Over 160 local offices throughout the country have been designated as participants in a Professional Office Network. These offices are concerned specifically with placement in the professional categories and a very close working relationship is maintained between

them. Each one of these offices receives, on a bi-weekly basis, listings of job openings in professional fields from each of the other specialized employment service offices throughout the country. Thus, if an applicant contacts any one of the professional offices in the network, he can learn of job openings in areas served by the other professional offices.

#### INDUCTION AND PLACEMENT SERVICES FOR SPECIAL EMPLOYMENT GROUPS

31. Handicapped persons, older workers, and members of minority groups often have difficulty in getting jobs because of prejudice rather than because of lack of ability. Persons in these groups have a high incidence of joblessness, and frequently have skills that are obsolescent; often the prospect for their returning to jobs on the basis of their past experience and know-how is not good. They are much in need of special assistance in the labour market.

32. Service to these special applicant groups is provided by the Employment Service in three general programme areas.

- a) Direct service programmes to provide placement, job counselling, and job development assistance.
- b) Educational and information programmes aimed at changing negative attitudes, correcting misconceptions, and eliminating bias in the employment of applicants in these groups.
- c) Research studies to develop economic and social facts about the capabilities and characteristics of these special groups.

#### PLACEMENT SERVICES FOR AGRICULTURAL WORKERS

33. Various programmes are carried on to serve agricultural workers and employers.

- a) The annual worker programme provides for registration and orderly scheduling of migratory workers to successive job openings. Through this programme, greater continuity of employment is assured to the migrant worker as he follows the crops.
- b) The day-haul programme takes advantage of services of available workers residing within commuting distance of farm job locations. Workers are "picked up" daily at designated gathering places in town, transported to the farm job, and returned to town at the end of the day's work.
- c) The youth programme provides for enlistment of school authorities, parents' groups and other local interested parties in soliciting services of youth for agricultural jobs. The programme may involve day-haul, "live-in" or labour camp referrals. Cooperation with agricultural agencies and employers is encouraged.
- d) The farm employment days' programme involves arranged meetings of farmers and workers for on-the-spot interview, referral, and placement.

- e) The volunteer farm placement representative programme, which helps both farm employers and workers, has volunteer representatives appointed in various areas to serve (without remuneration) in providing farm labour informational and placement services.
- f) The pooled interview programme is one in which Employment Service representatives from labour-demand States travel to a labour-supply State, in advance of the season of need, for the purpose of interviewing crew leaders who are "called-in" to designated local offices. During these interviews successive seasonal job commitments are made in response to definite job orders carried by Employment Service representatives from the demand States.
- g) The foreign-worker programme provides for meeting labour shortages within an area by bringing in workers from Mexico, the British West Indies, Canada, or Japan. Mexico supplies most of these workers, who are selected at the U.S. border by Employment Service officials and hired by individual employers. The foreign workers are employed only in such a manner that their employment will not adversely affect the wages and working conditions of domestic workers. This year some 200,000 Mexicans and about 20,000 other nationals will be employed.

34. In serving migrant workers, local offices cooperate with community groups that provide such workers with health, day-care, educational and recreational facilities. To ensure compliance with standards governing recruitment of inter-state workers, the Employment Service offices are concerned with inspection of housing furnished to inter-state farm workers, and with wage surveys to determine prevailing rates paid to farm workers.

35. In conducting the Mexican programme, every attempt is made to protect the working conditions of the foreign workers themselves, and the domestic workers with whom they compete. Mexicans must be paid the prevailing wage for the activity in the area or a standard rate which will not adversely affect the wages of domestic workers. Employers are required by law to meet certain standards of housing, transportation, and other working conditions. A compliance programme has been set up to assure that these standards are met. Similar programmes protect working conditions for foreign workers of other nationality.

36. The rural areas programme is concentrated in rural, low-income areas which are now being served only partially and inadequately. The overall objective is to promote the economic adjustment of these areas and the occupational adjustment of their individual residents by providing employment counselling and placement assistance to individuals for non-agricultural jobs within or outside the area, as well as related services.

## *Chapter VI*

### **MANPOWER PROGRAMMES**

1. The United States Government has recently undertaken a number of programmes aimed at reducing the high unemployment that has persisted during the past five years. New depreciation guidelines are among the measures which have been instituted in order to encourage investment and thus to stimulate employment and create the conditions necessary for a more vigorous rate of national economic growth. In addition, a major tax revision and reduction has been recommended to the Congress for passage in this session.
2. It has also become evident that new tools are needed in the form of specific manpower programmes to support these broad fiscal and monetary tools of economic action.
3. At the same time that large numbers of workers have been unemployed, many job openings have remained unfilled for lack of workers trained in the required skills. Furthermore, the rapidity of change in our society has increased the need for programmes to assist workers in making the transitions from declining to new industries, from contracting to expanding occupations, and from labour market areas in which job openings are being reduced to those of rising job opportunities.
4. In 1961, with the passage of the Area Redevelopment Act, the concept of Federal retraining for the unemployed came into being. This was followed in 1962 by the Manpower Development and Training Act which substantially broadened Federal activity in the field of occupational training and retraining. In addition, the M.D.T.A., for the first time, laid the basis for a unified and comprehensive manpower research programme designed to investigate the factors associated with unemployment and to develop methods for eliminating its causes and ameliorating its effects.
5. The year 1962 also saw the passage of two other major bills which affected the manpower situation of the Nation. One was the Public Works Acceleration Act, which authorizes \$900 million for public works projects to boost employment in areas of substantial and persistent unemployment. The other was the Trade Expansion Act,

which provides financial compensation up to 52 weeks to workers in industries injured by increased imports arising primarily from the tariff concessions of this Act. An unusual provision of this Act authorizes compensation for relocating affected workers and their families to areas where they have obtained employment.

#### AREA REDEVELOPMENT ACT

6. The A.R.A., approved on May 1, 1961, provides for training programmes to equip unemployed and underemployed persons in economically distressed areas, for jobs. In addition to providing direct financial assistance to business, manpower training provisions were incorporated which focused on providing the unemployed and underemployed with an opportunity to acquire occupational skills.

7. By the end of 1962, 268 projects had been approved involving 15,360 trainees. These projects covered 39 States, American Samoa, and Puerto Rico.

#### MANPOWER DEVELOPMENT AND TRAINING ACT

8. An awareness that the problem is not confined to areas of substantial and persistent unemployment, prompted passage of the Manpower Development and Training Act of 1962. This Act authorizes the training of unemployed and underemployed persons in occupations in which there is a reasonable expectation of future employment.

9. Funds for the implementation of this Act were not appropriated till mid-August 1962 so that many programmes are still in the early development stage. The limited amount of time during which the M.D.T.A. has been in effect precludes any overall assessment of its achievements. Nevertheless, certain implications concerning the direction of the programme can be inferred from the 509 projects which under the Act were begun January 31, 1963, the latest date for which information is available.

10. By this date, approved projects covered all of the 50 States and included 21,400 workers. The largest share of the approved projects was in the North eastern and North Central parts of the country. Four States — California, Connecticut, New York, and Pennsylvania — accounted for almost half of the trainees in approved projects.

11. The training courses approved, include more than 100 occupations, predominantly white-collar and skilled. This concentration reflects prevailing shifts in our economy from goods producing to service industries, from blue-collar to white-collar occupations and from less skilled to more skilled jobs. Over a third of the trainees were enrolled in courses leading to professional, managerial, clerical and sales jobs; over 16 per cent were in training for such skilled service occupation, as motor vehicle mechanics and repairmen.

12. The data already collected have provided detailed information on the characteristics of trainees. The extent to which the programme has concentrated upon workers in the labour force for whom unemployment represents a most severe hardship, and whose chances for reemployment appear restricted, is demonstrated by these facts :

Of those enrolled in training,

About half had been out of work for 15 or more weeks ;

One-third had been unemployed for over half a year ;

One-fifth had been unemployed for a year or longer.

In contrast, among all those unemployed in 1962,

The long-term unemployed (15 weeks and over) accounted for slightly more than one-fourth of the total ;

Those jobless for more than 6 months represented less than one out of every 10 workers ;

Those unemployed for at least a year accounted for 6 per cent.

13. Moreover, over three-fourths of the male trainees were either heads of households or families, whereas among all of the unemployed, this category accounted for about 50 per cent.

14. Although the initial M.D.T.A. trainees have tended to be younger and better educated than the average of the unemployed, about one out of 10 trainees was an older worker (45 and over) and three out of 10 had less than a high school education.

15. Workers are trained only in occupations for which vacancies are available. The fact that 7 out of 10 of the men in training in areas of relatively substantial unemployment are enrolled in courses leading to skilled occupations, supports one major thesis of M.D.T.A. — that jobs are available for workers who are adequately trained even where unemployment is high. Data relating to A.R.A. training courses also substantiate this fact. Some two-thirds of all workers in A.R.A. courses are training for such skilled occupations as machine tool operator, welder, automobile and electronic mechanics, stenographer, and nurse's aid.

16. In addition to programmes for retraining unemployed and under-employed workers, the M.D.T.A. includes provisions of even greater potential significance relating to manpower research. The Act takes cognizance of the complex and rapidly changing nature of our economy and of our imperfect knowledge of the diverse influences affecting employment and unemployment. Accordingly, the Act directs the Department of Labor to mount a united and comprehensive manpower research programme and to direct the investigation of the entire problem of unemployment with a view towards developing feasible and effective remedies.

17. As the development of an overall framework of manpower research is proceeding, a number of promising research projects have

been initiated, both within and outside the Department of Labor, in fields of technological change, training methods and results, development and refinement of essential labour force data, planning for an early warning system for anticipating employment effects of automation developments, and in other fields relating to manpower.

18. In addition, the research resources of all units in the Department of Labor and of other agencies performing research in fields bearing on employment and unemployment have been drawn upon to provide a comprehensive body of manpower information. Part of the results of this research work is embodied in the Manpower Report of the President which, in accordance with the provisions of M.D.T.A., appraises the Nation's manpower resources, requirements and utilization.

# III

## REPORT BY THE EXAMINERS

## PREFACE

The Secretary-General of the Organisation for Economic Co-operation and Development has assigned us the task of reviewing manpower trends, problems, programmes and policies in the United States as a basis for a "confrontation" of the United States by the Manpower and Social Affairs Committee in March 1963. Our review of the United States took place during the month of January 1963.

Our approach to this assignment was determined, to a large extent, by the fact that only a month was available and hence a highly concentrated "research technique" was required. Our method consisted essentially of interviewing those persons listed here, in an effort to distil the essence of their knowledge of United States' manpower trends and policies. We are, therefore, indebted to all of those on whom we relied in our review and evaluation. Those whom we interviewed greatly facilitated our task by their objectivity and by their willingness to co-operate in discussing freely all aspects of their own country's manpower policies and problems. This co-operation was most essential as we had no time in which to undertake firsthand research or even to review in detail documentation and research studies.

We have tried to focus our examination on two broad areas of manpower policy :

First, on manpower mobility and adaptation under the impact of a constantly changing technology in a dynamic economy. Second, on adapting and developing manpower resources through education, training and labour market programmes to the great potential for long-run economic growth in the United States.

Within this framework, we have selected four primary areas for examination within the broad field of manpower policy. First has been the contribution which active manpower programmes can make to fostering economic growth in an economy characterized by a significant degree of under-utilisation of manpower resources. Second, we have looked at the manpower implications of technological change as these affect research requirements, the adaptation of manpower to changing technology and the adaptation of manpower through collective bargaining ; we have examined the contribution of education and training to the development of manpower resources within the context of economic growth, and finally, we have reviewed the role

of the employment service as a major institution for the implementation of manpower policies.

We have tried to bring to the surface basic policy questions for discussion, although from time to time we ask detailed questions to illustrate the variety and flavour of the manpower problems and institutions which we have found in the United States.

The United States is characterized by an immense variety and complexity of manpower problems, programmes and trends. At one extreme, it might be characterized as fifty countries with each State representing economic regions which have a great variety of manpower problems and institutions for dealing with them. There are a large number of institutions, such as local school systems and other educational and training institutions, business corporations, trade unions, local and state governments and a number of federal government agencies which together have a significant bearing on the utilisation and development of manpower resources. Within this institutional context of a free market economy, the individual worker and employer make decisions which largely determine the trends and problems which we have examined.

If the observer is to grasp the characteristics and nature of manpower problems and the ways in which governments develop policies to deal with them in the United States, it is necessary to bear in mind that three levels of government — federal, state and local — all play a role in the decision-making process. This is particularly true of the training, education and employment service fields. Because of the many institutional complexities in the manpower field, we have not attempted to explore organisational and institutional problems in depth or to raise questions about the more effective organisation of manpower programmes, except at the national level.

At our request, the United States Department of Labor has provided a brief factual and statistical background account of manpower trends and problems in both a short and long run context.

Our report provides a review and evaluation of the four manpower areas mentioned above and is followed by a series of questions related to each chapter and section of our report. We would recommend that the questions be read in the context of each chapter rather than in isolation.

Each of the examiners assumed primary responsibility for particular chapters of the report in consultation with his colleagues and all are in substantial agreement on its main outlines, and its analysis of problems, programmes and policies.

Dr. Bert Zoetewij, Assistant Economic Adviser of the International Labour Office, assumed primary responsibility for Chapter I. Dr. W.R. Dymond, Assistant Deputy Minister, Canadian Department of Labour, assumed responsibility for the Introduction and for Chapters II and III; while Mr. Nils Kellgren, Economic Adviser, Royal National Labour Market Board of Sweden, was responsible for Chapter IV. The examiners acted as individual experts and the

organisations of which they are members, of course, assume no responsibility for any views which may be expressed in this report.

In conclusion, we wish to thank the many people who made this report possible, but who assume no responsibility for its shortcomings. In particular, we should like to mention the Honourable John F. Henning, Under-Secretary of Labor, U.S. Department of Labor, who was our host. Mr. Harry Weiss, Deputy Assistant Secretary of Labor and Director of the International Labor Affairs Bureau, under whose auspices we worked, and in particular, Mr. Howard Carpenter of the latter Bureau, who greatly facilitated the writing of this report by making all of the clerical, interviewing and other arrangements which were essential to the fulfilment of our assignment.

W. R. DYMOND  
Nils KELLGREN  
Bert ZOETEWIJ  
*Washington, D.C.*  
*February 2, 1963*

## INTRODUCTION

1. As a member of O.E.C.D., the United States has subscribed to a target for economic growth of 50 per cent from 1960 to 1970. This implies a growth rate for the United States' economy somewhat in excess of 4 per cent a year.

2. The focus of our review is on the manpower dimension of achieving this growth rate in the United States. Our point of departure is essentially that of evaluating the effectiveness with which manpower resources are utilized, in both a short and long-run sense, within a context of accelerated economic growth.

3. It is evident that since 1957 the United States has underutilized its capacity for economic growth in physical, human, and technological terms. This is particularly obvious in the case of manpower resources. Persistently high rates of unemployment and of underemployment in some sectors of the economy have been present for some years.

4. The 1963 report of the Council of Economic Advisers stresses this theme, as does the recent O.E.C.D. review of the performance of the United States economy<sup>1</sup>. It is important to all O.E.C.D. countries that the United States rate of growth rise substantially, as this will benefit other countries, e.g., through international trade, and thus strengthen the growth rate of the Western world and the underdeveloped countries. It is essential that the United States economy provide world leadership in the achievement of high rates of growth, together with a minimum of human dislocation. This is the broad context in which we shall examine manpower problems and policies.

5. Public policy and debate in the United States heavily emphasize solutions to the "unemployment problem". For most of the European members of O.E.C.D., the economic rationale for more vigorous manpower programmes springs largely from the requirement to utilize relatively scarce manpower resources efficiently. This contrasts with the problem of under-utilized manpower resources in the United States. In the European context of rapid economic growth, it is evident that the efficient allocation of human resources and their advance preparation for meeting the needs of an expanding economy are a fundamental part of sustaining a high rate of growth.

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1. Economic Surveys by the O.E.C.D., *United States*, November 1962, O.E.C.D., Paris.

6. There is substantial agreement today that demand in the United States economy requires considerable stimulation if a higher growth rate is to be achieved. The effort to stimulate the growth of production and employment is receiving a great deal of attention in United States Government policy, through reducing personal and business taxes, through creating a more favourable climate for business and through increasing the rate of application of technological and scientific development.

7. It is not our role to explore the ways and means by which the growth rate may be increased, as that is the concern of other committees of O.E.C.D. The current "*unemployment problem*" has tended to lead in the United States to a focus on how manpower policy and labour market institutions can contribute to the reduction of unemployment. There is discussion in the United States surrounding the question of the structural imbalance of labour supply, particularly of the unemployed in relation to the changing occupational and industrial patterns of labour demand. It is clear that most of the unemployed have relatively low levels of education and little skill and that among them there are a number of disadvantaged groups who are not very competitive in the labour market. At the same time, the requirements of the economy are in the direction of higher and higher levels of education, skills and occupational training. Thus there is a considerable degree of labour market imbalance. Hence, the training of unemployed, a more efficiently functioning Employment Service and the stimulation of adaptation and mobility, can play a significant role in securing a better balance between the characteristics of the unemployed and the manpower requirements of the economy. It is not possible to estimate with any degree of accuracy the contribution that these approaches can make to reducing *the level* of unemployment. The extent to which these measures are successful depends on the occupational and geographic distribution of labour demand, and on the effectiveness of these measures in creating a better balance in the labour market. There is not enough statistical data on the nature of labour demand in occupational and geographic terms to make an informed judgement on the quantitative extent to which these programmes will have an impact on employment.

8. While this question has been actively debated in the United States, the rationale in economic terms for a more effective and active manpower policy is not so much the contribution it can make to reducing the level of current unemployment, important as this is, but the contribution it can make to equipping manpower resources to meet the *potential* economic growth needs of the economy. In the United States simply because the need for growth is greater than the performance, a large part of the justification for a more vigorous and adequate manpower policy appears to be robbed of an understandable and acceptable rationale.

## *Chapter I*

# ECONOMIC GROWTH AND THE UNEMPLOYMENT PROBLEM

### THE NEED FOR GROWTH

1. In the following chapters, United States manpower policy is examined from the point of view of economic growth. The reason for choosing this focus is twofold. First, the growth rate hoped for from the United States economy during the years ahead is quite high — considerably in excess of actual achievements in recent years. Second, manpower policy in improving the utilization and qualifications of the labour force, can make a significant contribution to economic growth.

2. The United States is a party to the agreement among Member countries of O.E.C.D. to set a target for raising the combined real G.N.P. of the twenty economies by 50 per cent during the decade of 1960-1970. As the United States contributes 60 per cent of the total output of the group, the performance of its economy is decisive for the O.E.C.D. community's ability to attain the target. The Council of Economic Advisers has stated that the achievement required from the United States is that of "stepping up our growth rate to 4 per cent and beyond as we move through the decade"<sup>1</sup>. An O.E.C.D. Working Party found that, in the light of prospective growth rates in other Member countries, an annual growth rate of 4.4 per cent in the United States would be consistent with the collective target<sup>2</sup>.

3. A sustained annual growth rate of over 4 per cent is high. From 1909 to 1957 real national income in the United States rose at a rate of 2.89 per cent. During the 'fifties', G.N.P. in the United States rose at a somewhat faster rate — 3.3 per cent. But from 1955-60 it rose at a lower rate — 2.3 per cent. An average annual rate of 4.3 per cent prevailed from 1950-55, but this period comprised the exceptional stimulant of the Korean War.

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1. *Annual Report*, Washington, 1963, p. 42.

2. O.E.C.D., *Policies for Economic Growth*, Paris, 1962, p. 28.

#### MANPOWER POLICY AND GROWTH

4. Manpower policy is concerned with both the development and the effective deployment of human resources. Through both channels it can make important contributions to economic growth. In the long run, expansion and overall improvement in the skill levels of the labour force increase a nation's capacity to produce. In the short run, adequate demand and a smoothly functioning labour market enable this productive capacity to be utilized to a high degree.

5. Regarding the long run aspect of developing human resources, it is fair to say that the sources of economic growth, the processes through which various factors foster or hamper it, and the quantitative importance of the principal individual factors are not precisely known. Research into these questions is being undertaken in various countries, but the results are not yet conclusive. A recent major statistical study of the United States economy identified increases in the volume of labour input and in education as quantitatively the principal sources of past growth — indeed, as being rather more important than increases in physical capital. Another view attributes a large role to investment in physical assets as a source of growth, because new capital goods are regarded as the means of transmitting higher standards of education, advances of technical knowledge, and other improvements to the actual production process. But there seems to be an opinion among economists, both in the United States and in other countries, that growth has been due in part to an expanding and progressively better qualified labour force. This suggests that the rate of future growth will depend to a large extent on the maintenance of a rapid rate of increase in total manhours worked, and of a rapid rise in the already very high level of ability of the American labour force.

6. As a result of the high birth rates of the immediate post-World War II years, there will be a high rate of entrance of young workers into the labour market in the years ahead. The size of the labour force is certain to increase considerably, posing the challenge of its full and effective utilization in the context of a rapidly growing economy. This expansion in itself places great demands on the national education and training system. But in addition, sustained rapid growth will require a continued rise in the educational and skill level of the nation's manpower. A high proportion of the American population already receives a high level of education. This means that special attention should now be paid to improvement in the quality of education, to types of study that are particularly relevant to the raising of output, and to better utilization of students' talents.

7. A major part of the discussion in the following chapters deals with the short term problems of the effective deployment of human resources and its relation to economic growth. Idleness and ineffective

utilization of the labour force keep output below capacity and thus are obstacles to the attainment of growth targets. For an economy bent on fast growth, it is therefore essential to maintain an adequate level of effective demand. As noted in the Introduction, the Government is seeking to step up demand to such a level.

8. But it is well known that achieving this end would not mean full utilization of human resources. Indeed, the target (designated as an "interim target") set in the latest report of the Council of Economic Advisers is for the United States economy to generate demand "sufficiently great in total to require the productive efforts of 96 per cent of the civilian labour force" (pp. 42, 40). It would, of course, be in the interests of economic growth if this figure could be increased. To achieve this is the task of manpower policy as we see it.

9. If no such policy is pursued, further increases in demand calculated to raise the overall level of employment and output, lead to strains and local shortages in the markets for labour and products. These tend to put more and more upward pressure on wages and prices, while smaller and smaller increases in employment result from rising demand. We cannot judge whether and to what extent such cost increasing strains may be met, at least in the early phases of this process, by the application of certain criteria (known in the United States as "guideposts") for private wage and price fixing. But it seems clear that measures to move unemployed labour to the areas and occupations where shortages might otherwise occur, will make it possible to increase employment by raising the level of demand without provoking cost pressures to a point beyond that which would be feasible without the use of such measures.

10. In any examination of this problem, the extent and pattern of unfilled jobs or the degree to which jobs are filled by workers of less qualification than those available, is a key concept. As noted elsewhere in this Report, relatively little is known about vacancies in the United States labour market. For purposes of the present discussion, an unfilled vacancy means essentially foregone output. The value of this foregone output can be calculated or approximately estimated. It represents the cost of leaving the vacancy unfilled. It therefore indicates the upper limit to the cost that, in purely economic terms, could justifiably be incurred in attempting to fill the vacancy. The cost of filling the vacancy comprises, of course, that of training or retraining, and perhaps moving the residence, of workers. If the worker is already employed, the cost of taking him out of his present job in order to fill a vacancy also comprises the value of his current output. Since vacancies tend to be concentrated in growth industries, while a number of workers are always employed in stagnant or declining industries, it is normal to expect that some employed workers could with advantage be moved to other jobs, especially if the continuance of their present employment depends on import

tariffs or other protective devices that reduce the real value of output below its apparent size.

#### THE UNEMPLOYMENT PROBLEM

11. The main question that we have asked ourselves when examining various aspects of United States manpower policy has therefore been this: to what extent do the functions performed and programmes carried out, or envisaged, contribute to the development and effective deployment of human resources for economic growth? This is, of course, not the only criterion that can be applied to manpower policies. For example, an important alternative orientation would be to ask what contributions such policies make to alleviating hardships arising from unemployment. Since unemployment is a social scourge, it is vitally important to reduce its consequences in terms of misery, to a minimum.

12. It would appear that the mitigation of hardships arising from unemployment has been a major consideration in the organization and implementation of United States manpower policy, especially of labour market policy. Thus, in Chapter IV it is noted that the United States Employment Service (established in 1933, in the midst of a depression) has for a long time been charged with tasks which have created an image of an agency primarily concerned with measures for the relief and welfare of the unemployed. The point may further be illustrated by the operational provisions of the Acts mentioned in the section entitled "Manpower Development" in the latest Economic Report of the President<sup>1</sup>.

13. Under the Area Redevelopment Act of 1961, the Federal Government may help "areas of substantial and persistent unemployment and underemployment" to create "new employment opportunities" through redevelopment. In this framework, the Secretary of Labor is to "determine the occupational training or retraining needs of unemployed and underemployed individuals" residing in redevelopment areas. He must further "provide for the orderly selection and referral of those unemployed or underemployed in the area, who can reasonably be expected to obtain employment as a result of the skill they will acquire in the training which is to be made available". He may pay retraining subsistence payments to such people at the local rate of Unemployment Compensation, provided that no such Compensation is received, and in any case for no longer than 16 weeks.

14. Under the Manpower Development and Training Act of 1962, the Secretary of Labor is to promote training programmes designed to qualify for employment, people "who cannot reasonably be expect-

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1. In the same section a Youth Employment Opportunities Bill is announced but was not available at the time of writing.

ed to secure full-time employment without such training". But he must first determine "that there is a reasonable expectation of employment in the occupation for which the person is to be trained" and if this is not the case in the area of residence, he must "obtain reasonable assurance of such person's willingness to accept employment" elsewhere. Training allowances may again be paid at State Unemployment Compensation levels, up to 52 weeks, but the full allowance may only be paid to unemployed persons with three years of gainful employment, provided that they are heads of households.

15. The Trade Expansion Act of 1962 offers a wider range of manpower policy instruments. Although there is little experience with this Act, it is useful to mention some of the labour adjustment provisions it contains. Under these provisions workers having "a substantial attachment to the labour force" and displaced as a consequence of tariff concessions, may be helped in three ways. First, they may benefit from the training programmes under M.D.T.A. Second, an adjustment allowance may be paid which, in some cases, would be somewhat higher than Unemployment Compensation, for a period up to 52 weeks, provided that the worker is available for work and training. If, after 52 weeks, the training course has not been completed, up to another 26 weeks' allowance may be paid. Third, heads of families without a reasonable prospect of suitable re-employment may be paid a relocation allowance to pay the cost of moving and installation in the new residence.

16. Thus, the Trade Expansion Act offers a somewhat more active approach to manpower policy than does the earlier legislation in this field. But it appears from the discussion of the relevant provisions in Congressional Committees that this was not their primary object. The intention was to provide for those becoming unemployed as a result of tariff concessions, a treatment more generous than that given to "ordinary" unemployed. The position of those affected by tariff concessions was described as akin to that of veterans, in that both were victims of Government action for the national good. Tariff concessions were not among the normal risks that a man assumed when taking a job. In contrast to those who become unemployed as a result of causes "that they should have understood could happen" but which they accepted "more or less with their eyes open", the victims of tariff concessions were felt to be entitled to more generous help in their employment adjustment.

17. It should not be concluded from the above that Government manpower policy in the United States is oblivious to the importance of economic growth. For example, in August 1962, a Cabinet Committee on Economic Growth was established; the Secretary of Labor is a member, together with his colleagues of the Treasury and of Commerce, the Director of the Bureau of the Budget, and the Chairman of the Council of Economic Advisers, who serves as Chair-

man. From the task description of this Committee given in the latest report of the Council of Economic Advisers (p. 160), it would appear that this Committee could concern itself with both the short-term and long-term dimensions of manpower policy for economic growth of the kind mentioned in paragraph 4 above. Also, M.D.T.A. entrusts to the Secretary of Labor the task of studying automation and other structural changes, and of undertaking research and forecasting in these fields. Thus, information could be developed as a basis for long term manpower policy. The Act itself does not seem to provide for operational action regarding such long-term policy, but it does require the Secretary to disseminate information and to "recommend needed adjustments".

18. The scope and nature of manpower policies will inevitably differ in relative emphasis, if not in some substance, depending on whether the main object is seen as that of fostering growth, or as that of alleviating hardships arising from unemployment. For example, as regards the *timing* of action, concern about future growth tends to provoke questions of training requirements, of the need for mobility of either workers or jobs at an earlier stage than does a policy for reducing unemployment.<sup>1</sup> As growth depends to a large extent on the development (in addition to the deployment) of human resources, and as this development is a slow process, concern about growth calls for the consideration of long-term manpower requirements as a basis for educational and training policies. More generally, growth-oriented policies would comprise preventive action, as well as the curative action typical of an overriding concern with unemployment. The *volume of investment* in manpower development and deployment under an unemployment-oriented policy will tend to be determined by considerations of social equity. With a growth orientation it ought to reflect the expected pay-off in terms of for example, the additional product obtained by filling vacancies, or in the long run by a given increase in, say, advanced training in mathematics. Similarly, an unemployment orientation will tend to circumscribe the *nature* of manpower development and training work more narrowly than would a growth-directed policy. For example, workers may be trained, but only if a specific job is in sight, and provided that the training does not exceed a time limit which tends to be short. A growth-oriented policy would tend to have more flexible standards.

19. It is appropriate to mention two points on which there would be *no* policy difference as between the two orientations. *First*, it is not the case that one approach would take care of the unemployed

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1. Again, the Trade Expansion Act introduced a new dimension in United States manpower policy in that petitions for adjustment assistance may be filled before workers lose their jobs, if it is found that additional imports resulting from tariff concessions "immediately threaten to cause unemployment".

while the other would not. Unemployed workers are of great concern to both approaches, though for different reasons<sup>1</sup>.

20. *Second*, growth orientation in manpower policy does not mean replacement of market forces by Government planning. It is true that such policy is vitally interested in expectations regarding long-term manpower requirements. But the function of forecasts would merely be that of providing an informational basis for existing public and private agencies to plan their own activities. It is also true that in the short run a growth orientation would tend to entail a more active approach to the training and moving of workers. But it would be perfectly possible for the agencies concerned with these activities merely to support and strengthen the tendencies operating in the market, as these tendencies are apparent from existing or expected vacancies on the one hand, and weakening employment tendencies in certain areas or activities on the other. For example, workers might be enabled to fill vacancies, even if they did not themselves have the money needed for relocation, and even if they had to be trained for rather a long time. In other words, the response to market developments would be reinforced, not replaced by public planning. Indeed, for a growth-oriented manpower policy to be effective, it seems essential that such policy be supported by, and formulated with, the participation of the private parties directly concerned with the labour market. No such policy could be viable in the United States if it did not enjoy such support.

#### STRUCTURAL AND DEMAND FACTORS IN THE UNITED STATES UNEMPLOYMENT PROBLEM

21. As indicated above, we refrain in this Report from examining that aspect of short-term policy which consists of maintaining an adequate level of demand in the United States economy. That aspect has been discussed in the Working Party on Economic Growth of O.E.C.D. This does not mean that we consider it generally desirable to separate discussion and policy-making regarding this problem from short-term manpower policy. On the contrary, in many situations it may be of great advantage to have the demand and manpower aspects of short-term economic growth considered as a whole.

22. Perhaps the matter is of special interest in the United States in view of the discussion over the question as to whether the progressive deterioration in the employment situation since 1953, and

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1. Providing adequate income security for the unemployed is, of course, the function of Unemployment Compensation schemes. In addition, Unemployment Compensation affects the state of the labour market in two ways. Firstly, in maintaining incomes to some extent, it puts a prop under the level of aggregate demand — thus performing the part of a "built-in stabilizer". Secondly, by ensuring that unemployed workers are not wholly deprived of income, it, to a certain extent, increases their ability to move when this is necessary in order to find a new job.

especially since 1957, has been due to failure to maintain demand, or to structural changes in the labour market. The latter concept is then understood to refer to such developments as automation, shifts in demand from goods to services, and the changes in skill requirements these entail<sup>1</sup>. In the former case, it should be possible to reduce unemployment primarily by stimulating demand. In the latter case, policies for greater mobility and adjustment of the labour force would be relatively more effective.

23. It is evidently important, also for other countries, to know whether or not the United States' labour market is undergoing structural changes. Unfortunately, the almost complete lack of United States statistics on unfilled vacancies and on the changing pattern of labour demand makes it hazardous to make pronouncements on the matter. However, even if it were possible to assign responsibility for the gradual increase in unemployment to either demand or structural factors, it would not follow that the answer lies in either stimulation of demand or manpower policy as *alternative* remedies. From a policy and prices point of view, the matter can hardly be regarded as an "either-or" proposition or as a question of "first" raising demand and "then" pursuing more active manpower policies. There seems to be a fair degree of agreement even among those economists who see no evidence of a growing structural component in United States unemployment, that if demand were raised to the point where further increases in demand would result primarily in rising wages rather than in increasing employment, there would still be 4 per cent unemployment<sup>2</sup>. By implication, due to structural factors, increasing demand could not reduce unemployment below 4 per cent without causing inflation. In other words, the greater proportion of the present unemployment is not due to deficiency of demand. In other words again, "an improvement in the functioning of employment offices or in the mobility of labour can succeed in lowering the unemployment rate even when it is well above  $x$  and demand is less than adequate"<sup>3</sup>. This, in essence, is the position stated in paragraphs 7 and 8 above.

24. Public authorities affect the short-run level and pattern of manpower utilization through measures to control the level of demand (monetary as well as fiscal policy) and through manpower policy. The precise connection between monetary and fiscal measures on the one hand, and their impact on manpower utilization on the other, depends of course on the specific nature of these measures

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1. Unemployment rates at the business cycle peaks of 1953, 1957 and 1960 were 2.6, 4.2 and 5.0 per cent respectively. The Council of Economic Advisers (*Report*, pp. 24 and 25) argued against the "structural" view.

2. Robert M. Solow in *Industrial Relations* (Berkeley) of October 1962, p. 3. Dr. Solow was a senior staff member of the Council of Economic Advisers from February 1961 until February 1962.

3. *Ibid.*

— some industries and regions will experience a greater direct and indirect impact than others, but what these industries and regions will be, will differ according to the precise nature of the programme.

25. But, in addition, there are a number of public agencies whose activities have a more or less direct impact on particular sectors of the labour market, even though this is not a primary purpose of these activities. These include, for example, agencies responsible for military construction and procurement, highway programmes, agriculture, and foreign trade. The total size of the programmes concerned is very large and the management of these programmes has a significant bearing on the utilization of the country's manpower resources. Sometimes the programmes are deliberately adapted to the requirements of manpower policy, insofar as this is compatible with their primary objectives (for example, placement of orders for defence procurement). To that extent, such programmes may play an important part in the creation of employment in areas or industries where this is particularly needed. Increased spending on space exploration or defence tends to increase the demand for scientists, engineers and technicians. Similarly, increased spending on health and welfare may increase the demand for high-level manpower in these fields.

## *Chapter II*

# TECHNOLOGICAL CHANGE AND ITS IMPLICATIONS

### TECHNOLOGY AND MANPOWER

1. Here we shall evaluate a series of questions which are related to the increased pace of technological change and the nature of its impact on manpower. We shall seek to look at the ways in which the manpower resources of the economy are adapting to the changing directions of technology, of market influences, to the shifting emphasis of national defence programmes, and to changing management, organization and techniques. Popular attention in the United States has been focused on "automation", although in a more specific sense it has to do with the development of automatic technology in the factory and the office.

2. Technological progress presents the United States with both a challenge and an opportunity. The challenge is to ensure that the human consequences of automation do not work unnecessary hardship on those who must adapt to it. The opportunity opens up vast perspectives for increasing human welfare in both a material and cultural sense.

3. The United States economy is on the frontier of a great deal of technological development, which means that there are no historic guide-lines for forecasting and analyzing the impact of technology in manpower terms. At the same time, experience in the United States is most meaningful for other Western industrial countries which will probably be subject to technological transformations which often have their roots in the United States.

4. Technological change affects almost every aspect of the working life of an industrial nation. It is said that more technological progress has been made in the twentieth century than in all of the previous history of the world. Moreover, the pace of technology has increased sharply since World War II and appears to be ever quickening. A further significant factor is that the gap between scientific discovery and industrial application has been rapidly shrinking. Faraday's discovery of electricity was not applied for 50 years. Today, the

average gap between discovery and application is only from five to eight years.

5. Some economists make a direct link between productivity and technological change, and consequently suggest that the pace of technology has not quickened because there are no appreciable changes in rate of growth of productivity in recent years. The increased pace of technology is shown in the substantial increases, as measured against the growth of labour force and G.N.P., in the numbers of scientists and engineers and in research and development expenditures.

6. Automation, in particular, has had dramatic impacts on many United States industries, on the chemical and refining industries, on the metal fabricating industries, in the office and in banking institutions, and now it is clearly spreading its influence to many parts of the service sector of the economy. It is on the verge of having major effects on assembly operations which have hitherto been relatively untouched. Agriculture has been dramatically affected by technological change in the broadest sense, with the result that the United States is producing much more food with less than half the manpower of two generations ago.

7. An analysis of the impact of technological change on manpower and particularly on the occupational structure of the labour force is not possible here. From the point of view of its manpower implications, technological change must be defined, as any innovations which affect the way in which goods or services are produced and distributed. It can change either the end product or the way in which it is produced or distributed. Changes in the production process, in business institutions or in the way in which they are organized should be included, as all of them may have profound occupational and manpower effects. For example, in the field of distribution, self-service supermarkets have had substantial employment effects. In the area of production organization, the introduction of the staff-expert principle has helped to produce whole new corps of professional and semi-professional specialists.

8. The process of industrial development usually involves the introduction of more than one technological change at a time. The use of a new source of power involves a change or at least an increase in mechanization. The introduction of a new product usually brings in its train many changes in production techniques and in plant organization and layout. As we shall observe later on in the Report, technological change affects not only young people and the way in which they have to be educated and trained to meet the dynamic requirements of the economy, technological change also has important implications for workers already employed.

9. A fundamental fact of our time, rapid change and adjustment was brought out some 30 years ago by the American philosopher

Alfred North Whitehead. He indicated that "The rate of progress is such that an individual human being, of ordinary length of life, will be called upon to face novel situations which find no parallel in his past. A fixed person for the fixed duties who, in older societies was such a god-send, in the future will be a public danger". This statement has more force today than when Whitehead wrote it. The consequences of technological change are of common concern to the three major institutional groups in the United States economy, employers, unions and the various levels of government. It is only through their joint efforts that the adjustment problems of the American labour force can be effectively resolved.

10. It is clear that the average worker in the United States labour force can now no longer expect to remain continuously for 40 or 50 years in a single occupation with a given set of unchanging skills. He has constantly to adjust to new employment demands and on occasion even makes shifts to completely new occupations, usually at higher levels of education and skill. It used to be that a worker could aim for a particular job in which he was able to develop a vested interest and which became his for life. Such a comfortable work concept is too costly in both economic and human terms today. Employed workers and the young people entering the labour market must today develop an adaptive approach to the changing requirements of technology, as the mismatching of manpower demands and occupational supplies clearly acts as a break on economic growth. In addition, the human dislocations imposed by manpower displacement as a result of technological change impose a seriously increasing burden on unemployment insurance, social welfare and other measures of social security.

11. A study of productivity and of the impact of technology on manpower meet at strategic points. It is important to recall that productivity growth is to a large extent a function of technological change because the growth of productivity means that the same output can be produced with fewer units of manpower input.

12. There are two manpower aspects to technological change. First, the *quantity* of labour input per unit of output usually tends to fall. As a result, technological change usually has an impact on total employment. Second, technological change usually involves a change in the nature or *quality* of the required labour input. Thus, there is an impact on occupational requirements.

13. The decline in the quantity of labour input required per unit of output is a basic mechanism in the process of economic growth. As less manpower is required for carrying out production tasks, some can be used for new tasks. Either more may be made of the goods or services, the supply of which has been affected by technological change; or the output of other (perhaps new) goods or services may be expanded. What will happen in any particular case depends, of

course, to a considerable extent on the level and directions of demand. So (apart from the problem of adapting the workers affected to new skill requirements) whether or not technological change will lead to a significant displacement of labour in the firm or industry affected, does not merely depend on the rate or nature of technological change but also on whether demand for the product concerned is rising and at what rate. A fast rate of technological change need not lead to displacement if demand increases rapidly. A lower rate of technological change may cause displacement if demand increases but slowly. Technological change is not only "permissive" of economic growth in setting resources free for expansion, it also tends to stimulate growth by creating new demands. Thus, when technological change enables newly developed consumer goods to be produced on a large scale, consumer demand will rise. And when a new technology promises great reductions in cost, the demand for new capital goods will be stimulated.

14. The employment impact of advancing technology has caused concern in the United States in recent years. Attention has been drawn to the quite considerable reductions in employment, during the postwar period, for example, in the soft coal industry, in railroad transport, in the automobile, steel, and electrical machinery industries. Yet, in the postwar period, technological change has not caused the average annual rate of productivity increase to rise above that of earlier periods. Two clear exceptions to this are agriculture and rail transport, where postwar productivity growth has been considerably faster than prewar increases in output per manhour. Also, in certain sectors of the manufacturing and service industries, sudden changes have occurred involving very large increases in productivity. Where technological change has been accompanied by substantial unemployment, a good deal of the explanation must therefore be found on the demand side — for example, the demand for coal and for manufactured goods (compared with services) has not risen at a pace commensurate with technological change in these sectors.

15. In this chapter, we shall try to isolate a few of the problem areas and to discuss some of the approaches which are being developed. The problems to which we shall direct our attention are the forecasting and research problem, labour mobility and the adaptation of manpower to changing requirements, and finally, the approaches of collective bargaining and unions to the manpower problems caused by a dynamic technology.

#### RESEARCH AND FORECASTING

16. It seems clear that technological change contributes more to growth, if the economy or parts of it are prepared to receive it, than if innovation takes the shape of a series of surprises. A firm, industry,

or trade union can, so to speak, be caught napping and suddenly find itself facing major displacements, or acute shortages of people with the skills required by new technology. Opportunities provided by technological progress are then missed. So it is important to try to foresee, as far as possible, the scope and nature of technological change, and its impact in terms of employments and skill requirements.

17. The function of forecasting is to specify reasoned expectations about the future on which more rational and less risky decision-making can be based, and thus reduce unnecessary mistakes in the utilization of scarce human and material resources. Forecasting starts from certain data, i.e., facts and interpretations of past experience, and applies to them knowledge about the ways in which the unknowns to be forecast are related to the data. We shall make a distinction in discussing forecasting between the expansion of knowledge about the variables and problems which individual workers and manpower institutions must face over relevant time spans, and the forecasting of quantitative magnitudes such as the size of the labour force, employment by industry, the numbers in various occupational groups, and so forth. The quality of estimates in the quantitative forecasting field depends on the quality of the data, and on the strength of the theories and information linking the data with the unknowns. Forecasts are obviously less reliable the longer the time span covered and the greater their detail. In accordance with the distinctions made in our Report, forecasts are needed for the short run, and advanced knowledge of the future is required for the long run.

18. Much of the forecasting emphasis in the manpower field in the United States, and indeed in other countries, is focused on the quantitative area. As a general critique of quantitative forecasting over longer periods (in excess of five years) in the United States, we consider that basic knowledge is far too limited concerning the relevant variables which affect future manpower requirements. These variables include, in particular, a more detailed knowledge of the manpower adjustments which follow various types of technological change and of the processes of manpower adaptation in the labour market generally. It is on these areas, in which our knowledge is so limited, that substantial research emphasis should be placed if longer term quantitative forecasting of manpower requirements is to become a more valid and integral part of manpower policy-making.

19. A dynamic economy on the frontiers of technology, introduces a most complex and difficult variable about which we know little in terms of quantitative manpower forecasting. Some guidance for forecasting in less-developed countries may be the historic pattern of manpower development and utilization in occupational and industrial terms in more advanced countries. This kind of guide hardly exists at

all for those economies, like the United States, which are on the frontier of economic and technological development.

20. Because the task of longer-run manpower programmes is to prepare the labour force and its potential members to meet the future requirements of the economy, it is natural that forecasting programmes should focus on manpower expressed in occupational terms for varying time horizons. It is usually argued that if we can indeed determine matrixes of manpower requirements in occupational terms for the future, it will then be possible to develop more rationally, training and educational programmes which will prevent future imbalances between labour supplies and labour demand.

21. It is apparent that a great deal of natural adaptability to changing labour demands occurs within the labour market and that workers, in fact, move from occupation to occupation both as a function of their natural desire to upgrade themselves in economic and social terms and as a necessary way of avoiding displacement due to changing occupational requirements. Education and training cannot be construed simply as the supply mechanism in an economy, which meets the demand requirements of that economy expressed in specific and rather stable occupational terms at future points in time.

22. The forecasting problem might be more usefully expressed in terms of the development of knowledge about the nature of the future labour market, not only in quantitative terms, but in terms of its adaptation processes and its mechanisms of adjustment. All of these parameters are relevant to the problem of designing educational and training institutions and curricula to meet both the future needs of individuals as members of the labour force, and to meet the manpower requirements of the economy.

23. Different kinds of manpower preparation and utilization decisions require shorter or longer time horizons, and forecasting becomes much more uncertain as the time horizon lengthens in a technologically dynamic economy. Accurate forecasting of the manpower implications of known technological or market changes is complex and difficult enough in the short run. It has, however, fewer risk elements than forecasting over a time horizon in which the nature of much technological development is unknown.

24. In a technologically dynamic society, long-run forecasts for many kinds of occupational requirements are thus virtually impossible. This statement should not be interpreted as a counsel of despair, nor is the appropriate answer to it that some forecasts, no matter how inaccurate, are better than no forecasts. An analysis of the real barriers to forecasting in the longer run may constitute valuable knowledge about the future as distinct from the forecasts themselves. This knowledge about the dynamic character of tech-

nological change is suggestive of the real problems which training and educational institutions face in preparing students as effectively as possible, for continuing occupational adaptation over the forty- to fifty-year period of their active participation in the labour force. This kind of knowledge about the future suggests, for example, that many American workers may have to make three to four occupational shifts in the course of their lifetime consequent upon technological change and shifting market demands. If this be the case, it would be folly to gear an educational and training system to prepare people for narrow occupational specialities which are decided upon in terms of occupational targets over a ten or fifteen year time span.

25. For forecasts which are focused on occupational requirements, the time horizon for which reasonably accurate forecasts can be made, depends to a very considerable extent on the nature of the occupations which are being forecast. In this context, the occupational world might be divided into two broad groupings: (1) population based occupations and (2) technologically based occupations. This division is in terms of the most significant variables which determine requirements for the occupation. Medical doctors, teachers and barbers are examples of the first category, so that population projections are the most important base for determining requirements although, of course, shifting technologies can affect these kinds of occupations as well. Such occupations as machinists, electronic technicians, tool and die makers, draftsmen, electronic computer technicians and indeed most of the occupations associated with the goods producing sector of the economy are basically affected in their requirements over the long run by technology. This in turn means that much higher degrees of risk are attached to longer-term forecasts for this group of occupations. Many long-run occupational forecasts in the United States do not appear to assign different degrees of risk to their predictions for different occupational groups and are thus likely to be misleading with respect to the real nature of the adaptation, training and vocational guidance problems which must be faced in future years, and which vitally affect the kinds of decisions which both individuals and institutions must make with respect to the character of education and training.

26. "Advance warning" techniques are being developed, particularly by the Employment Service in the United States, so that some lead time may be developed to make plans in relation to manpower displacement. This is the field of short-term forecasting and is thus much less subject to the risks discussed above. Such forecasts can deal to a considerable extent with known technologies and market developments, although even here problems occur with respect to the extent to which accurate predictions of manpower requirements can be made. There is, however, a most important function to be served by short-term advance warning systems, developed in co-operation

with industry and with unions, to provide sufficient lead time for effective plans to be developed in relation to manpower displacement and to determine the kinds of employment openings which will occur for workers who are released.

27. Our cautions about the validity of long-term quantitative forecasts are not intended to detract from the point that before adaptations of a constructive and positive kind can be made to the changing technological demands of the economy at the plant level, at the level of the local labour market, at the level of the State, or indeed of the nation as a whole, advance knowledge of the character of industrial change and its impact on all the aspects of manpower should be developed. As we have indicated, this is a problem which is subtle and which is technically difficult and to which a number of approaches are being made in the United States at the national and at other levels. It is most important to develop effective knowledge about the future (as distinct from quantitative forecasts) which will meet a variety of needs. There are a great range of problems involved. For example, what kind of techniques can be effectively developed for gearing knowledge to a variety of training and manpower adaptation problems. Many expert groups at the national level in the federal government agencies, at the community and State levels, in universities and, of course, in industry, are developing a variety of manpower forecasts. A significant problem would appear to be that of providing for an exchange of information on the success or failure of such techniques, on the development of concepts about the real objectives of such forecasting devices and especially to ensure that fundamental research is being undertaken about labour market processes and technological change. Finally, it is most important to ensure that manpower quantities which cannot be forecast with any reasonable degree of accuracy in our present state of knowledge, do not lead to poor judgements on the part of policy makers.

#### LABOUR MOBILITY

28. The stimulation of efficient labour mobility in an age of technological change is essential to strengthening and making the process of manpower adaptation more rational. Imbalances between labour supply and demand on an occupational, geographic or industrial basis inhibit economic growth and add to the costs of the economy. Lost production through vacant jobs, or the filling of jobs with less qualified workers of lower productivity than are available elsewhere, raise costs and inhibit output. The availability of productive workers who could fill vacant jobs, who remain on unemployment insurance or who are supported in other ways, contributes to unnecessary increases in the costs which must be borne by the whole economy.

29. The extent and character of labour mobility has important implications for many aspects of manpower policy. This is particularly

true of a country which has a vast complex of varied occupations and industries spread over a large geographic area. It is not particularly significant to compare the extent of labour mobility in the United States economy with that of other economies. It is significant to assess the degree to which labour mobility plays a functional role in matching manpower demands and supplies in the United States economy. It is clear, from the evidence, that there is a substantial degree of occupational and geographic mobility in the United States labour force. Most of this mobility occurs without a great deal of governmental assistance, but is a product of the natural workings of the labour market.

30. We shall first set forth some basic facts to place the extent of labour mobility in the United States in perspective, prior to undertaking some evaluation of its contribution to efficient manpower utilization and economic growth.

31. Some of the key facts of labour mobilization in the United States economy are as follows :

32. In 1961, about 8.1 million workers changed jobs and 5 million of these were below 35 years of age. In total, about 1/10 of the workers who were recorded as working during the year changed jobs.

33. About one out of four of the men, 20 to 24 years old, who worked during 1961 changed jobs, but only one out of fifteen of the men 45 to 54 years old who worked changed jobs. Thus, labour mobility and age are highly correlated.

34. While the evidence is not entirely clear, there is a strong correlation between the extent, in a geographic sense, of labour mobility and occupational level. Many of the professions participate in a national labour market, while the unskilled and semi-skilled largely participate only in local labour markets and sometimes only in segments of local labour markets. Exceptions to this generalization are construction workers and migrant farm labourers. There is a great variety of studies throwing light on the extent and character of mobility in the United States labour force over a period of some years. Most of these studies are oriented to the mobility behaviour of the manual sectors of the labour force rather than to that of the more highly skilled and more highly educated groups of technical, professional and white-collar workers.

35. The extent of mobility differs among occupations. For example, in a recent year, there were only nine job shifts completed per hundred workers in professional and technical occupations, but there were 16 job shifts per hundred sales workers, and 27 job shifts per hundred labourers. This reflects, to a large extent, the degree of employment fluctuation in various occupational categories.

36. Shifts from one industry to another are more common than occupational shifts. About three-fourths of the job shifts in all industries were to jobs in a new industry, while only one-half of the job shifts involved changes in a major occupational group<sup>1</sup>.

37. Due to the characteristics of the labour market, voluntary job changing is reduced in recession years while job changes for economic reasons or other involuntary reasons are substantially higher. For this reason, analysis of labour mobility must distinguish between mobility which occurs for voluntary and involuntary reasons.

38. Some of the evidence with respect to mobility certainly suggests that institutional factors have played a more significant role in inhibiting desirable mobility to more productive occupations and areas of employment through the years. One of the major constraints on both voluntary and involuntary mobility is seniority systems which attach workers to their employment and to benefits which are seniority related. This is true not only of the unionized parts of the economy, but of other parts which tend to maintain labour standards related to those in organized companies. Private pension plans probably provide a further significant inhibition to mobility as the relative lack of "portability" ties workers to particular employers<sup>2</sup>.

39. In periods of rapid employment expansion, workers have less to fear from unemployment in moving voluntarily in search of other work. Thus, the factors which inhibit mobility are less influential. An economy which operates at high levels of manpower utilization will enjoy a greater degree of voluntary mobility on the part of its labour force.

40. Mobility in the United States economy cannot be evaluated in purely economic terms. Occupations and industrial wage differentials clearly motivate a great deal, at least of voluntary mobility, to expanding occupations and industries which usually have higher rates of wage increase than do more stagnant occupations and industries. Research findings also suggest that workers move on a voluntary basis from job to job for reasons which are, in many cases, not directly related to earnings. They may seek a more favourable social or physical climate, or work that is closer to their home or close to friends and relatives, or they may desire better prospects for advancement. Research on labour mobility indicates that there are no significant differences in the ways in which workers seek and find jobs if they

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1. The statistical facts regarding labour mobility are from an unpublished study, "Private Pension Plans and Manpower Policy", prepared by Dr. Hugh Folk, University of California, with the assistance of staff members of the United States Department of Labor, 1962.

2. In recent years, there has been an increase in the "vesting" of pension rights on behalf of employees, which increases the extent to which they are free to leave for other employment and carry pension rights with them.

are out of work for voluntary or involuntary reasons. Workers often quit present jobs before looking for other jobs on a voluntary basis. This, in part, is related to the difficulty of looking for a new job while the worker is already employed.

41. Our primary interest is focused on the degree to which positive interventions in the labour market to strengthen the employment service, train the unemployed and facilitate mobility can assist in adapting unemployed workers to areas of employment expansion in an occupational, industrial and geographic sense. Some research has suggested a most hopeful conclusion ; namely, that the range of ability and aptitude among unemployed workers is sufficiently wide to enable them to be potentially prepared through training and in other ways for a very great variety of occupations. These aptitudes were largely unknown to the individuals concerned and suggest that the strengthening of counselling and testing procedures might play a significant role in selecting appropriate training programmes to prepare them for employment. These studies also suggest that attitudes toward retraining for a great many unemployed workers are positive. The prospect, however, for geographic mobility constituted a more serious block to adaptation.

42. Wage differentials by occupation, industry and area, play both a positive and negative role in relation to adapting the work force from industries of declining employment to those of expanding employment. In many cases, as we have indicated, wage differentials in the expanding skilled, technical and professional occupations attract workers to them. On the other hand, the areas of employment decline are often in the goods producing and manufacturing sectors of the economy, while the areas of expansion are in the service producing sectors. This means that, apart from the contribution which retraining can make to re-adapting workers between these two sectors, wage rates often constitute unfavourable "terms of trade" between the manufacturing and service sectors. A basic reason for this, apart from differences in the degree of unionization, is that per worker productivity is much higher in the manufacturing sector than in the service sector. Major difficulties surround the moving of workers accustomed to \$3 an hour, with long seniority and accumulated pension and other benefits, from the automobile or other highly productive goods-producing industries to service industries which may offer only \$1.50 to \$2 an hour. Retraining and mobility allowances may assist such workers in adapting to new employment, but is virtually impossible for them to make up for a considerable drop in real living standards.

43. In short, it can be said that there is a substantial volume of market induced occupational and geographical mobility on the part of the United States labour force. At the same time, there is a much greater requirement for mobility consequent upon a more rapid pace

of technological, market and other kinds of industrial change, apart altogether from the rate of total employment expansion. On balance, varying patterns of economic growth, geographical, industrial and occupational, have stimulated a good deal of mobility from declining industrial and occupational areas. At the same time, there have been limitations, and perhaps growing ones, surrounding such desired mobility, because workers tend to be tied to the plant or company through pensions and other fringe benefits and through seniority and other arrangements designed to protect them from the ups and downs of short-term employment fluctuations. In consequence of these, and the many social factors which tie workers to their home, as well as problems of low education and skill in relation to the employment opportunities, serious pockets of immobile workers have developed in many regions of relatively declining employment.

44. These surplus manpower areas have arisen due to the declining position of coal, for example, in sections of West Virginia and Pennsylvania, to the working out of ore mines in the Mesabi range, to the decline of lumber production in certain areas of the Pacific Northwest and to the decline of textile and shoe production in New England, to cite several examples.

45. In areas such as these, the Area Redevelopment Act has sponsored activities which are beginning to have some impact. The preparation of over-all economic development programmes within these areas is a basis for qualifying for industrial and commercial loans, public facility loans and grants and for technical assistance. The A.R.A. programme has stimulated local initiative and has helped to create community planning and industrial development efforts designed to improve future economic and employment prospects. In many cases, co-operation between community organizations and Federal and State agencies has helped to stimulate development and training programmes and more effective employment service activities. The A.R.A. is a major example of the development of public policies at the Federal Government level, which are designed to bring industry and jobs to declining areas all suffering with high levels of unemployment. Unfortunately, time has not permitted us to evaluate the role which such new programmes can play in moving employment to workers rather than workers to employment.

46. No economy can effectively and fully utilize its manpower resources if there are elements of discrimination which prevent the employment of available and productive workers on grounds of sex, creed, colour, or age. Most Member countries of O.E.C.D. suffer some degree of discriminatory hiring patterns on grounds such as these.

47. Negroes in the United States still suffer from discrimination in employment. The record clearly bears witness to the fact that the United States has made remarkable strides in eliminating discrim-

inatory barriers to the employment of Negroes and other non-whites particularly since World War II. It is not possible for us to evaluate the degree to which discrimination has adversely affected manpower utilization and lowered productivity below its potential level. The social and humanitarian reasons for eliminating discrimination are more important than the economic reasons. Legislation at both the Federal and State levels has assisted in reducing discrimination in employment and has played an increasing role in reducing the extent of discriminatory hiring practices. By July 1962, 20 states having 60 per cent of the United States population, 40 per cent of the Negro population, have passed fair employment practice laws designed to eliminate discrimination in private employment. Equal opportunity employment policies apply both to employment in Federal agencies and to employment by private agencies on government contracts.

48. The first section of this Report indicated that both older workers and non-white workers have suffered the impact of unemployment, both proportionately and in terms of duration, to a much greater extent than other groups. Discrimination, to a degree which cannot be measured, has played some role in this result. Discrimination is intimately related to disabilities which both older workers and coloured workers have, which make them less competitive in the labour market. Generally, they have lower levels of education and skill than other workers and a higher incidence of physical disabilities. These associated disabilities may be more responsible than discrimination based on purely emotional or attitudinal grounds for limiting the employment of unemployed members of these groups.

49. The above point can be generally illustrated in terms of age "discrimination" in employment. A series of disadvantages in the labour market tend to be associated with age along the following lines :

- a) Low education ; the older workers have typically entered the labour force 30 to 40 years ago when the average level of schooling was much less than for younger workers now entering the labour force. Today's jobs call for higher levels of skill, specialized training and education.
- b) The older worker is more likely to have disabilities as a result of illness or accident.
- c) In the changing industrial world he may have accumulated habits of mind, work experiences and methods which are viewed as handicaps rather than assets by many employers.
- d) Long periods of unemployment have made him pessimistic about his chances of re-employment. He therefore often exhibits a lack of aggressiveness and an outlook which is not regarded as "positive" by employers.

50. Employers frequently tend to symbolize disabilities of this kind under the single heading of "older workers", rather than objec-

tively seeking to explore the assets and liabilities which older workers may have as individuals in relation to specific jobs. This complex of disabilities, which is associated with age, leads to the familiar phenomenon, age discrimination in employment.

51. This diagnosis would suggest that action programmes by government, unions, and other agencies must be tailored to dealing with the specific handicaps possessed by individual older workers. The handicaps can best be overcome by specific programmes designed to deal with each disability in a specific sense rather than through attempts to deal with them by lumping all older workers into a common mould. In the longer run such disabilities should be tackled through preventive programmes, if possible, rather than ameliorative programmes. Suggested programmes then run in terms of more continuing training of older workers to adapt them to changing technology, the development of specialized counselling services, the liberalization of seniority and pension systems and, in the most general terms, the development of manpower programmes directed at eliminating employment disabilities regardless of the age of workers.

52. From our particular point of departure, unemployment insurance is an important aspect of labour mobility, because it provides income support for workers while they seek other jobs and assists them to move geographically should this be necessary. The States have each developed unemployment insurance programmes. Due to interstate agreements, workers can usually claim benefits to which they have acquired rights in other States when they move.

53. Income support for unemployed workers under unemployment insurance assists in the stimulation of mobility by helping to make it possible for workers to seek work more effectively and move their location if necessary. On the other hand, inhibitions to mobility may occur if benefits are so high in relation to normal earnings that some workers will prefer idleness to work.

54. Over the years, with rising wage levels and more stable benefit levels, unemployment insurance has been offsetting a shrinking proportion of the wage loss due to unemployment. Additionally, as the average duration of unemployment has increased, the duration of benefits has not kept pace, so that more and more of the unemployed have exhausted their benefit rights. It is to be noted that a number of groups in the labour force, such as paid agricultural workers, government employees and in a number of States those who work for small employers, are not covered by unemployment insurances.

55. In our opinion, it is important, to increase benefits at least to an average of 50 per cent of lost wages, to extend benefits to cover long-duration unemployment and to make more uniform the main provisions of unemployment insurance as between States. This appears to be necessary if unemployment insurance is to serve more effectively

as an "automatic stabilizer" during recessions and if it is to play a more positive role in facilitating manpower adaptation for those workers who are permanently displaced from an industry or an occupation.

#### ADAPTATION THROUGH COLLECTIVE BARGAINING

56. Union membership covers approximately 32 per cent of United States non-farm employment. The trend of union membership has been relatively stable in the last few years and thus represents a slightly declining proportion of the labour force. Union membership is concentrated in the manufacturing industries, the mining industries, in transportation, utilities, in the building trades and in the craft groups such as printing. A review of union membership in relation to the growth of the labour force and to its rapidly changing occupational composition suggests that union membership is declining as a proportion of the labour force. This is basically because union organizing drives have not yet penetrated deeply into such growing occupational fields as white-collar workers, technicians and other semi-professional groups. A discussion of collectively bargained solutions to the manpower adjustment problems of technological change, and the control of collective agreements over the nature of this adjustment process does not touch large areas of the labour force.

57. The structure of United States unionism is decentralized with unions broadly organized along craft or industrial lines. There is thus a diffusion of union decision-making over a great many areas of the economy, and often collective bargaining policy is determined at the local plant or area level. These policies have grown out of a variety of industrial settings and union leaders face a variety of problems in advancing the interests of workers in conjunction with the desires of union members. For these reasons, it is difficult to generalize about the impact of union policies on the problems of manpower adaptability in relation to technological change.

58. The impact of union policy as reflected in collective agreements and bargained solutions to the displacement effects of industrial changes has been oriented historically toward job security and toward the principle of equity of treatment with respect to transfers, promotions, layoffs, etc. These job protection orientations have historically been different in the case of craft unions than in the case of industrial unions. The latter have focused on employment and income security through hours adjustments, supplementary unemployment insurance benefits, severance pay, etc.

59. Seniority provisions which have a substantial impact on the ways in which adjustments to technological change take place, have their fundamental roots in protecting the job and occupational security of workers and in assuring that changes which affect workers

will be determined on impartial lines of length of service rather than in terms of "arbitrary" decisions on the part of management with respect to the efficiency and capacity of workers. Seniority is not the controlling factor in most collective agreements but is rather a major consideration which is weighed along with capacity to do the work with respect to transfer, promotion, and the order of layoff when work is reduced.

60. Another significant factor which affects the extent to which adaptation and mobility take place consequent upon job displacement, are the range of "fringe benefits" which are designed to improve the economic welfare and income security of the worker. These provisions particularly with respect to pensions and vacations are usually tied to length of service and thus serve to reinforce the ties between the worker and a particular employer and bargaining unit. The employer views these arrangements as desirable insofar as he is assured of continuity of employment and attachment to the firm by his working force. In view of this, it is understandable that workers are reluctant to move to other employment when they are laid off, in the interest of securing re-employment with employers with whom they have established seniority status on which such benefits as pensions, vacations, sick leave, etc., depend.

61. The industrial and geographic scope of bargaining units is fundamental in determining the degree to which workers can transfer between departments, plants and companies without losing their employment and accumulated benefit rights. In general, the narrower the scope of the bargaining unit, the narrower the potentiality for adaptation under the terms of the collective agreement and hence, moves out of the bargaining unit by the worker sever his seniority related rights within the unit. Moves by unions or employers to extend the scope of bargaining units on an industry-wide basis or on a company-wide basis in multiple plant companies will greatly assist in the development of adaptive solutions to technological displacement through collective bargaining. Also, the greater the number of unions within a plant or an industry, the greater the barriers to adaptive solutions, so that moves toward consolidations of unions should assist in this direction as well.

62. Mobility and adaptation is inhibited by the worker's natural tie to his union, particularly in the case of craft unions. He very understandably and naturally wants to remain with the union with which he has been associated and which has served to protect his interests and economic welfare. In addition, some unions provide him, independently of the employer, with certain benefits related to retirement, vacations, training and education. It is natural that, should he be displaced, he will not want to sever his connection with a particular union, but will wish to secure employment where his union has jurisdiction.

63. It has been argued that all of these inhibitions and many others found in collective agreements, and indeed in the practices of many non-unionized employers, inhibit the process of adaptation to other occupations and employments, particularly where geographic mobility is necessary as well. In a sense this reveals a point of conflict between private and public manpower policy. As pointed out above, many of these measures which tend to limit mobility were designed to secure a greater degree of employment security for workers, coupled with the need for equity of treatment of workers in the face of discriminatory treatment on the part of employers. In an economy where workers must shift employments and sometimes their occupations to secure long-run income and employment security, there must be a sound reconciliation of policies which conflict with this objective. It is then a problem of determining the degree to which public measures of a general character for assisting in the adjustment of workers to technological change can be integrated with collectively bargained measures to insure a greater degree of long-run employment security.

64. Unions and employers have sought to overcome some of these limitations to positive adjustment to technological change through collective bargaining and in various other ways. The character of these measures is essentially a product of the economics of the industry and of the traditions and philosophies developed by unions and employers for solving many economic and social problems within the framework of collective bargaining.

65. One basic orientation to the problem of displacement is to seek to slow down the rate of involuntary displacement arising from technological changes, to the rate of voluntary attrition or reduction of the employer's labour force. The rate of voluntary attrition varies greatly and depends on the characteristics of the labour force which is subject to the impact of technological change. For example, an older labour force will have a higher rate of retirement than a younger labour force. In an expanding employment situation, the rate of natural turnover, and hence of attrition, is higher than in a stagnant and declining labour market. The effort is thus made to relate the pace of introduction of technological change to the rate of natural attrition. In an industry such as coal, with declining demand and employment, the rate of voluntary attrition tends to be lower and displacement cannot be absorbed nearly as readily. In such cases, economic necessity may create pressures for increasing the rate of technological change to reduce labour costs and thus improve the competitive position of the industry as a means to sustain demand and employment.

66. The economic context is thus largely controlling as to the scope for negotiating agreements which tie the pace of technological change and the amount of displacement to the rate of natural attri-

tion. There are significant areas for judgment on the part of the parties as to the extent and character of the influence of economics of in the industry; hence there is scope for industrial conflict which arises out of different judgments on this point.

67. Another basic approach to displacement under collective bargaining is through "buying out" the job right to future benefits which the worker has accumulated on the basis of his seniority. This has led to a substantial development of "severance pay" clauses in collective agreements in recent years. For workers with high seniority, severance pay can sometimes amount to two to three times average annual earnings. Psychologically, this may have a desirable impact of untying the worker from a declining employment prospect and at the same time enabling him, in part at least, to finance a move to an area of increasing employment, or to finance some of the personal costs of necessary retraining.

68. Collective bargaining has played a role in developing transfer arrangements in relation to plant relocations or the opening of new plants by particular companies. These clauses of collective agreements enable workers to transfer with their seniority related job rights from plant to plant within the company and thus avoid the frequent phenomenon of an employer's displacing workers in one area and hiring new workers with similar skills in another. Such clauses in the agreements of large multi-plant corporations have been developing in the United States in the steel, automobile, aluminium and meat packing industries. In many cases, however, only small fractions of the displaced work force take advantage of such opportunities, apparently preferring to remain in their home communities. Additionally, workers in the new locations resent the competition of the relocated workers for available job openings.

69. The widening of seniority "districts" has been developing in some industries as a means of facilitating necessary transfers resulting from technological change<sup>1</sup>. Narrow seniority districts tied to crafts, departments and production processes within a single plant, severely inhibit the process of adaptation from occupational areas of declining employment to areas of expanding employment within the same company. Efforts are now being made, through collective bargaining, to expand the basis of seniority to ever widening boundaries and in some instances seniority pools are established from which workers may be drawn to staff areas of employment expansion in the company. To the extent to which retraining programmes can be tied in with these arrangements, the scope for adaptability is increased within broadened seniority districts and represents a further positive step which might be developed.

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1. The term "district" refers to the unit whether it be a craft, a department or a production function within which a worker can exercise his seniority preference with respect to transfer, promotion, order of lay-off, etc.

70. A significant development being sponsored by some craft unions is the provision of upgrading training programmes for journeymen in their trades. These upgrading training programmes are designed to provide knowledge and training with respect to the newer technological developments in the trade. Promising programmes have been developing in the glass bottle industry, in the plumbing and pipe fitting trade, in the electrical installation trade and in some of the other building and construction trades. The training programme of the famous International Brotherhood of Electrical Workers No. 3 in New York City, which recently bargained the 25-hour week, is particularly well developed and forward looking. This trend should grow and will assist greatly in helping to avoid displacements in the crafts which result from skills becoming outmoded in the face of changing technologies. In most instances, such programmes are organized by the unions themselves, or in co-operation with the industry, to make more secure the continuing employment of the present membership.

71. Unions are also contributing to the adaptability and mobility of the work force to changing employment demands, through the contributions which they make to the more efficient organization of the labour market. For example, in the building trades, through union hiring and transfer procedures, the scope of local labour market has been extended on a regional basis so that union members can follow the ever-changing location of major construction programmes. In essence, the rationalization of the labour market through the development of union hiring and transfer procedures facilitates the adaptation of workers and helps to prevent the development of pockets of unemployment in local areas in conjunction with shortage of skilled construction workers in other areas. In some instances, government public works programmes which have been geared to meeting localized unemployment and which are designed to employ workers in local labour market areas come into conflict with the desire of unions to stimulate greater mobility, particularly of skilled craftsmen in a geographically larger labour market. Such conflicts of policies have largely been resolved. They illustrate the difficulty of efficiently gearing public programmes to a complex and ever-changing pattern of labour supply on an occupational basis.

72. The question of hours of work in relation to unemployment has been a subject of debate in the United States. In a general sense there are three reasons for reducing hours of work. (1) An increased preference for leisure as real living standards rise as a result of increased productivity. (2) To spread work among a larger number of workers attached to an occupation or industry as employment declines. (3) A disguised means of increasing hourly earnings by reducing weekly hours while maintaining weekly earnings or by reducing standard hours to secure additional overtime work at premium rates of pay.

73. The present debate on the merit of reducing hours of work has largely turned on the second of these reasons for reducing hours. In the growth context, in which we are evaluating manpower policies, the significant dimension of this question is the extent to which a reduction of normal or standard hours of work<sup>1</sup> will inhibit growth, *should* the rate be increased to the point where available manpower resources are more fully utilized. At this stage, increases in hours of work may raise labour costs because more hours will be worked at overtime rates than would otherwise have been the case. This has implications for the cost structure of the economy and its competitive position.

74. In the North American setting, unions have traditionally sought to reduce hours of work when employment declined. In some cases, work-sharing agreements have been written into collective agreements; in others, the union tries to limit overtime work while its workers are on lay-off. In essence, this approach is designed to share the work among workers and union members attached to the plant, or industry, or occupation. Unions traditionally have little power over, and thus have assumed little responsibility for, the degree to which the production of the plant or industry expands, so that it is natural for them to seek to spread the work out among those attached to the union.

75. Another aspect of the hours question is, that reduction of hours to a point where lower living standards would occur for those workers attached to an industry, in the face of expanding employment in other industries or parts of the country which could employ these workers on an equivalent income basis, would be unsound. Difficult judgments are involved in evaluating the degree to which hours should be used as a device for spreading work in particular cases.

76. The other motivation for unions to reduce hours is, of course, to increase their earnings by securing premium pay for overtime or by maintaining take-home pay in relation to reduced hours. Overtime pay makes it more expensive for employers to work their present work force longer hours, in some cases, than to increase employment or hire additional workers. In this case, it can be a stimulant to increased employment. A good deal of evidence suggests that the cost of overtime in today's economy is more and more outweighed by increased hiring costs so that employers tend to prefer overtime. In specific settings, the motivations and purposes for reducing hours become complex. If the same take-home pay is involved for reduced hours, labour costs rise at least in the short run, and shorter hours cannot therefore be rationalized as a solution to declining employment in the face of declining demand.

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1. Normal or standard hours are those above which overtime and premium pay comes into effect.

77. Our view is that one of the desirable ways for a society to benefit from increases in productivity is to reduce hours, have longer vacations and voluntary early retirement. This, we feel, is one of the major ways in which the gains of increased productivity are distributed to the population. The other alternative is, of course, to enjoy higher rates of real production and real wealth per capita, which depend upon maintaining a high level of effective demand for the production of such wealth. In essence, the optimum combination of these alternatives is up to the particular country and rests on a choice of objectives toward which it wishes to direct its economic energies.

78. There have been a number of instances in which bargained solutions to the impact of technological change on displacement and on the adjustment of the work force have caused serious industrial conflicts. The Railroad Telegraphers and Clerks and Long-Shoremens are recent examples of strikes which largely revolved around this issue. It is regrettable that in rare instances this is the only way in which solutions satisfying to the parties to bargaining can be reached.

79. It is easy for us to recommend that the parties to bargaining should constructively co-operate with each other in arriving at solutions without resorting to industrial conflicts. This is a pat answer in a complex industrial society based on voluntarism and free collective bargaining as a method of economic decision making. The ways and means by which such solutions are developed are often difficult to arrive at in a context in which the parties view their rights and economic interests in different ways. In many cases, it has become clear, however, that when the parties sit down together to bargain about the solution to the displacement problems of technology, there is too little time and it is a strained atmosphere in which to reach objective and constructive solutions. In this context, advance warning of technological changes and their impending effects on manpower is desirable to provide time and a constructive atmosphere in which to work out effective and adaptive solutions. Some very hopeful approaches have been developed in the United States to the problem of adapting to the displacement effect of technological change through the co-operative working out of long-range plans. Such approaches have been found in the recent Kaiser Steel settlement, the Chicago-Northwestern Railroad Settlement, and in the meat packing industry. In each of these cases, there has been a recognition of the need to study the impact of technological change in detail and to work out co-operative plans for adapting to such changes to avoid unnecessary disturbance for the workers involved.

80. In summary, it may be said that collective bargaining solutions to the adjustment of workers to the impact of change are developing on the United States scene. It is recognized that collective bargaining and action by employers and unions cannot cope with all of the training, mobility and necessary financial assistance required. Col-

lective bargaining can, however, play a much more significant role in this area than has been the case in the past and, as we have noted, is showing evidence of adapting to this complex set of problems. Evaluation of these developments revolves around the extent to which the bargaining process is effectively focusing on the range of problems involved and is imaginatively exploring all of the solutions that can be developed by employers and unions. Some of our questions will concern the role which governments might play in facilitating free collective bargaining as a means of seeking solutions in this area.

### *Chapter III*

## **EDUCATION AND TRAINING FOR ECONOMIC GROWTH**

### **THE CHALLENGE OF EDUCATION AND TRAINING**

1. This aspect of United States manpower policy and programmes is perhaps the most difficult and varied with which we have had to deal, particularly in the context of a dynamic economy which embraces some 180 million people.

2. The United States has made more progress in training and education than any other country in the world in terms of most quantitative measures. A larger proportion of the gross national product is devoted to education and training, a larger proportion of young people graduate from institutions of higher learning, the average educational standard of the labour force, measured in terms of schooling, is higher than in other countries.

3. On the other hand, the challenges which the United States educational and training system<sup>1</sup> faces are greater as well. The United States has a greater requirement for progressive, high quality and varied educational programmes than those of any other Member of O.E.C.D. For this reason it does not seem particularly appropriate to us to examine United States education, at least quantitatively, in terms of the performance of other countries. Rather it appears to be more appropriate to examine it in terms of the needs of the United States economy and society, to identify the gaps between requirements and performance. Training and education is the fundamental means by which the human resources of the United States are effectively

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1. In this chapter we shall use the term "education" to refer to those parts of the process of preparing young people and adults to function more effectively in their society, which have to do with conveying knowledge in general in such fields as science, mathematics, languages the arts and history. The term "training" will refer to the process of developing skills through practice, conveying a knowledge of techniques and methods, and in general the more direct preparation of young people for acquiring the use of skills and specific techniques which are necessary in specific occupational and employment settings. The preparation of people for their roles in the labour force combines both "educational" and "training" components.

prepared to meet the economic, social and national security challenges of future years.

4. Economists in the United States are now turning their attention to the important role which education and training plays as an "investment" in economic terms, and the contribution which education makes in stimulating economic growth and higher rates of productivity. The O.E.C.D.'s Washington Conference on Economic Growth and Investment in Education made a basic contribution both in North America and Europe.

5. One side of the problem relates to the preparation of young people at all levels of the educational system and to the evolution and adaptation of the system to the changing technological and other requirements of a growth economy. The other side of the problem relates to the training of employed or unemployeed workers who have left the regular or formal educational system.

6. The organization of education and training in the United States is basically through a local-State-Federal partnership, with the Federal government contributing financial support in some sectors of the vocational training system and the higher educational system and providing leadership through several government departments in terms of research and policy guidance. [The main agencies and departments involved here are the Department of Health, Education and Welfare, the Department of Labor, and the National Science Foundation.] Local educational authorities are the fundamental base on which the primary and secondary school systems are built.

7. The training of adult employed workers who have left the educational system is undertaken in a variety of ways. The most significant contribution is made by private employers who train workers to meet their specific occupational needs, by night and part-time programmes in community educational institutions, in university and college extension programmes, by private training schools, and in a variety of other ways. Attendance at all of these programmes, except those sponsored by the employers or the armed forces, is voluntary and depends on the workers' own initiative. Apprenticeship programmes which are usually operated under joint employer-union auspices, sometimes with State supervision, play a similar role with respect to many of the skilled crafts, in the mechanical and construction trades and in some of the more traditional service occupations. It is interesting to note as well that many large industrial corporations also undertake more generalized educational programmes for the higher technical and managerial levels of their work forces. The armed forces play a very significant role in providing skills in at least a limited number of occupations for the civilian labour force, following the return of servicemen to civilian employment.

8. We have not had the time to examine in any depth the very many complex educational and training problems which the United States faces and which are fundamental to making wise public "investments" which are required for a growing and ever more scientifically oriented economy. It is evident that there will be substantial increase of some 26 million in the numbers of young people who will have to be educated and trained for the labour force, over the years 1961 to 1970.

9. It is not possible in this report to give more than a superficial view of the two basic areas of youth and adult training. The question of technical and scientific manpower and of higher education will not be discussed here as it has been dealt with by the Scientific and Technical Personnel Committee of O.E.C.D. in a review of the United States held at the end of January 1963<sup>1</sup>.

10. The average number of years of formal schooling of those in the United States labour force was 10.6 years in 1960 which compares with a figure of 9.3 years a decade earlier. The average for those aged 20 in the labour force in 1960 was 12.3 years. This provides a rough measure of the difference in educational attainment between the younger and the older groups in the labour force. Years of schooling is by no means a complete measure of the full training and work experience background of those in the labour force. Nevertheless, it is the base on which the more specialized skills and knowledge of a technical economy must be built.

11. The labour force in the middle-age group will shrink dramatically as a proportion of the total, at least until the end of this decade. This group is a manpower resource with industrial experience, in which we believe a further substantial educational and training investment must be made if it is to play its appropriate role in future years in meeting the needs for technical competence in a growth economy. Most of this investment in the training of the employed group is now made by private industry, to a lesser extent by unions, and by other institutions already mentioned.

12. It is our view that in future years training investments in specialized skills will require a broader base of general education to prepare individual workers for a rapidly changing technology. This broadening of the educational base for the employed population cannot be entirely shouldered by the private employers who must train their workers for specific occupational requirements, nor can this task be accomplished wholly by more forward-looking workers themselves who have to bear a larger part of the expense themselves.

13. It seems to us that it is far better to train and educate people for the changing demands of industry *before* they become unemployed

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1. O.E.C.D. Committee for Scientific and Technical Personnel, *Country Review - United States*. Draft Report. Paris. January. 1963.

rather than to have to train them for alternative employment opportunities during prolonged periods of unemployment. This is not to suggest that training programmes for the unemployed should not be sharply increased from present levels. We simply wish to make the point that, in an ideal sense, training and education should play a *preventive* role, so that individuals do not fall into unemployment because they have low levels of education and skill in relation to changing patterns of employment expansion.

14. A problem which seems to run deeply through the United States' concern with the role of training and education to meet the requirements of the 60's, is divergence in thinking about the character of the training and education required, between those who have been raised in a tradition of general education and who are responsible for the general academic educational systems, and those who have been raised in a tradition of vocational training and who frequently have a background of apprenticeship or other kinds of vocational training.

15. Both kinds of background are necessary and their blending can contribute effectively to the training of skilled and technical manpower. There is some evidence of a kind of "ideological" debate between these two wings of the educational system, which in some cases appears to obscure basic issues. The fact is sometimes overlooked that one of the important roles of *all* education, whether it be defined as "academic" or "vocational", is to prepare young people to participate in the economy and to earn a living. To look at education from this particular vantage point should not lower its status in terms of the cultural role which it plays, or its citizenship role or its spiritual role. Education must serve many ends in a free society and all aspects of the educational process can and should make a fundamental contribution to preparing the manpower resources of the nation for the economic and social needs of the future. In some quarters, vocational education, narrowly construed in terms of the teaching of specific techniques, either through apprenticeship or in specialized junior colleges or technician training institutions, is regarded as a more humble competitor for the educational resources of the nation.

16. An educational problem which is disturbing to many thoughtful Americans concerns the very substantial numbers of young people who drop out of the educational system in the early stages of secondary school and who thus enter the labour market with relatively low levels of education and few marketable skills. They thus become unemployed because the economy requires fewer and fewer workers of this kind. This is one of the fundamental imbalances which has developed in the labour market and which reflects the imbalance in the educational system, particularly at the secondary school level.

17. This problem suggests that the educational system has not developed a sufficient variety of educational and training programmes

to meet the needs of those young people who do not necessarily drop out for economic reasons or because of a lack of intelligence. Many of these dropouts appear to be related to a complex of factors having to do with the "holding power" of the educational system. These factors, in turn, are related to the content of education in terms of the needs of the students in today's world. There is a growing awareness of the scope and nature of this problem among educators and community leaders in the United States.

18. Another aspect relates to the requirement to develop educational and training institutions to provide for young people who have dropped out of the regular educational system, entered work or become unemployed, and who after a period of time have realized the importance of "going back to school". There are other young people who must leave school for a variety of reasons but who are in a position to return to educational training programmes after a period of absence. Opportunities for re-entry into education and training appear to be relatively limited in the United States setting.

#### THE EDUCATION AND TRAINING OF YOUTH

19. With respect to vocational educational programmes, there is a difficult problem of developing a system which does not suffer from the serious handicap of providing a "second-class" educational status to students who undertake vocationally oriented training programmes at the secondary level. In the United States setting, it is particularly important that a system of training be developed in which students are free to enter university and college level institutions from all parts of the secondary school system, regardless of whether they choose to orient their education in a more vocational direction as a means of preparing for early entry into the labour market. In a society in which a college degree is held in high repute it is clear that the "best" students will not enter the "vocational" parts of the school system if they fear they are going to be cut off from going on to university or other higher levels of education.

20. The objective of strengthening the vocational content of education can only be accomplished by combining adequate preparation for the labour market of students who will leave school before going on to higher education, or other post-secondary training institutions on the one hand, and adequately preparing students for university entrance on the other hand. In addition, the secondary educational system must lay a foundation which will enable those who enter the labour market to return later to education and training programmes for upgrading of either their general education or their specialized skills. In short, curricula and programmes must be adapted to serving a variety of needs on the part of those students who will enter the labour market at various stages as well as those who must also be adequately prepared for a variety of higher level educational and

training institutions, without predetermining these choices too early in the educational process.

21. It is clear in the United States that one of the most rapidly growing occupational fields is the one which we customarily place under the umbrella term of "technicians". This group of occupations includes a much wider band than simply those semi-professional workers who assist engineers and scientists. It extends into the area of health occupations and many technical and commercial fields. Scattered evidence suggests that well-qualified technicians in many fields are in relatively short supply. A number of estimates of the requirements for technicians in the United States have been made, and range from 67,800 to 200,000 as a requirement for each year from 1960 to 1970<sup>1</sup>. Many technicians have been trained in the past through informal training in industry, through formal training programmes in some of the larger industrial corporations, by the armed services, by technical schools, by apprenticeship programmes with part-time technical courses in addition, and by students who drop out of technical courses in universities before graduation and drift into technician occupations as a second best. There are a growing number of institutions developing in the United States devoted to the formal training of technicians. A considerable amount of technician training is developing in a variety of institutions such as technical institutes, vocational technical schools, junior college technical programmes, and junior programmes within engineering colleges. The report of the Panel of Consultants on Vocational Education requested by the President, indicates that expanding the output of such institutions is a "national need of urgent importance — the Federal Government must increase its support of full-time, post-high school vocational and technical training"<sup>2</sup>.

22. It is not possible to suggest the most valid form of articulation of this level of vocational and technical training in the United States, as there are a great variety of labour market needs to be met and a variety of educational needs on the part of students who come forward for such training. The experience of some European countries, however, suggests that there is a gap in the development of technician education in the United States in terms of the development of combined part-time work and part-time in-school programmes. We feel it is worth raising the question as to the desirability of extending this kind of school-work training pattern in the technician area in the United States. It is also clear that the educational and training routes for students into this growing area of post-secondary training should be more clearly defined in terms of their relationship to

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1. *Education for A Changing World of Work*, Summary Report of the Panel of Consultants on Vocational Education requested by the President of the United States, Washington D.C., p. 14.

2. *Idem*.

secondary school educational programmes. In addition, as indicated above, there should be the possibility of easy transfer from technician level training institutions to university level institutions.

#### **MORE CONTINUING EDUCATION AND TRAINING FOR ADULT WORKERS**

23. The increasing level of skill and educational requirements in the United States economy in the next decade, clearly points to the need for the United States to develop publicly sponsored programmes which would further stimulate the development of additional general education and specialized training for employed adults. There are complex problems which must be solved if the educational resources of local communities, which are traditionally devoted to the education and training of youth, are to be brought forcefully to bear in the further training and education of adults.

24. A great deal of training of employed adults is at present undertaken in night school and part-time programmes, in university extension programmes, in correspondence courses, and in a variety of other ways. These programmes are making a fundamental contribution to raising the skill levels and general educational attainment of the working population. All of these programmes are voluntary and have the great strength of tapping the initiative and energy of a population, most of whose members are dedicated to improving their economic and social status. Together with training in industry this is probably the major way in which the skills and educational levels of those employed will be raised in relation to meeting the needs of the future. Provided these techniques respond effectively to the changing needs of the economy, no serious problems of manpower imbalance need necessarily arise.

25. It is clear, however, that to the extent to which the response is not of sufficient magnitude or quality, or that substantial portions of the labour force do not respond, governmental measures to raise the general educational status of employed workers will be required. As we have indicated, higher levels of general education are fundamental to stimulating adaptability in the face of rapidly changing occupational requirements under the stimulus of rapid technological change. It is likely that as employers feel the need for higher levels of education on the part of their employees, they may develop broader approaches to training the skills of their labour force. On the other hand, they may simply bid up the wages of new and more highly educated entrants to the labour force or seek to attract such workers from their competitors through higher wages. This in turn will raise costs and inhibit the growth rate. Smaller and less competitive employers may be overwhelmed by the costs of a more general educational orientation to the training of their work force and thus may

suffer in consequence. Selective assistance in terms of teaching resources and methods as well as financial assistance from the government, may be appropriate to assist on-the-job training programmes which have a larger measure of general educational content. It is clear that the individual worker has a more well-defined interest in more general educational content for training programmes, because he is thus enabled to adapt to alternative employment opportunities, as compared to on-the-job training which is narrowly focused to the specific job requirements and particular employers. On the basis of this rationale, some active consideration might be given to governmental support for broader aspects of in-industry training programmes as an "investment" in manpower adaptation.

26. There is now legislative recognition in the United States that training is fundamental to the re-employment of many of the unemployed, because of their characteristics in relation to the availability of employment in both an occupational, industrial and geographic sense. There are job vacancies and manpower shortages which are not being filled, and the competitive position of the unemployed in competing for such openings can only be basically strengthened by training, by improved labour market information services, and through assisting in their greater geographic mobility.

27. The training provisions of the Manpower Development and Training Act, of the Area Redevelopment Act, and of the Trade Expansion Act are all a recognition of the need for training as a necessary measure if a substantial proportion of the unemployed are to secure jobs. This is a positive and forward-looking approach to adapting unemployed manpower resources in relation to the growth needs of the economy. Training programmes under these Acts have only been developed recently and have not yet begun under the Trade Expansion Act. It is therefore too soon to undertake a mature assessment of their effectiveness and of the contribution which they can make to securing better balance in the labour market and to reducing the level of unemployment.

28. Under the M.D.T.A. and A.R.A. Acts, the present focus of training programmes appears so far to be largely geared to short-term specific occupational needs of local labour markets. An examination of the courses provided and the restrictions in the legislation itself regarding training for known job opportunities bears this out. There is no doubt that such training programmes do make a contribution to reducing the level of unemployment, provided there are specific job openings in those labour markets in which the training is undertaken. Statistical follow-ups indicate that the great majority of those trained to date under the programmes have secured employment. At some point, however, job openings will tend to shrink in areas of high unemployment unless labour demand increases for the occupations for which people are being trained.

29. The nature of technological change suggests that the frequency of occupational shifts which workers must make today is greater than in past years; if this is the case training programmes which focus *only* on providing persons with the kind of skills which happen to be in demand, in the short run, on labour markets, may not provide a viable long-run solution to the needs for continuing employment. At the extreme, this kind of approach to training may make it necessary to retrain the worker continually for new skills during periods of unemployment, as technological change continues to displace his old skills. In this sense, an increased emphasis on the general educational upgrading of the qualifications of the unemployed, could provide a more fundamental sort of approach to the problem of lack of balance of skills on their part in relation to the kinds of skills which the economy requires. It is reasonably clear that a worker with nine years of schooling, in a general educational sense, has more job openings available to him than a worker with only eight years of schooling and so on.

30. A larger band of employment opportunities, in a far larger number of labour markets geographically, may be opened up by general educational upgrading, than by training, which is more narrowly focused on specific occupational skills, important as they may be to securing immediate employment. This is, of course, not a question of black and white alternatives, but rather of the appropriate mix of specific and more general educational training programmes in relation to the needs of the economy as a whole in a broader labour market context. In addition more narrow kinds of occupational training appear to generate pressures from union and other sources which fear labour market competition in a slack employment situation.

31. Public opinion might not necessarily object to raising the general educational level of unemployed workers, while it might very well claim that training unemployed workers for specific jobs, in a situation in which there are more workers with such skills than there are jobs, might very well be unwise. To the extent that training is undertaken in areas of high unemployment, it may not be sound to direct it specifically to the occupational needs of these labour markets. An exclusive emphasis of this kind would tend to inhibit outward labour mobility to areas which are undergoing economic expansion with a different mix of occupational growth. Additionally, a broader range of skilled training may be one of the means by which new industries are attracted to areas of high unemployment. In the programmes as they have so far been developed, there seems also to be insufficient emphasis on moving unemployed workers to training facilities in other areas which could provide them with a broader range of training choices, and also such movements for training might help to stimulate desired outward mobility from areas of high unemployment.

32. United States employers have played a significant role in training the skills of the labour force. Our observations would suggest that they could play potentially a more effective and constructive role in relating education and training to the needs of the economy and industry, particularly at the community level, where most educational decisions are made. Evidence suggests that there is some reluctance on the part of both educational authorities and employers to involve themselves too seriously in participating in the development of education and training at the community level. There are, of course, many exceptions to this generalization. This is somewhat surprising when education is playing such a fundamental role in providing an adequate work force for industry, and also because the more progressive and larger corporations have developed a variety of education and training techniques which are on the frontiers of educational technology in such fields as programmed learning, audio visual aids, etc. In this sense, the public education and training system might be greatly strengthened by the development of more effective channels of communication with employers and also with unions, who, in some instances, have developed effective occupational and even general educational techniques.

#### THE ROLE OF APPRENTICESHIP

33. Apprenticeship is one of the historically important institutions for providing training for a number of the skilled trades in the labour force. We have not had an opportunity to examine apprenticeship programmes in detail in the United States. As an overall observation it might be said that there has been surprisingly little change in the character and nature of apprenticeship programmes in the face of rapidly changing technology and occupational structure. One of the great strengths of apprenticeship programmes in the United States is that they are basically jointly union-employer operated and are therefore presumably in touch with the needs of the industrial environment.

34. Many observers have commented that apprenticeship is too lengthy a training process to meet today's needs. We are not in a position to evaluate this argument, but would observe that a good deal more research might be devoted to this question. A number of problems surround the further development of apprenticeship in the United States and it is certainly clear that apprenticeship-type training, in the sense of a part-school, part-work programmes, is one of the important ways of providing specialized skills for some sectors of the labour force. It is thus an institution which requires strengthening and a good deal of adaptation to today's needs.

35. Some unions which operate apprenticeship programmes have undertaken to provide upgrading programmes for their journeymen in the newer technologies of the occupation. Typical examples of this

retraining for journeymen are the plumbers and pipefitters, some of the building trades and the electrical installing trade. These are forward-looking programmes which should be developed to a much greater extent. It has become clear that pre-apprenticeship programmes in school can make a valuable contribution to more widely based apprenticeship programmes in terms of strengthening their general educational content, and there are some encouraging developments in this direction. In addition there is the common problem of providing a sufficiently varied work experience for apprentices so that they can gain a more all round set of skills, which will not be as readily displaced through advancing technological change. This suggests the need to develop programmes at least among smaller employers, which pool the work experience which a variety of employers have to offer under the auspices of joint apprenticeship committees on a community basis.

36. It should be noted that apprenticeship plays an important role in some industries in the training of foremen and supervisors and therefore should not be viewed solely as a means of developing skilled tradesmen and journeymen.

## *Chapter IV*

### **EMPLOYMENT SERVICE AND MANPOWER POLICY**

1. In this chapter we shall evaluate the impact and significance of the Employment Service in the United States in relation to manpower policy, and its contribution to the more efficient functioning of the labour market.
2. The fundamental economic justification for the operation of an employment service on the part of governments is to reduce the costs of lost time in the filling of vacant jobs and to reduce income losses on the part of the unemployed and other workers who wish to change jobs. To the extent that the time periods involved are longer than necessary, costs rise and income is reduced because of unnecessary unemployment. Thus public expenditure on an employment service can be justified insofar as the costs involved contribute to increased productivity and a better utilization of manpower. In this respect it appears to us that there is a substantial margin for increased public expenditure on the employment service in the United States in terms of the gains which can be made through its contribution to better manpower utilization and increased productivity. In addition the reductions in unemployment which can be made through a more efficient employment service will save expenditure in terms of supporting the unemployed through unemployment insurance benefits and welfare payments.
3. Our point might be made by reference to some statistical data on unemployment. In 1955, out of a total labour force of 75 million, 9 percent experienced some unemployment before taking up a new job. We refer here to involuntary unemployment for economic reasons. For those who changed jobs only once in that year more than a third experienced less than 5 weeks of unemployment, while more than a quarter were unemployed for more than 14 weeks. For those who changed jobs more than once in a year the figures were somewhat less favourable<sup>1</sup>.

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1. The Extent and Nature of Official Unemployment. Joint Economic Committee print, Washington, 1959.

4. To the extent that the Employment Service can shorten the duration of unemployment by bringing available workers and available jobs together more quickly it plays a basic role in reducing the costs of lost production.

5. To play this role in the labour market, the Employment Service must provide detailed information on the constantly changing characteristics of labour demand and supply. To acquire such information requires a considerable degree of participation in all aspects of the labour market occupationally, geographically and industrially. The provision of such information is not only important for the internal use of the Employment Service, but for other labour market participants also to assist them in their decisions. Employers need to make plans in terms of the characteristics of labour supply in relation to planning of new production and its manpower requirements, and workers must know the state of the labour market if they are to make rational decisions regarding alternative job opportunities.

6. It is not of course possible to make a judgment on the extent of penetration of the Employment Service in different sectors of the labour market in order to carry out an effective labour market information service. This will vary greatly from time to time and from place to place. In addition, the Employment Service can supplement this information without engaging actively in the making of placements or in the field of job orders through special surveys and other research activities closely geared to the labour market.

7. The national interest in an effective public employment service has only clearly been recognised by the public in the United States on occasions of national emergency. A national employment service was, for instance, instituted by the Federal Government during World War I to provide services in a number of large cities which were not served by State Employment Services. After this war, the operation of these national employment offices was turned over to the States, and most of them were subsequently closed. The depression of the thirties once more brought a recognition of the national character of many economic and related labour market problems. The Wagner-Peyser Act of 1933 established a nationwide state system of free public employment services that is still the basis of the present system. Administration was vested in the States, while the responsibility for co-ordinating these services was undertaken by the Federal Government. World War II again brought a recognition of the fact that the efficient organization of the labour market required a highly integrated and centrally directed employment service. The Federal Government once again assumed direct responsibility for the operation of this service.

8. There are several underlying reasons why the public employment service function has not been fully recognized as a matter of

national interest in the United States. The belief is deeply embedded in the American tradition that "normal", competent, fit and ambitious people and business enterprises do not need any assistance from government agencies. Employment Service has undertaken the primary task of registering persons receiving unemployment benefits and of exposing them to job opportunities as a basis of checking their willingness to work. This task of the employment service has tended to produce the image of an organization which is interested in providing welfare services for the unemployed. This image has been reinforced by an understandable concentration of effort on assisting disadvantaged groups in the labour force who are in special need of services, such as the handicapped, the aged, school leavers, welfare recipients, prison parolees, and Indians. This image has tended to limit the number of job openings which are available to the employment service because of the attitude of employers who feel that the employment service is not a source of high quality workers in many occupational categories. On the other side, workers who wish to change their employment do not register with the service in large numbers. This, in turn, reinforces the unfavourable image of the service in the minds of employers. It is estimated that only 5 per cent to 10 per cent of the workers registered with the service are persons who wish to change their present employment for more attractive jobs.

9. In the United States the public employment service does not have a monopoly position in serving the needs of employers for workers, or the requirements of workers for jobs. In fact, private employment agencies, employment services run by public institutions, colleges and vocational schools, special associations and trade unions, all compete actively with the public employment service and with each other. This has been the case historically, and there is evidence that the share of the employment business held by private employment services is growing faster than that held by the public services.

10. Employers in the United States have developed very considerable means of recruiting labour through large personnel offices, through relying heavily on the relatives and friends of the workers already employed, through referrals from union channels, through newspaper advertising, and in a variety of ways. American workers are accustomed to applying directly to employers for work in most labour markets, or making informal inquiries as to sources of employment in a variety of ways. Thus, there is a strong tradition, which the public employment service must combat, with respect to the typical patterns of work-seeking activities, on the one side, and of hiring these workers on the other.

11. The scope of the public employment service in comparison with these other channels for securing workers on the part of

employers is illustrated by the following survey conducted by the United States Employment Service<sup>1</sup>:

<i>Hiring Channel</i>	<i>Per cent Distribution</i>
Direct Hiring by Employer .....	36
Relatives, Friends, Employees, etc .....	23
State Employment Service .....	16
Newspaper .....	11
Fee Agencies .....	4
Other .....	10
	100

12. The number of fee charging agencies has been on the increase in recent years. The 1958 census of business showed 3,2 agencies in 48 states, which was an increase of almost 75 per cent over the decade. The same census revealed an increase of over 225 per cent in the amount of fees collected: \$100.5 million in 1958, as compared with \$30.9 million in 1948<sup>2</sup>. United States colleges have increased their placement activities to a substantial extent following World War II. A non-profit co-ordinating agency, the College Placement Council, was created in 1957 and represents eight regional placement associations in the United States and Canada. This agency assists some 1,000 placement offices and 2,000 employers<sup>3</sup>.

13. A considerable part of the total placements made by the public employment services in the United States are in agriculture, as the figures in Table 1 show. The agricultural migrant work force represented about 2,000,000 of the 15,000,000 total placements made in 1962, while placements of seasonal farm workers accounted for about 5,000,000 placements. Table 2 shows that clearance placements in the non-farm sector of the economy represented a small fraction of total placements, although the inter-area movement of workers between jobs in the United States is very substantial. In the non-farm sector, the majority (about 60 per cent) of placements are made for relatively unskilled service workers and for unskilled general labour. Table 2 shows the distribution of placements by various occupational categories.

14. During the past two years, a number of major steps have been taken to improve the status and effectiveness of the employment service. Within the Department of Labor, the United States Employment Service was re-organized in February 1962, as an agency having equal status with the unemployment insurance service under the Administra-

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1. Summary of Special Studies Conducted by State Employment Services in eight areas (Division of Labor Market Operations Research, U.S.E.S.).  
 2. United States Department of Labor, 1962. *Growth of Labor Law in the United States*, p. 142.  
 3. Chamber of Commerce. United States, *Nation's Business*, June, 1962.

TABLE 1. PLACEMENTS MADE BY PUBLIC EMPLOYMENT SERVICES

YEAR	NEW JOB APPLICATIONS	EMPLOYMENT COUNSELLING INTERVIEWS	INDIVIDUALS TESTED	PLACEMENTS			
				TOTAL	NON-AGRICULTURAL	OF WHICH CLEARANCE PLACEMENTS <sup>1</sup>	AGRICULTURAL
1960 .....	10,117	1,778	1,757	15,273	5,818	157	9,454
1961 .....	10,502	1,876	1,979	14,708	5,902	153	8,806
1962 .....	10,792	2,092	2,255	15,191	6,725	167	8,466

1. The U.S.E.S. figures do not tell how many of the clearance placements are inter-State, inter-area, or intra-area.

TABLE 2. OCCUPATIONAL GROUPS AMONG NON-FARM PLACEMENTS

*Thousands.*

YEAR	PROFESSIONAL-MANAGERIAL	CLERICAL SALES	SERVICE	SKILLED	SEMI-SKILLED	UNSKILLED
1960 .....	172	916	1,917	311	761	1,772
1961 .....	197	935	1,948	351	769	1,703
1962 .....	238	1,090	2,139	382	907	1,968

tor of the Bureau of Employment Security. Each of these services is headed by a Director, who has full responsibility for directing the policy and administration of the service, with a direct line of communication and authority to regional U.S.E.S. representatives.

15. A fundamental step designed to improve both the image and the services of the employment service, has been the separation of employment offices and insurance offices at the local level in 55 of the major metropolitan centres. It is intended that this separation be carried forward in smaller centres as circumstances permit. Separation is of great significance so that the public does not associate the employment service with unemployment and the receipt of unemployment benefits. In addition, it permits the full utilization of the employment service staff on employment service functions rather than on insurance functions during peak load periods. Since April 1961, there has been a substantial increase in the staff of the employment service, numbering some 4,700. Two thousand eight hundred of this staff increase has been allocated to implement the improve-

ment of public employment service in the 55 largest metropolitan centres. Total size of local employment staffs was about 11,750 in April 1961.

16. The employment service has greatly expanded its assistance through special placement and counselling activities for the greatly increasing number of young people entering the labour market. A special youth employment service has been provided in the larger local offices. As of October 1962, 20 metropolitan areas have designated area youth co-ordinators or, in some cases, part-time and occasional youth specialists, with primary duties elsewhere in the organization. In addition to these local area specialists, 27 States have designated a State Supervisor of Youth Services for the overall guidance of the youth employment programme in the States.

17. In recent years, the employment service has given more attention to the growing demands for professional and technical personnel. In addition, the provision of services for these groups with higher standing creates an aura of prestige for the service. While non-farm placements totalled 6.7 million in the fiscal year 1962, an increase of some 14 per cent over the previous year, placements in professional and managerial occupations were up by 21 per cent and by 28 per cent in the largest metropolitan areas. These differential rates of increases in professional and managerial occupations were the result both of the major re-organization in metropolitan areas and of redirected programme emphasis, backed up with improved placement techniques and more attractive local office quarters. The employment service has also strengthened its work for such disadvantaged groups in the labour force as older workers and physically handicapped workers.

18. The employment service has played an important role under the new Manpower Development and Training Act, through the screening of persons for referral to training programmes, assistance in the approval of training projects, and in placing workers who have been trained under the programme. Since August, 1962, 509 training projects, covering over 100 different occupations, have been developed jointly in 43 States, by the State employment service and vocational education agencies. These projects have involved more than 18,000 trainees. The national and regional offices of the employment service are working actively with State agencies in the development of additional proposals to facilitate the training of unemployed workers under the M.D.T.A. These include surveying local labour market areas to determine occupations for which shortages exist or are anticipated, studying the characteristics of the unemployed to determine their training potential, participating with community groups and educational officials in arranging for courses, registering applicants, counselling, testing and selecting trainees. Under the companion Area Redevelopment Act, by the end of 1962, nearly 268 training projects had been approved covering some 15,000 trainees in 39 States.

19. The employment service has given special emphasis to programmes designed to minimize the adverse effects of technological changes. During the past year, a number of demonstration projects, operating under the sponsorship of local employment offices, have been designed to discover the impact of technological changes on employment in labour markets, the impact and nature of mass lay-offs, together with the development of specialized programmes designed to cope with these situations. The employment service has been making moves in the direction of assisting employers in meeting current manpower problems. They have provided assessments of changing labour supply-demand relationships, descriptions of occupational performance requirements, descriptions of new staffing patterns. In addition, special services to displaced workers have been developed in the form of intensive interviews, testing, counselling and placement activities.

20. The employment service has a public responsibility for facilitating the employment of groups who may suffer discrimination on grounds of race, creed or national origin. In every State in which separate racial offices or segregated facilities within the same office existed, constructive progress is being made. One of the most practical devices for achieving this goal is through the re-organization of local offices on an industrial-occupational unit basis, under which all applicants and employers in certain categories are serviced in homogeneous units. This has been particularly helpful in eliminating segregated facilities in a number of metropolitan areas. It is the official policy of the United States Employment Service, binding on all State agencies, to make no indication of an applicant's race, creed or national origin, on any office record.

21. The problems faced by the public employment services of the United States stem in part from the organizational basis of the system, which is a Federal-State partnership in its organization, management, and financing. Although this framework or organization may be more sensitive to the needs of local communities than completely national systems operated by a central government, disadvantages also result from the relative absence of centralized direction and co-ordination with other aspects of national manpower policy. The State Administrator of the employment service is responsible to the Governor of the State. As such, the Employment Service is completely self-sufficient and contained with respect to its personnel and its operations but on the other hand its financing is from the Federal Government. The reason for the complete financial support by the Federal Government has been a recognition by Congress that there is a strong national or federal interest in the establishment of an effective system of public employment offices. To make this national interest effective, Congress lodged the full power of the purse in the federal side of the partnership.

22. This unusual partnership and set of administrative arrangements results in some complex problems. A fundamental one is that a clear-cut responsibility for the administration of operations is lodged with the State Government, and the State in turn is wholly dependent upon the Federal partner for funds with which to operate. On the other hand, the Federal partner must go to Congress to justify appropriations of monies which finance the State operations over which it has no direct administrative control.

23. It is a tribute to both the Federal and State partners that the Employment Service operates as effectively as it does. A variety of methods for administering this Federal-State system have been developed to make it work more effectively. Various systems for a continuing exchange of views for resolution of problems and techniques of consultation have been developed to secure co-operative action toward the objectives of the Employment Service programme. These arrangements of course are much more difficult than administrators familiar with straight-line organizations would believe possible, and very naturally result in uneven levels of administrative capability, lack of uniformity in the development of programmes and even changes in some of the directions of programme action. For these reasons it is not possible to judge the Employment Service of the United States by the standard which one would apply to a single system operated by a national government under a straight-line form of organization.

24. The following paragraphs will examine some of the problems which the employment service in the United States currently faces and which must be overcome, in part at least, if it is to play a more fundamental role as an instrument of manpower policy.

25. The degree to which a public employment service can play a key role in matching available labour supply with labour requirements, whether it be a public or private service, depends in the United States with a free labour market on the extent to which employers use its services. The function of placement depends almost entirely on the inventory of job openings which employers place with the Service. The extent to which they use the Service depends on their attitude towards it, which in turn depends on the effectiveness of the Service in meeting their needs and on the public image which surrounds the Service. In short, the effectiveness of the Employment Service in meeting the requirements of employers is fundamental to the whole operation. A large proportion of United States employers appear to regard the public employment service as a residual source of workers, when other recruitment methods have not met their needs. They tend to use the Service, as Table 2 indicates, to a much greater extent for unskilled and semi-skilled workers than for the more highly skilled occupations. As we have seen, the growth of requirements for manpower in the United States economy is more and more in the direction of the more highly educated and highly skilled areas of the

labour force, and to this extent the Service may tend to decline in relation to its proportion of the total hiring business. During the past few years, the emphasis of placement has been shifting in the nature of the higher skilled and professional groups.

26. If the Employment Service, as tends to be the case, is regarded by workers, particularly those who are employed and voluntarily wish to change jobs, as a place to secure unemployment insurance benefits or as a last resort agency for assisting them in their search for employment, it then will not have a sufficient number of qualified workers to meet employers' requirements. This then re-enforces the negative attitudes on the part of employers with respect to securing qualified workers in a range of occupations through the use of the Service. In general, the public employment service, for understandable and socially necessary reasons may become a place in which the more disadvantaged groups in the labour force seek to secure employment, and where those workers who have the most difficulty in finding jobs on their own, go for help. The Employment Service runs the danger of having an inventory of available workers which is quite unbalanced in relation to the demands of employers for workers.

27. The relationship between the Employment Service and the unemployment insurance system has created problems which are at present being overcome through the physical separation of the two services in the larger cities. In most States periodically, an insured unemployed person is bound by law to establish his availability for and willingness to work to secure his benefit. These claimants impose a workload on the Service which in many instances is unrelated to its function of servicing the needs of employers for workers. Visits to the Service by workers claiming benefits are in many cases *pro forma* and do not enhance the reputation of the Service among either employed or unemployed workers. It tends to become associated in their minds more with routine reporting related to a legal qualification for unemployment insurance benefit than as an institution which plays a basic role in searching out attractive work opportunities for them. These factors have led to the Employment Service offices being referred to as "Unemployment Offices" by the public generally, by workers and by employers.

28. It will take time to change this unfavourable public image, although notable progress has been made since 1961. As indicated earlier, employers and employees still predominantly use other channels for searching for jobs and for hiring workers.

29. A large number of craft unions find jobs for their members through hiring halls or through business agents. Private employment agencies have a competitive advantage as compared with the public employment service in most States because they make extensive use of advertising to attract both work seekers and employers. It is to be

noted that professional associations, schools and universities have developed their own employment service functions to a high degree, yet they co-operate very little with each other or with the public employment service in the exchange of vital information about the characteristics of the labour market in which they operate.

30. The public employment service must of course play a role in implementing public policy in the United States, with respect to providing equal opportunity in employment for disadvantaged groups and particularly for groups which suffer from discrimination in employment. No one can dispute the fact that the Employment Service as a public institution must and can play a significant role in eliminating the undesirable aspects of discrimination in the labour market. On the other hand, this conflicts at least in the short-run, with the requirement to meet the needs of employers for workers, as they define these needs. Discrimination means that they have preferences for workers which may run in terms of race, colour, or creed. Naturally, if they have such discriminatory preferences, they will not turn to a public employment service which has a responsibility for enforcing public policy. They will turn instead to other hiring channels, including private employment agencies which can disregard public policies with respect to discrimination and have no responsibility for seeking out employment opportunities for other disadvantaged groups in the population.

31. In a fundamental sense, the role of the public employment service in serving the needs of disadvantaged groups who suffer from discrimination or other handicaps, is to provide a sufficient volume of employment openings by giving adequate service to employers so that in turn they can expand the employment opportunities for such groups. In addition they can and must play a role in trying to eliminate the very real handicaps which such groups may have in competing in the labour market. Counselling, testing, retraining, all can play a role in this respect and the employment service must therefore participate in the development of manpower measures which seek to overcome such specific handicaps.

32. In carrying out its responsibilities and in strengthening its fundamental purposes, the public employment service has been handicapped by inadequate staff resources both in terms of number and quality for many years. From 1947 until 1961 staff resources have steadily declined and in consequence of this and the other factors discussed above, the employment service was weakened at the same time as the demands on it were increasing. In general, both the volume and quality of the placement services appear to have been adversely affected at a time when the labour force was steadily growing and when the complexity of its operation and manpower requirements was steadily increasing. In 1961 this problem was recognized by the Administration and as we have indicated above, the Employment

Service received increased recognition and support from the Federal Government.

33. The Employment Service has been undermined not only by a lack of numbers but also by problems associated with the recruiting, training and retention of competent staff. Over the years salaries in many State agencies have not kept pace either with those in private industry requiring similar kinds of personnel, with those in other parts of State administrations or with Federal Government salaries. This has resulted in lower quality recruitment in relation to the needs of the Service and has been short-sighted because the costs of turnover have risen substantially.

34. In recent years, as we have indicated earlier in this report, the labour market has been functioning on a wider and wider geographic basis as the skill level rises. This means that the Employment Service, to function effectively, must facilitate the movement of workers between labour market areas and at the higher levels must facilitate manpower movements within the nation as a whole. This means that development of inter-area recruitment and clearance of workers becomes basic to the effective functioning of the labour market in a nation-wide sense, to a greater extent than ever before. Statistics in Table 2 indicate that in 1962 only 167,000 job replacements were made through inter-area clearance. In this respect the Employment Service greatly needs to strengthen its facilities for inter-area recruitment and placement if it is to play a role in balancing the changing geographic needs of the labour market. In short, Employment Service activities are still very much bound to the borders of the local labour market.

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# IV

## **EXAMINERS' QUESTIONS AND REPLIES BY THE UNITED STATES' AUTHORITIES**

## *Chapter I*

# **ECONOMIC GROWTH AND THE UNEMPLOYMENT PROBLEM**

### **MEASUREMENT OF UNDER-UTILISATION OF MANPOWER**

The need for and scope of short-term growth-oriented manpower policies (paragraph 7) depend on the nature and extent of unemployment, underemployment, and low productivity employment in the economy as a whole.

#### *Question :*

1. a) Would it be desirable and possible to determine the nature and extent of these sources of under-utilisation of manpower resources, and on this basis to estimate the loss of production due to them, assuming that the Council of Economic Advisers' interim target of 96 per cent of the labour force in employment (paragraph 8) were attained as a result of fiscal and monetary measures to stimulate demand?

#### *Answer :*

It is highly desirable, whether for short or long-term programme development, to know the nature and extent of under-utilisation of manpower resources at any given level of unemployment. It should be noted that useful studies have been made of some forms of under-utilization. (e.g. Reports of the Joint Economic Committee of Congress: Study Paper No. 6, "The Nature and Extent of Frictional Unemployment", 1959; and "Unemployment: Terminology, Measurement and Analysis", 1961) and that a new and comprehensive study is underway in the Office of Manpower, Automation and Training, on the nature, causes, and extent of structural and frictional unemployment.

Estimates of the loss of production due to under-utilization have been developed, although a desirable degree of precision has so far been lacking because no exact and unvarying connection exists between higher production and reduced unemployment. Useful estimates have nonetheless been made as, for example, the recent aggregate estimates in the Economic Report of the President, January 1963, pp. 26-28.

A more detailed knowledge of the extent of specific forms of unemployment would undoubtedly make it feasible to develop different methods of estimation and lend greater accuracy to the estimates of production loss.

Exception must be taken to the assumption of a dichotomy in economic policy implicit in the question: that fiscal and monetary measures alone are to be employed in achieving a given rate of employment and that labour market policy alone is to be employed thereafter. In fact, current legislation and the consensus of policy makers favour an integrated application of policies and programmes, *simultaneously and in a designedly interacting way*, which will stimulate economic growth through measures increasing investment and aggregate demand on the one hand, and increase the utilization of manpower resources through the development and application of an active labour market policy on the other. The complexity and dynamic nature of the American economy makes a constructive application of labour market policy feasible and necessary even when unemployment is generally high, and requires the continuation of fiscal and monetary measures even when unemployment is generally low.

*Question :*

1. b) Could the size of the loss due to the under-utilization of manpower resources be taken as a criterion for determining the desirable level of expenditure on programmes to improve utilization of manpower through a more active manpower policy?

*Answer :*

Estimates of the loss of production due to under-utilization have been found of use mainly for demonstrating the desirability of needed expenditures for carrying out economic policies. The estimate of a loss of 30 to 40 billion dollars in 1962 resulting from under-utilization has been of value in establishing the potential gain to be achieved from measures to promote full employment. It is difficult, however, to utilize this and similar estimates directly as criteria for determining the desirable aggregate level of expenditure for programmes of manpower development or other economic programmes.

One useful line of approach is indicated by the estimates which have recently been made of the net increments to personal and government income yield by expenditures for training. (Further studies are being made along the same lines.) The recent estimate indicates that the current average expenditures of \$ 1,000 to \$ 1,250 under the M.D.T.A. for the training of an individual could contribute to an increase in the individual's income of \$1,300 per year and \$50,000 over the course of his work life. Moreover, about one-third of the cost of training could be recouped by the government in a single year, 20 per cent in additional tax revenues and 10 per cent in savings on unemployment benefits. These estimates do not include

savings resulting from lower costs of welfare expenditures or from reduced social costs which are not easily measurable in monetary terms.

#### EXTENSION OF ADJUSTMENT ASSISTANCE UNDER THE TRADE EXPANSION ACT

##### *Question :*

2. Would it be possible, and desirable, to apply on a much broader scale the types of adjustment assistance now provided for one cause of unemployment only, in the Trade Expansion Act (paragraph 15, 16 and 18), namely :

- adjustment allowances at a higher level and paid over longer periods than Unemployment Compensation rates ;
- relocation allowances ;
- possibility of action before unemployment has arisen, if there is an immediate threat of unemployment ?

##### *Answer :*

It not only appears desirable, but it also should be possible in the foreseeable future to extend the various types of adjustment assistance now provided under the Trade Expansion Act to persons unemployed under other circumstances. The initial application of these benefits under the Trade Expansion Act can be explained as a recognition of the government's obligation to ease hardships resulting directly from its own policies ; that is, to help workers whose jobs have been jeopardised by trade agreements fostered by the principal provisions of the legislation. However, the experience to be gained from these forms of assistance will provide a useful basis for determining their effectiveness and the feasibility of extending them on a broader scale.

While most unemployed workers readily recognise the value of training, experience under the manpower training programme has indicated that some obstacles to the maximum effectiveness of such a programme exist because *a)* job vacancies are not always available in sufficient number in the areas where unemployed workers are located ; and *b)* some workers cannot undertake a commitment for training of long duration under the prevailing level of allowances.

Providing assistance for relocation of workers who have found jobs in other areas would undoubtedly help both to mitigate unemployment and to make available manpower resources for increased output and economic growth. Also, in general, a more realistic level of allowances, geared to current average levels of income and standards of living, would contribute to the *effective availability* of training to many workers, who even when unemployed are financially unable to commit themselves to a limitation of income over an extended period of training in order to obtain the ultimate benefits of such training.

In addition, reduction of a significant amount of income and production loss resulting from the unemployment of workers between jobs could be achieved if information were available earlier regarding impending job losses. At the present time, an early warning system of impending unemployment is still in a stage of development, but such a system carries promise of increasing the effectiveness of ameliorative action on unemployment.

#### LONG TERM MANPOWER POLICY FOR ECONOMIC GROWTH

##### *Question :*

3. Would it be useful to formulate a long-term manpower policy for economic growth (paragraphs 6, 18 and 20)? In the development of such a policy, would there be a need for closer coordination among the principal agencies (government and private) whose responsibilities and activities have, or could have a bearing on manpower in relation to the other economic aspects of long-term economic growth? (paragraphs 17 and 20)

##### *Answer :*

It is not only useful but necessary, that a long-term manpower policy for economic growth be developed within a framework of as close coordination as is possible among the many public and private agencies concerned with such affairs in a voluntaristic society such as the United States. In a free economy, many segments have special needs which have to be considered in the formulation of an over-all policy, and it is only with a widespread dissemination of economic information that it will be possible to develop a rational manpower policy which recognises the legitimate interests of all sectors of the economy.

The role of the government in manpower policy was expressed by the President in his Manpower Report, March 1963: "Our overall manpower effort will continue to be the product, essentially, of a great many individual decisions by private citizens, organizations and institutions. There are, at the same time, certain parts of the evolving manpower programme that require action that we recognise as being necessarily carried out through the agencies of government". Under the Manpower Development and Training Act of 1962 and other legislation, the Department of Labor has given leadership to the development of a manpower programme and to the coordination necessary to make such a programme effective. An important part of this work is the dissemination of information on manpower to provide a sound basis for both public and private decisions. Furnishing and publishing information on employment opportunities has been an obligation of the Federal Government and the States under the Wagner-Peyser Act of 1933.

In the past, many programmes and activities expressed or effected manpower policies on an empirical and largely ad hoc basis. Such

widely unrelated activities as tariff policies, vocational education, the Homestead Act, etc., all expressed implicit manpower policies and had important effects on the course of employment and unemployment. However, in recent decades, with the wide recognition that the economy is an intricate mechanism where few things can be safely ignored as being independent of or insulated from changes in the level of economic activity, there have developed many evidences of coordinated activity. Thus, the Employment Act of 1946 and the Manpower Development and Training Act of 1962, among many legislative and executive directives, provided for a more explicit recognition of the role of manpower in economic policy and directed appropriate agencies of government to take positive steps to insure recognition and development of a manpower policy coordinated with future growth in the American economy.

#### CONTRIBUTION OF LABOUR MARKET POLICY TO LOWERING LEVEL OF UNEMPLOYMENT

According to the 1963 Report of the Council of Economic Advisers (p. 25) :

"Today jobs are more scarce than skills. But the skills of the labour force must continually adjust to changes in demand and technology, and these adjustments are neither easy nor automatic... The problems of structural unemployment — of imperfect adaptation of jobs and workers — are persistent and serious, and they are thrown into bold relief by the prolonged lack of sufficient job opportunities over the past 5 years. But these problems of adaptation have not constituted a greater cause of unemployment in recent years than in earlier periods".

*Question :*

4. a) Against this background, what is the nature and extent of the contribution labour market policy can make to lowering the level of unemployment, even if the measures for stimulating overall demand now under consideration did not prove immediately successful? (paragraph 23)

*Question :*

4. b) Could a more active labour market policy, comprising generous adjustment, training, and relocation allowance make a direct contribution to the raising of overall demand?

*Answer (a and b) :*

In its broadest sense the objectives of labour market policy can be described as maximising the use of the nation's labour potential. In specific terms, this has generally been defined as achieving and maintaining a full employment level of economic activity in conjunction with monetary, fiscal and other measures.

The value of labour market programmes is generally readily recognised for periods of near-full employment. Programmes such as placement services, provision of information to unemployed workers, relocations and mobility assistance, and training and retraining programmes are accepted as a vehicle to reduce or eliminate frictions and bottle-necks in the labour market in a situation approaching or near full employment.

However, it is only in recent years that there has been a growing recognition of the need for an active labour market policy in periods of unemployment as well. In addition, there are *compelling reasons for maintaining* that genuine full employment in terms of a maximum utilization of the Nation's manpower resources cannot be achieved without a comprehensive active labour market policy :

The rationale for such use of labour market policy follows :

- i) Even where unemployment is generally high, job vacancies and structural dislocations exist in certain occupations, industries, areas, and firms. A labour market programme which reduces the structural dislocations, and matches and fills job vacancies with unemployed workers, makes a significant contribution to stimulating economic growth. The results are obvious in increased income and production and reduced unemployment insurance, welfare and assistance payments.
- ii) The multiplier effects of these activities can be considerable. In addition to the effects of income and output generated, job demands are created to support the jobs that are filled.
- iii) Labour market policy can be viewed as part of a programme for making investment more attractive by reducing the marginal cost of labour. In their own way, these programmes are analagous to programmes for making reductions in the price of capital through reducing the interest rates directly or providing more liberal depreciation allowances. Manpower programmes make available to employers skilled workers when they need them, where they need them. Thus, labour market programmes can be viewed as a means for stimulating economic activity, and for making it possible for employers to respond immediately to shifts in demand, particularly in the early stages of recovery from recessions.
- iv) Education, training and retraining are not only investments increasing the productive capacity of human resources, but involve in themselves activities calling for investment in plant and equipment of substantial magnitude, with income-generating effects similar to other investments. Moreover, personnel needs are directly created for instructors and allied workers.

- v) Labour market programmes, especially training, can result in improved wages and working conditions. Evidence is available from the training programmes currently operating under the Manpower Development and Training Act that employers are willing to pay higher entry wages for workers who come to them with a background of training.
- vi) An even stronger case can be made for the value of labour market programmes in a situation of under-employment due to an inadequate rate of economic growth. For example, the United States economy is not now in a state of cyclical recession, despite the fact that the overall unemployment rate is over 5½ per cent. A faster rate of growth of the economy, needed to regain full employment, will most likely reflect a rapid expansion of the already expanding sectors of the economy in the industries and occupations where unemployment rates are low and demand for labour high. Retraining programmes could provide for these manpower needs while reducing the unemployment contributed by the contracting sectors of the economy.
- vii) Certainly, income maintenance associated with non-UI programmes has effects on purchasing power just as any UI payment has. The size of these programmes, of course, will determine the aggregate strength of such effects. Since they are usually unemployed and frequently for long periods, the recipients of such non-UI allowances are as likely, if not more likely, to spend all of their payments as are UI beneficiaries. For this reason such payments represent high velocity dollars with substantial multiplier effects. Of course, these allowances do not constitute as responsive an automatic stabiliser device as UI, which sharply expands and contracts its outlay with cyclical fluctuations of employment and demand. However, as long as the economy continues to suffer from a sluggishness featured by persistent unemployment well above acceptable levels and the consequent depression of purchasing power, a demand objective for such allowances is a legitimate one even though it is associated mainly with manpower objectives.

#### CO-ORDINATION OF ECONOMIC AND OTHER PROGRAMMES WITH THE MANPOWER PROGRAMME

The expenditures and other programmes of many public agencies have a manpower impact (paragraphs 24 and 25).

#### *Question :*

- 5. a) To what extent can research and improved information about the manpower effects of action in various fields (fiscal, mone-

tary, military, foreign trade, etc.) be brought to bear on short-term policy making in these fields?

*Answer :*

Improved information on the manpower effects of various government activities can aid materially in achieving the optimum balance between the accomplishment of stated objectives of specific government actions and the furtherance of positive manpower goals. A prior knowledge of the manpower implications of various actions would make the consideration of these effects an important factor in choosing the manner or timing of the initial government activity.

To an increasing extent, the need for such information and research is being recognised. The problem, however, lies in demonstrating a degree of precision in measuring manpower effects of specific actions in a complex society and also, in reconciling manpower policy needs with other needs.

It has nonetheless been possible to utilize estimates of manpower effects as a broad gauge for appraising the magnitude of given or potential public programmes. For example, on the basis of studies of labour requirements for specific types of construction, it was possible to develop estimates of the direct manpower generated on-site and off-site, in considering legislation for a systematic acceleration of public works. The availability of such estimates provided a basis for constructive debate on this legislation.

*Question :*

5. b) Are new arrangements for coordination required to ensure that there is an appreciation of the manpower impact of measures in these various fields?

*Answer :*

In most agencies of the Federal government, there are current instructions which make it clear that the manpower implications of a specific government activity must be considered as a part of the evaluation which is accorded to proposed programme activities when there is a possibility of manpower consequences to the proposed action. In some cases, statutory requirements dictate this consideration, as in government purchasing. More research, and a greater dissemination of empirical information on the full complex of effects of specific government action, would contribute in great measure to increasing the appreciation of the manpower impact of various measures.

*Question :*

5. c) Would it be useful, within this framework, to arrange for specially close coordination of measures that can be used to create employment opportunities in areas where prompt action is required to prevent or correct the emergence of substantial unemployment?

*Answer :*

It is highly desirable to have a close coordination of measures so as to increase employment where high unemployment appears to be emerging. The Departments of Defence and Agriculture, the Area Redevelopment Administration and others are presently engaged, along with the Department of Labor, in achieving such coordination. More needs to be done, of course, and the accomplishment of a general *consonance* of action in regard to both specific and general problems of unemployment, is considered to be an essential component of the comprehensive manpower policy being developed under the leadership of the United States Department of Labor's Office of the Manpower Administrator.

## *Chapter II*

# TECHNOLOGICAL CHANGE AND ITS IMPLICATIONS

### 1. TECHNOLOGY AND MANPOWER

There is often assumed to be a high correlation between the rate of technological change and the rate of productivity increase with some lag. In the post-war period taken as a whole, the average rate of productivity increase has not increased above that of the long-run rate of productivity growth. On the other hand, it seems clear that the rate of technological change has increased over the past decade and particularly within the past several years. In consequence, there appears to have been more manpower displacement and a consequent need for more manpower adaptation (paragraphs 5 and 14).

#### TECHNOLOGICAL CHANGE AND PRODUCTIVITY GROWTH RATE

##### *Question :*

1. a) Has there in fact been evidence of a greater rate of technological change in recent years?

##### *Answer :*

Productivity has risen in the United States since World War II at a rate above the long-run rate for the past half century (3 as against 2.4 per cent). This has been supported by the spectacular advances in science and technology since World War II, having the potentiality of great economic and social changes rivalling those of the first Industrial Revolution. The rate at which the new technology has been and will be introduced into business, industry and government has been the subject of some debate, pending the development of more definitive information on these questions. The available evidence indicates, however, that the actual rate of technological change has increased in some segments of the American economy in recent years. What is more important is that technological change in recent years may be creating different and more serious kinds of displacement whether or not there has been an acceleration in the rate of innovation.

The evidence on which these conclusions are based is of several

types, including the following: a) The marked shift in the occupational pattern of employment in the United States, from blue-collar to white-collar jobs, reflects in large measure the impact of technological change. Especially notable is the decline in production-worker employment in manufacturing since World War II, and the concurrent steady increase in non-production workers, including engineers and scientists and other professional and administrative personnel as well as sales and office workers. b) Electronic computers are one of the most important new technological developments, and one regarding which quantitative estimates are available. From their first commercial application in the early 1950s, the number of general purpose digital computers in use in the United States grew to about 11,000 — with an estimated value of \$4.5 billion — by the end of 1962. Furthermore, according to industry sources, the growth in the number of computer installations is likely to be even larger in the years ahead, especially in view of the increasing use of small computers. c) A number of industries have had recent sharp increases in productivity and concurrent declines in employment. The statistics on these trends, combined with descriptive information on technological developments in these industries, provide conclusive evidence as to the rapid technological progress there. Notable examples of such industries are coal mining, the railroads, tyres and tubes and synthetic fibres.

*Question :*

1. b) If the answer is positive, why has there not been an increase in the rate of productivity growth in recent years?

*Answer :*

A detailed examination of the statistics on productivity trends in the United States shows that during the post-war period productivity increases have exceeded the average rate of change for the past 50 years.

Productivity in the country's private economy, as measured by output per number of all workers, increased at an average rate of 3 per cent per year over the post-war period, 1947-1961. This compares with a long-term gain of 2.4 per cent for the period 1909-1961.

An outstanding feature of post-war productivity trends has been the performance of agriculture. Productivity in this sector rose at an average annual rate of 5.9 per cent between 1947 and 1961. The non-agricultural sectors of the economy experienced a more moderate rate of increase in productivity. But even there the average annual increase was 2.4 per cent from 1947 to 1961, somewhat higher than the average rate (2.1 per cent) for the past half century.

During the post-war period, the rate of increase in agricultural productivity has slowed down somewhat — from 6.3 per cent between 1947 and 1957 to 5.2 per cent (still a very high figure) in the following 4 years. This change was the major factor in the slowdown in the

overall rate of productivity gain for the total private economy (from 3.2 per cent in 1947-57 to 2.9 per cent in 1957-61).

The varying effects of intersector shifts in manpower on the overall productivity index have been another contributing factor. In the period 1947 to 1957, when there was a fairly rapid increase in output and employment in non-agricultural industries and many workers left the farms, the shifts in manpower had a marked effect on the overall rate of change in productivity — contributing 0.6 percentage point to the 3.2 per cent growth rate. However, from 1957 to 1961 the shift effect was much less important — contributing only 0.2 percentage point to the 2.9 per cent growth rate. Not only was the shift from agriculture less influential in this later period but also there was a slight increase in the offsetting shift from manufacturing, with higher productivity levels, to non-manufacturing, where presently estimated productivity levels are lower.

It should be noted that the rate of gain in manufacturing productivity was actually *higher* in the last few years than in the first post-war decade — 3.4 per cent from 1957 to 1961 as compared with 2.8 per cent in the previous 10 years.

In non-manufacturing industries as a whole, the average rate of increase in output per manhour was about the same in both post-war periods (2.3 per cent per year). Non-manufacturing industries are, however, a heterogeneous group, including mining, transportation, construction, public utilities, trade, and services. The Department of Labor is in process of developing productivity measures for these industries based on new data which have recently become available. Preliminary review of these data indicates that the differences in productivity movements — and therefore, presumably, in rates of technological change — among non-manufacturing industries have been sizeable.

*Question :*

1. c) Does the proportionate rise in engineering manpower to total manpower which has taken place in recent years, and which has not so far been reflected in an increased rate of productivity growth, suggest that engineers and other kinds of technical manpower are poorly utilized in relation to stimulating productivity and in the lowering of costs in the United States economy?

*Answer :*

The rapid rise in engineering manpower in recent years has undoubtedly contributed to the increase in productivity mentioned in answer to Question 1 (b). It should be noted, however, that a great many of the Nation's engineers are engaged in activities related primarily to national defence or space exploration — work which may have no relationship to productivity growth or at best, a delayed and indirect one.

Furthermore, many engineers are engaged in developing new or improved products which present productivity indexes may not fully reflect, or in the development of more efficient production processes which may contribute significantly to future rises of productivity and economic growth but which for the present represent an investment in manpower.

Conclusions regarding the efficiency with which engineers are being utilised cannot yet safely be drawn, therefore, from the productivity indexes. This subject is, however, a matter of active concern to the United States Government in view of the personnel shortages which now exist in most engineering specialities, as in many other scientific and technical fields.

#### **EFFECTS OF TECHNOLOGICAL CHANGE ON EMPLOYMENT IN SERVICES AND FINANCE**

We have noted that technological change appears to have moved more rapidly in recent years into the service and financial sectors of the economy, which have also accounted for a substantial part of total employment growth as compared to the goods-producing industries (paragraph 6).

#### *Question :*

2. a) Will the increased rate of technological change in these sectors of the economy slow down the rate of employment growth and substantially change the occupational requirements of the service and financial sectors of the economy?

#### *Answer :*

Banking and insurance are leading examples of industries in the finance and service sectors of the economy which have made rapid technological progress in recent years.

According to a study of changing manpower requirements in banking by the Department of Labor, the use of electronic data processing will become much more widespread in the industry during the next 10 to 15 years. The study indicates that these and other technological advances will lead to continued changes in the occupational pattern of employment in banking and tend to cut into employment growth. The expansion in banking business is expected to be so great however, as to more than offset the overall effects of technological change on the industry's employment levels. In conclusion, an increase in bank employment to more than 1 million by 1975, as compared with 675,000 in 1960, is projected. This would represent a smaller rate of employment increase than was achieved by commercial banks over the past decade.

In the insurance industry also, the Department's studies point to rapid expansion in business and, consequently, continued increases in employment despite increasing use of electronic data processing

equipment. Here again, however, the rate of employment growth may be less rapid than in the past decade. Because employment developments arising from the introduction of such equipment can be sharp and significant, the Department of Labor is engaged in further studies to examine the future impact of such equipment on office employment.

In most business, personal, and recreational service industries, technological change has not yet gone as far as in banking and insurance. No assessment is yet available of the probable employment effects of the new technology in these industries, as compared with the employment-generative effects of the growing demand for services.

*Question :*

2. b) Should these developments occur, in what sectors of the United States economy is employment growth expected to take place which will absorb the substantial increases in the numbers of young people entering the labour force over the next few years?

*Answer :*

Projections of employment in 1970 and 1975, by industry division and major occupational group, are shown in Tables 1 and 2. These projections assume the achievement of near-full employment in the United States. Their realisation thus depends upon a general rate of economic and employment growth sufficient to offset the effects of technological change, to provide jobs for the workers currently unemployed, and to take care of the great expected expansion in the labour force. Moreover, the realisation of these projections also requires that the education and training of youth be appropriate and adequate for the job opportunities which will be created, both in expanding industries and to meet the normal turnover needs of other industries. In general, given an increasing level of education and competence for youth entering the labour market, it is logical to estimate that the greatest area of employment opportunity for youth will be in the expanding sectors and in new industries and occupations benefiting (in terms of jobs created) from developments in technology. The character of job growth that will actually transpire, in relation to the career preparation now underway, provides the basis for a problem which deserves continuing study and which is recognized as a major concern of manpower policy.

The projections shown below represent the Department of Labor's present assessment of the magnitude of the employment gains in major industrial and occupational areas likely to be associated with the attainment of our national employment goals.

As shown in Table 1, employment is expected to increase at an above-average rate in service-producing industries, and much faster in contract construction than in other goods-producing industries. In agriculture, which is not covered by the data in this table, a further

decline in employment is anticipated, even under full-employment conditions.

Similarly, employment is likely to grow faster in white-collar than blue-collar occupations, and fastest of all in professional and related occupations (Table 2).

TABLE 1. NON-AGRICULTURAL AND SALARY EMPLOYMENT IN THE UNITED STATES, BY INDUSTRY DIVISION — 1960 AND 1975

EMPLOYMENT

*In millions.*

	ACTUAL	PROJECTED		PER CENT CHANGE, 1960-75
	1960	1970	1975	
Total . . . . .	54.3	67.7	74.2	37
Service-producing industries . . . . .	34.0	43.7	48.8	44
Wholesale and retail trade . . . . .	11.4	14.0	15.6	37
Government . . . . .	8.5	11.5	12.8	51
Service and miscellaneous . . . . .	7.4	10.2	11.9	61
Transportation and public utilities . . . . .	4.0	4.4	4.5	13
Finance, insurance, and real estate . . . . .	2.7	3.5	3.9	44
Goods-producing industries . . . . .	20.4	24.0	25.4	25
Manufacturing . . . . .	16.8	19.2	20.3	21
Contract construction . . . . .	2.9	4.0	4.4	52
Mining . . . . .	.7	.7	.7	—

NOTE . Individual items may not add to totals because of rounding.

*Question :*

2. c) Will the introduction of computers and other technological changes in the rapidly growing office sector of the economy tend to slow down the rate of growth in this sector and hence further complicate the problem of sustaining employment in relation to the stepped-up rate of expansion in the labour force?

*Answer :*

The introduction of computers and other forms of office automation is undoubtedly slowing the growth in clerical employment. It is expected to have continued effects in this direction, which will be among the factors tending to complicate the problem of providing jobs for the expanding labour force. Nevertheless, as indicated in Table 2, clerical employment is expected to go on increasing at a rate above the average for all occupations, owing to the expected increase in the total volume of office work, the likelihood that some large areas of clerical employment will be little affected by automation in the foreseeable future, and a variety of other factors.

TABLE 2. EMPLOYMENT IN THE UNITED STATES BY MAJOR OCCUPATIONAL GROUP 1960 AND 1975

MAJOR OCCUPATIONAL GROUP	ACTUAL, 1960		PROJECTED, 1970		PROJECTED, 1975		PER CENT CHANGE		
	NUMBER (in millions)	PER CENT	NUMBER (in millions)	PER CENT DISTRIBUTION	NUMBER (in millions)	PER CENT DISTRIBUTION	1960-70	1970-75	1960-75
Total	66.7	100.0	80.5	100.0	87.6	100.0	21	9	31
Professional, technical, and kindred workers	7.5	11.2	10.7	13.3	12.4	14.2	43	16	65
Managers, officials, and proprietors, except farm	7.1	10.6	8.6	10.7	9.4	10.7	21	9	32
Clerical and kindred workers	9.8	14.7	12.8	15.9	14.2	16.2	31	11	45
Sales workers	4.4	6.6	5.4	6.7	5.9	6.7	23	9	34
Craftsmen, foremen, and kindred workers	8.6	12.8	10.3	12.8	11.2	12.8	20	9	30
Operatives and kindred workers	12.0	18.0	13.6	16.9	14.2	16.3	13	4	18
Service workers	8.3	12.5	11.1	13.8	12.5	14.3	34	13	51
Labourers, except farm and mine	3.7	5.5	3.7	4.6	3.7	4.3	—	—	—
Farmers, farm managers, labourers, and foremen	5.4	8.1	4.2	5.3	3.9	4.5	-22	-7	-28

NOTE: Individual items may not add to totals because of rounding.



## 2. RESEARCH AND FORECASTING

### VALUE OF LONG-TERM FORECASTS OF OCCUPATIONAL REQUIREMENTS

We have noted that there is considerable emphasis on the long-run (more than five years) forecasting of occupational requirements in the United States, in spite of the relatively limited knowledge of the impact of technology and labour market forces on occupational requirements currently and in terms of the future (paragraphs 18-21).

#### *Question :*

1. a) Are such occupational forecasts considered to be a sound guide for decision makers with respect to the development of education and training programmes at various levels of the educational system ?

#### *Answer :*

In a rapidly changing economy, decision makers need some guide with respect to the development of educational and training programmes to meet future needs for workers with various types of skill and levels of education. We know of no guide that would be sounder than a systematic and careful projection of occupational manpower requirements.

It is recognised that there are inherent weaknesses in any forecasting procedures which increase with the period of time covered by the forecast. Nevertheless, our experience over the past 18 years in studying occupational and industrial trends and projecting manpower requirements shows that most changes are foreshadowed in data and knowledge of economic and technological developments available currently, and can be discerned by careful analysis. For many occupations the direction and magnitude of changes have been identified with sufficient accuracy to provide broad guidance for the development of educational and training programmes. For most occupations a major component of the annual training requirements is the number of workers needed to replace those dying or retiring, and this number can be estimated with reasonable accuracy. Thus, whatever uncertainty there is in economic projections applies to only a part of the estimate of annual training needs.

In fact, the projections we have made are used both to point out the need for an increase in the general level of education of the labour force, and to support the need for expanded training in certain occupational fields (e.g., the current policy to increase graduate-level training in the sciences).

The accuracy of the forecasts varies to some extent with the character of the occupation. For the few occupations affected by short-run developments, technological innovations in particular, there is the obvious hazard in forecasting of insufficient foreknowledge of new scientific developments. However, for the great bulk of occupa-

tions, sufficient information is available so that with careful analysis reasonably accurate projections of requirements can be made. This is especially true for occupations affected primarily by factors such as population growth, e.g., teaching fields.

Projections of occupational requirements are necessary in order to make estimates of even general requirements for persons by educational level. We know of no way of translating economic projections into educational terms except via the medium of the occupation. Moreover, projections for individual occupations or occupational fields are more useful for educational planning than general projections by educational level. In many countries, particularly those at early stages of development, there are general shortages of university-trained workers, but surpluses of those trained in fields such as the law.

Development of curricula for unknown future occupations, which will only crystallise as the future unfolds, would seem to indicate the desirability of providing a very generalised educational base in which workers would take additional specialised training as needs become known. Notwithstanding the orientation of educational programmes to specific occupational requirements, the general tendency in American education (insofar as generalisation is possible for the many school systems) has been to provide as broad and eclectic an education as possible, with an emphasis on the tools and disciplines which would enable the later acquisition of the knowledge and skills required by changing times and circumstances.

In addition, short-term forecasts of occupational requirements are regularly used to guide the development of school curricula and training programmes designed to meet the more immediate needs of industry.

*Question :*

1. b) If the answer to the above should be *negative*, what kinds of forecasts and advance knowledge of the future are useful as a guide for educational policy makers in making long-run decisions about capital investments and human "investments" in the particular occupational areas required by the economy? ((paragraph 22)

*Answer :*

No answer required since the answer to (a) above is positive.

*Question :*

1. c) For example, instead of placing so much emphasis on forecasting detailed manpower requirements in occupational terms, would it be of greater value to develop more research on the range of human intelligence and adaptability to a variety of occupational fields, not only among youth, but among adults at different age levels?

*Answer :*

Research on the range of human intelligence and adaptability to

a variety of occupational fields, and projecting detailed manpower requirements in occupational terms are not mutually exclusive. Both approaches should be developed as guides for educational policy makers.

Because of the greater reliance on mechanical equipment and other relatively simple methods of operation and an increased need for verbal and mathematical skills, employers are already giving more weight to academic accomplishment than to vocational knowledge and skills. An academic high school graduate is assumed to possess these latter skills to a greater extent than the vocational course graduate. Thus, a girl who has taken an academic programme at high school and merely had a personal typing course may be more readily employed in an office than one who has taken the commercial course. Similarly, boys trained in trades at school will find jobs at about the same skill level as those not trained but having a good academic record. It seems to be mainly in occupations where only a specific type of operation is performed, such as barbering and tailoring, that acquired skills give the vocational graduate a definite advantage over the academic graduate.

*Question :*

1. d) Would research of this kind be an effective basis for understanding and planning the contribution which education and training could make on a more continuing basis to adapting people to changing occupational requirements in future years?

*Answer :*

Many American workers may have to make three to four occupational shifts in the course of their lifetime consequent upon technological change and shifting market demands. This knowledge about the dynamic character of change is suggestive of the real problems which training and educational institutions face in preparing students as effectively as possible for continuing occupational adaptation over the forty — to fifty — year period of their active participation in the labour force. Realisation of these trends underlines the need for research in education and the development of curricula to provide workers with generalist knowledge and its inherent by-product of occupational adaptability. Concurrent with such research is the need for a re-assessment of the restrictions which have developed over the years concerning entry into many professional fields.

#### VALUE OF ADVANCE WARNING TECHNIQUES

*Question :*

2. a) What success has been achieved through the use of "advance warning" techniques in developing plans to avoid manpower displacement, particularly at the level of the individual plant?

*Answer :*

Advance warning techniques have been systematically used by government agencies, including the Internal Revenue Service, in developing plans for easing the impact of technological changes on their own workers. These techniques have also been used by many private employers introducing major technological changes. A variety of other personnel procedures have also been utilised by government and private employers in such situations, including effecting reductions in force by normal attrition insofar as possible and provision for reassignment and retraining of workers.

According to the available case-study information, employers introducing office automation have generally been able to accomplish this with few if any layoffs, given sufficient advance planning and other appropriate procedures. However, this has not been true of factory automation, where large scale layoffs have sometimes resulted from the changeover to new production methods.

Through the United States Employment Service and affiliated State agencies, the government is now giving leadership to a programme of advance warning by employers throughout the country. The Employment Service mass layoff reporting programme has been developed to provide information on layoffs at individual plants, when 100 or more workers are involved. However, not all States are as yet reporting every such layoff that occurs, since the programme is still in a stage of development. In the first 5 months of the programme over 500 establishment layoffs were reported.

Advance warning of layoff certainly provides significant manpower planning information. But the "achievement of successes" is a complex matter, in which individual local variations are frequently the controlling ones. For example, a current report covers the planned shutdown of a California plant early this Spring, releasing machine tool operators, general labour, clerical staff, as well as a manager and a comptroller. The employer and the Employment Service are cooperating to find jobs for the workers, the former contacting other firms in the area, and the latter setting up interviews with the workers, and making use of a labour market survey of anticipated labour needs in the area which it had recently completed. But the employer has a production schedule to fulfill, and the Mass Layoff Report states that there is "a severance bonus and other benefits, payable only to employees working to closing date". Thus, it is likely that many of these workers will simply not be available for placement or training action before the plant actually closes. Or, as has happened, the employer does not meet his closing target date, and the plant stays open for an extra month, so that workers expected to be available, are not.

Another illustration is the attitudes and motivations of the displaced workers, who sometimes require very intensive employment counselling to develop a realistic awareness of their predicament. In

one employment service project, for example, the displaced workers took the tearing down of their former plant as evidence that a new one was to be built, in which they would all be re-employed.

The point is that advance notice of labour market disruptions is of great value, but the assumption cannot be made that once advance notice is obtained, it is immediately possible to bring to bear a variety of alleviating manpower actions. In one advance notice situation, in which 3,000 workers were given intensive service, starting well before actual layoff, the conclusion was hard to avoid that the overall "result" was negative, since on the one hand the layoff group was to receive substantial separation pay and benefits and were almost uncooperative in an aggressive job-finding programme, and, on the other hand, regular placement activities on behalf of the already unemployed tended to be robbed of staff time. Among this 3,000, only about 75 had been persuaded to take training as long as nine months after layoff, although they were semi-skilled machine operators, who had bargained themselves to much higher pay rates than their skills commanded in the general market.

Thus, the picture of advance notice and alleviating manpower actions is a very complex one, with no "formula" approach possible, and rarely with simple and obvious cause-and-effect relationships. It should be repeated, however, that advance notice is still very valuable, since it spots and defines problems, and permits planning, especially in the important particular of spotting the possible onset of long-term unemployment.

The Department of Labor is also in process of establishing a more long-range advance warning system, through detailed studies of industries and of innovations still in an early stage of development. The results of these studies are designed for use in the planning of educational and training programmes and in vocational guidance, as well as by employers and unions interested in looking ahead at the manpower problems which will be created by coming technological changes. This programme is still in the experimental stage, not yet far enough advanced to permit an evaluation of the results.

*Question :*

2. b) To what extent have retraining, transfer and other programmes been developed in advance of displacement consequent upon the use of such techniques? (paragraph 26)

*Answer :*

As indicated in the answer to question 2 (a), a considerable number of employers have developed retraining, transfer, and other programmes in advance of technological displacements. Provision for these and other measures designed to ease the impact of automation on workers is receiving increased emphasis in collective bargaining. It is also the policy of the Department of Labor to promote and encourage programme of this type to the maximum extent possible

and, where requested and appropriate, to assist in provision for retraining through the programmes made possible by the Manpower Development and Training Act of 1962. Steady progress in extending retraining and other ameliorative measures and in making them more effective is anticipated.

#### **COORDINATION OF RESEARCH AND FORECASTING TECHNIQUES**

We have suggested that there is a basic problem connected with the development of forecasting and other manpower research in the United States, namely to secure more coordination of the great variety of activities in this field and to exchange technical information in this area of research.

#### *Question :*

3. a) What plans (if any) are being made by the Department of Labor or other agencies to develop a greater degree of coordination and exchange of experience in this strategic area of manpower research? (paragraph 27)

#### *Answer :*

The Department of Labor regards the coordination of research on automation and manpower problems, along with broad public communication of the findings of such research, as matters of great importance. Systematic contacts are being established with the major research organisations, both private and governmental, active in this field. A broad research plan is being worked on to serve as a guide in planning future research. In addition, a clearing house of research findings and action programmes is in process of development.

In the establishment of this clearing house and other communication activities, the Department will cooperate with the International Labour Office. The I.L.O. is extending its informational and research activities to cover automation problems, and the Department of Labor's clearing house services for the United States will be coordinated with those provided with respect to other countries by the I.L.O.

In coordinating and exchanging information on automation and manpower problems, the Department of Labor will utilise the advisory committees set up under the Manpower Act, the university consultants to the United States Employment Service, and other advisory groups. Another means of communication is the Employment Security Research Exchange, issued by the United States Employment Service every 6 months. This will continue to provide information on manpower research completed, underway or planned by State agencies, and will be tied in with the Department's broader clearing house activities, which will be designed to cover not only the research findings of the Department of Labor but also those of other

governmental and private agencies and individual investigators throughout the country.

Many expert groups at the national level in the Federal government agencies at the community and State levels, in universities, and in industries, are developing a variety of manpower forecasts. A significant problem would appear to be that of providing for an exchange of information on the success or failure of such techniques, on the development of concepts about the real objectives of such forecasting devices and to ensure that fundamental research is being undertaken about labour market processes and technological change.

*Question :*

3. b) We have indicated the desirability of undertaking considerably more research on (a) technological change and (b) on the processes of labour market adaptation. Are plans being made by the Department of Labor to emphasise this phase of manpower research in the United States, and to relate the results to the complex problems of quantitative manpower forecasting?

*Answer :*

The Department of Labor is now engaged in an expansion of its research programmes with respect both to technological change and to the processes of labour market adaptation, and will utilise the results in manpower forecasting.

The research related to technological change includes studies and surveys of technological developments in major industries; of the probable rate of penetration and prospective employment effects of impending technological innovations; of the economic and other factors influencing managerial decisions to automate and of the economic and employment consequences of these decisions; of the nature of newly created jobs and the education and training required for them; and of a variety of other questions.

Research related to labour market adaptation now underway or planned, includes studies of worker mobility and the many factors which facilitate and impede it. Studies are also being made of the operation of the labour market, and will be broadened in scope, with emphasis on such questions as the hiring channels through which workers obtain jobs and the amount and kinds of information workers have with respect to current and prospective job opportunities.

### 3. LABOUR MOBILITY

#### ESTIMATION OF COSTS OF MOBILITY

The volume of market induced geographic, occupational and industrial mobility appears to be exceedingly high in the United States. Most of this mobility is necessary both for the worker and for the economy, and by far the larger part of this mobility is voluntary,

although a good deal of it is involuntary. Both kinds of mobility often involve lengthy periods of unemployment before the worker finds a new job or before the employer finds a needed worker. (paragraphs 32, 33, 45)

*Question :*

1. a) Would it be desirable and possible to measure the costs of the waiting periods to employers in terms of lost production and to workers in terms of lost wages which result from mobility?
1. b) On the basis of the findings of (a), would it be desirable to estimate the reduction of costs and the increase of wages which would result from the development of better service to both employers and workers on the part of the Employment Service in reducing the time periods involved?
1. c) Would such estimates provide a satisfactory basis for determining the extent of expenditures which are worthwhile in improving the Employment Service in a variety of directions?

*Answer :*

It would be desirable to measure the costs involved to employers and to workers as a result of such waiting periods. It should be noted, however, that mobility does not necessarily result in a net loss to the economy ; it may result in a net gain.

We would prefer to consider (b) and (c) above as suggestions, rather than questions. We agree a measure of costs of time lost in the hiring process would provide a useful guideline for Employment Service expenditures, but it should not be the only one.

#### WAGE DIFFERENTIALS AND MOBILITY

*Question :*

2. a) What evidence is there that wage differentials as between occupations, industries and areas, play a positive role in allocating the United States labour force to areas of employment expansion from areas of employment decline ? (paragraph 40)

*Answer :*

There is little doubt that on a broad, long term basis, wage differentials have had and will continue to have an important role in moving United States workers to expanding areas, industries and occupations. While availability of jobs may explain primarily the great movements of labour from farms to urban areas and from the South to the North Central States, expanding job opportunities have also been generally associated with higher area wage rates and higher wage industries. The recent growth in professional occupations would similarly reflect the pull upon workers, particularly new entrants, of job opportunities which have the likelihood of high earnings. A study of occupational mobility, developed from census data, found

very considerable mobility among workers over their working lifetime and found that, for most of them, this mobility is related to expanding and more remunerative occupations.

We do not believe that useful or even valid conclusions can be arrived at from any attempt to assess the relative causality of wage differentials, as compared with job opportunity, in moving workers towards expanding areas. In reality no situation is ever so simple that the effects of wage differentials can be studied in isolation. There is reason to believe that the effects of wage differentials must always be weighed in connection with other economic, social and psychological factors. Among the factors affecting the real significance of wage differentials in moving particular workers to other jobs within the same occupation, other occupations, industries and areas are: (a) whether the persons involved are unemployed or employed, (b) the extent to which institutional factors such as pension and vacation rights, seniority and other layoff provisions enter into the picture, and (c) other situational and personal factors, the importance of which cannot be overlooked in the American framework, where the level of living and socio-psychological factors modify the force with which wage differentials would operate at levels of hunger. These factors involve satisfaction with the job, with the colleagues and superiors, status and dignity, etc.

Specific and quantitative data on the effects of most of these factors are not available. No conclusive studies of national scope have been made of the role of wage differentials per se in allocating the labour force to areas of employment expansion from areas of employment decline on a geographic, occupational or industry basis. The C.P.S. surveys of job changing in 1955 included "economic" reasons (job loss) and "improvement of status" reasons (more money as well as a variety of other factors) as a basis for job change, but did not provide information to permit any conclusions regarding the influence of wage differentials. A similar study for 1961 contains inquiries regarding the relationship between mobility and weekly earnings, but these data are not as yet available. Research limited to a small number of specific studies indicates, however, that there is no simple relationship between wages and labour supply.

In these studies, wage differentials proved the decisive factor in only a minority of voluntary job separations. They were more important for those who had found new jobs *before* leaving their old ones than in the case of other voluntary quits. A study of wage mobility responsiveness in an industrialised Eastern area showed that wage differentials between local firms, even in the same product lines, can amount to 10 or 15 per cent without having noticeable effects upon worker mobility or on the labour supply of the firm involved.

These studies imply also that wage differentials play a more important role in labour recruitment of unemployed job seekers and in the mobility of young, short-term workers than in voluntary

movements of experienced workers. For new entrants into the labour force and for short-term employed workers, choice of job is influenced by wage differentials to some extent, insofar as such persons are aware of them ; and for all workers seeking jobs there is a tendency to resist acceptance of a wage below a personal standard.

For employed workers with longer experience, steadiness of employment, seniority, chance for advancement, fringe benefits related to length of service and other considerations, both economic and psychological, apparently outweigh the attraction of a higher wage rate.

There is evidence that mobility (in the sense of voluntary job changes) in response to wage differentials increases in periods of expanding employment and declines in periods of recession, and that such mobility is related also to the size of the wage differential.

*Question :*

2 b) There is evidence of "unfavourable terms of trade" in terms of wage levels between the manufacturing sectors of the economy which in employment terms are tending to decline, and the service-producing sectors of the economy in which employment is increasing. To what extent do these "unfavourable terms of trade" inhibit the process of manpower adaptation resulting from the displacement to new employment in the United States economy?

*Answer :*

The "unfavourable terms of trade" between the manufacturing and service industries obviously create a reluctance on the part of workers from the better paid but contracting, employment opportunity manufacturing industries, to move into the lower paid but expanding service ones, and there are a number of institutional factors which support this reluctance. Among these are the seniority provisions of many union contracts and the recognition of seniority rights even in non-union plants. Workers with a relatively long attachment to a high wage job and with significant seniority rights in a plant, will turn to employment in a low wage industry only when all other alternatives have disappeared and when State unemployment benefits and other supplementary ones have been exhausted. If pension rights are involved, they may also act as a deterrent to mobility ; if they are "portable" within the craft or industry, the worker will tend also to be reluctant to sever his connection with the industry, even if he permanently loses his employment in the particular firm for which he has worked. While the influence of these factors may be reduced when job opportunities in expanding industries with much higher wage levels are available, they become much more important when the available opportunities are limited to the low wage industries.

The State unemployment insurance systems, under which benefits may be paid to an unemployed worker for the duration of his benefit period, provided he does not refuse "suitable employment", generally

reinforce the unemployed worker in manufacturing in his inhibition against entering a low wage service industry. The term "suitable employment" is related by the insurance systems both to a worker's previous occupation and industry and to his previous rate of pay. Unemployed workers from manufacturing and mining are not generally obliged to, and in practice do not accept employment in lower paid service industries, until their benefit rights have been exhausted.

Preliminary findings of studies of workers in manufacturing who have become unemployed as a result of automation, indicate that they are very reluctant to accept lower paid jobs in the service industries while they have any other source of income or a chance of such income.

*Question :*

2. c) If this is a significant problem, what kinds of steps can be taken in terms of retraining, financial provisions for mobility and resettlement and other techniques which can be used to facilitate the process of positive adaptation? Would it be fair to say that this is a stubborn problem which will grow in seriousness in future years and for which the usual methods of manpower adaptation will provide only limited answers? (paragraph 42)

*Answer :*

The problem is a significant one and may well become greater as the present trend in manufacturing employment continues. The following three factors are significant in the consideration of solutions to this problem. a) One remedy appears to lie in increasing productivity in the service industries so that wage levels in them may rise and the differential in wage rates between services and manufacturing be reduced. Since productivity gains in the low wage service industries have been small there is apparently a wide opportunity for improvement and for concomitant gains in wages. b) Further union organisation and extension of minimum wages and overtime pay provisions would also operate in diminishing differentials in earnings between the industry sectors, making the shift from manufacturing to the services less unattractive economically. c) Certainly retraining, financial provision for mobility, and similar techniques cannot be utilised as the means of a basic attack on the problem, but constitute rather the ancillary circumstances for easing the transfer once other conditions are appropriate and the worker is willing to accept it.

#### AREA REDEVELOPMENT ADMINISTRATION PROGRAMME

The Area Redevelopment Administration Programme is designed to bring jobs to workers by stimulating industrial development on a community basis using community initiative, together with Federal government financial and technical assistance. We have noted that

the A.R.A. programme is largely designed to stimulate specific local communities to develop their local communities from a job creation point of view. Much of the surplus manpower in such local communities results from the decline of industries on a broader regional basis, and in addition, it would seem to us that the more active promotion of industries through the use of financial incentives, would have to be considered in a broader regional and even in an inter-State context. (paragraphs 44, 45)

*Question :*

3. a) To what extent can the A.R.A. programme take into account the development of industries on a broader basis than that of local communities ; and to what extent can local communities and State cooperate with each other in the development of industries and of the economy more generally on a regional basis ?

*Answer :*

The Area Redevelopment Act is basically directed towards assisting designated redevelopment areas, that is those suffering from chronic unemployment and low income. It promotes a cooperative approach whenever it is economically feasible to do so and the individual areas are agreeable to it. It encourages regional programmes, for example, wherever adjacent redevelopment areas have similar characteristics and problems, promising regional projects, or other possible benefits from regional planning. However, such plans are not substitutes for local plans, and regional or State plans must have the approval of all eligible localities involved in them before acceptance. One State plan has been approved and an Appalachian regional study has been initiated which may lead to a comprehensive economic development plan for that region. However, many practical problems of coordinating the interests of the different political entities within the region must be received before such a plan can become effective.

In some countries, the deliberate direction of government expenditure programmes is one of the means by which jobs have been brought to workers in a rather substantial way, without causing distortions in the distribution of private competitive industry in the economy.

*Question :*

3. b) To what extent are Federal government expenditures geared directly to the bringing of industry to surplus manpower areas or of the expenditure of funds on public works or other government capital projects ?

*Answer :*

There are a number of Federal government programmes designed to channel new industry, additional public works facilities, or government contracts to areas with surplus manpower, but these account

for a relatively small portion of total Federal expenditures. The most important of these programmes are : a) Defence Manpower Policy No. 4 — which relates to placement of government contracts in such areas ; b) the Area Redevelopment Act of 1961 — designed primarily to bring new industry to areas with persistent unemployment problems or low income areas and c) The Public Works Acceleration Act of 1962 — providing for accelerated public works construction of Federal and State or locally-financed public works projects in such areas, with additional Federal grants of 50-75 per cent authorised for State and local projects.

In fiscal year 1962, some \$ 7.4 billion or close to 30 per cent (\$ 25 billion) of all military prime contracts awarded were placed in areas classified as having substantial unemployment. However, most of this total was placed as a result of regular procurement operations ; only about \$ 106 million (or 1.4 per cent of this total) were awarded through the preferential procedures authorised by D.M.P. No. 4. During that year, loans and grants made under the Area Redevelopment Programme totalled approximately \$ 30 million, which were expected to result in the creation of about 17,000 jobs. This covered only about the first year of A.R.A. operations. Since then (through the end of February 1963) loans and grants totalling another \$ 38 million have been made. These are expected to result in another 17,000 jobs when the projects approved are in full operation. The Public Works Acceleration Act authorised the expenditure of \$ 900 million to carry out the objectives of this programme ; only \$ 450 million was appropriated for this purpose in fiscal year 1963.

#### EFFICACY OF INTERSTATE BENEFITS IN STIMULATING MOBILITY

The State Employment Security Programmes have developed inter-State benefit payment programmes which have contributed to the stimulation of inter-State labour mobility. For example in 1958 \$ 191 million in inter-State benefits was paid out of a total of \$ 4,209 million in benefits. This appears to be a relatively low figure.

#### *Question :*

4. Has the system of inter-State benefits been sufficiently effective in stimulating necessary mobility, or have the relative differences in insurance benefits and other conditions in unemployment compensation between the States been a limitation of a significant kind in the development of inter-State labour mobility ?

#### *Answer :*

The provision by the Unemployment Insurance programme of inter-State benefits at least has the effect of preventing Unemployment Insurance from becoming a bar to mobility. However, there is considerable question as to the efficiency of inter-State benefits in actively promoting mobility. In one important respect, inter-State benefits

do play an important role in certain areas where heavy seasonal requirements for workers in certain industries can only be met by import of workers from elsewhere. The assurance of Unemployment Insurance on an inter-State basis, is an important consideration to such workers who generally seek work elsewhere off-season and who need the protection in such periods if they fail to locate employment. Without such protection, it is likely that many of these workers would be reluctant to move to fill seasonal employment needs.

Aside from seasonal movement, the decision to move from a less promising labour market area to a better one to seek employment is probably influenced by factors more significant to the individual than variation among the States in their unemployment insurance provisions. Certainly, relocation for a worker with family responsibilities and community attachments, including a home, is a matter not strongly affected by unemployment insurance. Inter-State benefits do make it possible for such a laid-off worker to go elsewhere to look for work opportunities, thereby enlarging his chances for employment. However, the job offer must be attractive enough to overcome the heavy costs of moving and breaking of ties. Younger workers, with few ties, are more directly aided by Unemployment Insurance in broadening their job search. However, even here the allegation is made that Unemployment Insurance may support inertia and that serious job hunting elsewhere may be delayed until Unemployment Insurance has been exhausted. We have no direct evidence to support or refute this contention, but we do feel that the general preference for work rather than for unemployment compensation is true for this group as well.

The amount paid out by the States in inter-State benefits, though relatively low, is yet an overstatement of the possible support it implies for geographic mobility. Some of these payments go to workers in metropolitan areas that straddle State lines, such as the New York-Northern New Jersey area, and the St. Louis-East St. Louis area. (These are probably not very large since these workers are encouraged to file in the State where they had been employed.) For such workers, mobility is not a factor. Moreover, some younger workers who had successfully migrated to areas of better opportunity and found jobs, may subsequently be hit severely by layoffs because of their low seniority and then return home to areas still depressed. These workers also file for and receive inter-State benefits. While there is mobility here, it is of doubtful direction. The growing tendency on the part of some States to reduce benefit rights or disqualify from benefits, for long periods or for the duration of the unemployment, when workers voluntarily leave their jobs without good cause, operates to inhibit mobility.

Such disqualifications often affect, with particular severity, those who leave work to seek better jobs or in anticipation of the lay off. The Bureau of Employment Security urges a more restricted disqualification for voluntary leaving, postponing benefits to the indi-

vidual for a period equal to the average duration of a spell of unemployment (nationally, six weeks), but then to pay Unemployment Insurance without reduction of the individual's benefit rights after this period if unemployment continues. Insofar as this severe disqualification does lead to such inhibition of mobility, it represents a serious bar to individual efforts at self-improvement, certainly a factor any manpower programme would seek to promote.

#### **EMPLOYMENT OF OLDER WORKERS**

Age restrictions in the hiring of workers have been found to exist to a considerable degree in the United States. For example, studies by the United States Department of Labor in early 1961 revealed that age restrictions existed in approximately two out of every five job openings listed with the Public Employment Service in five major cities.

#### *Question :*

5. a) To what extent have management and unions accepted the principle that individual qualifications and not age are primarily significant in relation to considering workers in employment?

#### *Answer :*

A 1961 followup study was made of age restrictions following a study originally conducted in seven cities in 1956 (7 Cities Study). Early in 1961, the Department of Labor requested its affiliated State employment services to repeat the survey in five of the original seven cities, to determine if progress had or had not been made in the voluntary relaxation of restrictive upper age requirements in listed job orders in the five years since the previous study. Two cities involved in the original survey were not included because existing State laws prohibited age discrimination in hiring.

In 1956, 57 per cent of all openings in the five cities had restrictive age requirements. In 1961, the composite total for the five cities was 39 per cent. Equally significant were the reductions noted in each of the age categories. Restrictions "under 65" were reduced from 56 per cent to 39 per cent; of "under 55" from 53 per cent to 36 per cent; of "under 45" from 42 per cent to 26 per cent; and of "under 35" from 21 per cent to 14 per cent.

A further analysis revealed that three cities (Miami, Los Angeles, and Seattle) showed marked improvement. One city (Minneapolis-St. Paul) showed modest improvement, and one (Detroit) actually showed an increase in age restrictions.

Both Miami and Los Angeles reported that the strong emphasis given to the older worker programme and the purposeful efforts made in carrying out this programme during the 5-year interval could account for much of the success in the relaxing of employer age restrictions.

As part of the United States Department of Labor's programme

relating to older workers, the Bureau of Labor Statistics analysed the status of older workers under collective bargaining agreements (Older Workers Under Collective Bargaining, United States Department of Labor Bulletin No. 1199-1). We quote from the report :

“The selection of new employees is essentially a prerogative of management. With relatively few exceptions among the 1,687 major agreements studied, the right of management to establish hiring policies, to set an age limit if it so chooses — had not been abridged by provisions of the union contract.

Provisions which required or encouraged the hiring of older workers were found in only 76 of the 1,687 major agreements surveyed. The most common type provision, found in 26 agreements, was a general statement banning hiring age limits or discrimination because of age. A slightly smaller number of agreements (23) required the employment of one older worker to a specified number of journeymen employed”.

A significant development affecting the hiring practices of management and unions has been the enactment by a number of States of age anti-discrimination legislation. Six States prior to 1959 had enacted such legislation. From 1959 to date, nine additional States and the Commonwealth of Puerto Rico have enacted similar legislation. Twelve of these jurisdictions specifically prohibit labour organisations from discriminating in hiring because of age.

In summary, we would like to say that any programme aimed at reduction or elimination of bias and prejudice must of necessity be a long-range programme. This is especially true regarding the programme to eliminate unrealistic age requirements in hiring practices. There is no definite yardstick to determine exactly the extent to which management and labour have accepted the principle that ability not age should be the primary consideration in hiring practices. However, we believe that the Department of Labor and the State employment service's expanded older worker programme, the programme of management organisations, as exemplified by the National Association of Manufacturers, and the pronouncements of labour through the A.F.L.-C.I.O. are creating a better climate and additional employment opportunities for the older worker.

*Question :*

5. b) What steps are being taken by Federal and State agencies to reduce the specific handicaps which tend to inhibit the re-employment of older unemployed workers?

*Answer :*

It is an anomaly that bias and prejudice against the older worker do not appear while he is employed. Various surveys have shown that the employed older worker is highly regarded by his employer for his reliability, production, and attendance, but once unemployed such

assets are not considered by prospective employers. The stereotypes of inflexibility, lowered productivity, physical decline, and other negative characteristics are attributed to him. Studies by the Department of Labor, the National Association of Manufacturers, the United States Chamber of Commerce, and other public and private agencies have explored these myths. These studies, emphasizing the older workers' ability to stay with a job, to produce work of quality and accuracy, to compile a safety record better than the younger worker, to be absent from his job less frequently than his younger co-worker have received widespread publicity through the press, radio, and television. As one means of bringing these facts to the attention of labour and management, the Department of Labor is encouraging the holding of employer-labour institutes sponsored by colleges, universities, or community groups.

The Department has been conducting an intensive informational and also educational programme to disseminate to employers, union organisations and the general public, the findings of research studies and the favourable attributes of the 40-plus worker. Such activities have included articles in newspapers and magazines, radio and television broadcasts, speeches, posters, exhibits, and displays. Community, State and national groups are being encouraged to help in getting age barriers removed through discussions in their meetings, earning opportunities, forums, and panels, in addition to the employer labour institutes. State and local committees on aging are being urged to help break down age discrimination in hiring.

Studies also reveal that the older unemployed worker faces the obstacle of meeting employer educational requirements, such as possession of a high school diploma, which he has had less opportunity to secure than his younger competitor for a job. And even when he has the educational qualifications, he sometimes meets the additional problem of rigid physical requirements which may or may not be related to the job to be done. Finally, in addition to these external obstacles, other problems, stemming from his own experience and background, often constitute further barriers to his employment. For example, if he has worked for one employer for a long time, he has often forgotten how to look for work or he might fear the change and adjustment he might have to make, or lack realisation of his own limitations and of local labour market conditions.

To aid and assist the older worker to overcome certain of these obstacles the Department of Labor, through the State employment services, provides intensive counselling, testing, job development and placement services. During fiscal year 1962, placements of workers 45 years of age and older exceeded 1.25 million, the highest number since the inception of the older worker reporting programme in July 1957. Counselling services for older workers during the fiscal year 1962 also reached an all time high with over 132,000 applicants 45 years and over, receiving this service.

Continuing emphasis is being given by State agencies to co

operative efforts with other interested community agencies in setting up specialised training courses for older workers and in the development of programmes through which older workers can more effectively help themselves in solving their employment problems.

Local public employment service offices in the major cities have on their staff a full or part time older worker specialist, to provide functional leadership and supervision in connection with the above service and to carry on promotional and community service activities on behalf of older workers. Special training has been given to these older worker specialists and other employment service staff. More than 6,000 staff members have now received formal training in improved techniques and methods in counselling and placement of older workers.

The passage of the Area Redevelopment Act, the Manpower Development and Training Act and the Trade Expansion Act, provide training opportunities to the older workers heretofore unavailable to them, opportunities to learn skills needed in our economy that can enable them once more to take their places in our economic society.

The Department of Labor is at present conducting studies concerning the characteristics and job-finding problems of workers already displaced by technological changes and in determining what measures may be taken to forestall or minimise unemployment attributable to this cause. Among the characteristics considered in both types of studies is the age factor.

Another study is in process, which among other avenues of investigation, examines the older worker's adjustment to change in, and transfer to, production occupations. A number of demonstration projects, directed towards the long-term unemployed with obsolete skills are now being planned by the United States Employment Service. A considerable proportion of this worker group will be in the upper age categories. These projects will centre on intensive counselling and placement efforts, including referral to training as a means towards helping these workers to become employed.

The Department of Labor is also working closely with the President's Council on Aging and its Subcommittee on Employment of Older Workers, in developing current information concerning the extent of discrimination against older workers and the effect of State anti-discrimination laws with regard to this problem. Three studies are currently under way in this connection: a) an analysis of employer orders received at local offices of State employment services in eight different cities, to ascertain the extent to which upper-age limits are imposed at present by employers; b) a survey of 300 employers in each of the same eight cities, to determine the factors behind the imposition of upper-age limits; and c) a survey of the 15 States and Puerto Rico, having laws prohibiting discrimination because of age, to ascertain the effect of these laws on age discrimination.

It is expected that the results of these studies will be available by the end of July, 1963.

A special study is also being conducted on problems of employment opportunities for workers 60 years of age and over and on actions needed to facilitate their employment. This study is to be completed by the end of October 1963.

In addition, legislation has been introduced by the Administration, providing for a new five-year programme to be administered by the Department of Labor, for providing grants to public and non-profit private organisations for experiments in the use of elderly persons in needed community services. It is hoped that this programme will not only provide employment opportunities for elderly persons, but will also stimulate community efforts in developing additional job opportunities for them.

The solving of the employment problems facing our older workers will require the combined efforts of management, labour, government and private citizens. A measure of success has been achieved. But much still remains to be done.

#### **RACIAL DISCRIMINATION**

##### *Question :*

6. a) Does the evidence suggest that productivity is below its potential level because of discrimination on grounds of colour or race? For example, do Negro professionals in such fields as engineering have difficulty in securing employment which fully utilises their training?

##### *Answer :*

There is evidence that discrimination on the basis of race or colour has resulted in losses in productivity. Hiring practices with respect to Negroes have often been described by the observation that "Negroes are the last hired and the first fired". This reflects the fact that employment practices generally give preferential treatment to less qualified white workers over better qualified Negro ones with the obvious loss in productivity associated with using a less efficient input.

Over 60 per cent of the Negro labour force is engaged in low skilled employment as compared with 30 per cent of the white labour force, a differential which is much greater than the differential in the educational attainment of Negro and white workers. Studies indicate, moreover, that the Negroes have made their greatest gains in employment in industries experiencing the slowest rates of growth. In many instances the training, experience and education would qualify these Negroes for positions in industries of rapid growth, where demand for labour is high and vacancies exist.

There is no question that productivity losses result from the failure to utilise manpower resources at full potential because of

discrimination. However, the extent of such productivity loss is not precisely measurable because of variations in the pattern of discrimination and in labour market conditions in different areas of the country. For example, Negro professionals in some areas may have little or no difficulty in securing jobs for which they are specifically trained. Regardless of the conditions of the labour market, in other areas they may find it virtually impossible to find employment without benefit of the non-discriminatory provisions of government contracts. Difficulty for Negro professionals in gaining employment which fully utilises their training varies between these two extremes, according to geographical area, occupation and the condition of the labour market, with a shortage of workers operating to relax discriminatory practices in many areas and occupations. The Council of Economic Advisors recently prepared rough estimates of the cost of discrimination, as measured by the loss in Gross National Product. According to these estimates, Gross National Product might rise 2.5 per cent, or \$14 billion, if the educational achievements of non-whites were fully utilised by the removal of discriminatory recruitment and selection processes. If the non-white level of education were raised to that of the white labour force, the increase in Gross National Product might be 3.2 per cent or \$18 billion.

The proportion of the Negro labour force employed as professionals has grown from 2.6 in 1940 to 5.3 in 1960, but the gains have been largely concentrated in teaching. In 1960, of the total number of about 539,000 employed engineers, as shown by the Census, less than 1 per cent, or 3,378, were Negroes. However, although statistics are not available showing the proportion Negroes represent of graduates of engineering schools, estimates are that within recent years it has been below 1 per cent; there has been no indication that these few graduates have failed to find employment in engineering occupations. If educational opportunities for Negroes were expanded along with occupational opportunities, more Negroes might be motivated to enter engineering occupations.

*Question :*

6. b) We note that 20 States have passed fair employment practice laws, while the Federal Government has required equal opportunity for employment on government contract work. To what extent is such legislation enforceable and has it had substantial effect in helping to eliminate discrimination in employment?

*Answer :*

Actually, 21 States have fair employment practices laws which provide the designated administrative agency with enforcement powers. In addition, 5 States have laws establishing a designated agency with responsibility for conducting educational and informational programmes and using persuasive means for eliminating dis-

crimination, without enforcement authority. These laws, in effect, call for voluntary compliance.

In those States having laws which make compliance mandatory, there is no question concerning the enforceability of the laws in accordance with their provisions. However, the effect of these laws is considerably reduced because in most States, surveillance over the practices of employers is maintained only through complaints from persons who feel they have been discriminated against. In only two or three States does the agency administering the law have the authority to investigate discriminatory hiring and other employment practices on its own initiative. Enforcement is also limited to some extent by the difficulty of obtaining the kind of evidence needed for successful prosecution of violations.

The Federal executive order, with its provision for denying government contracts under certain conditions where a firm violates the non-discrimination clause in its contract, has become an important weapon in the struggle against discrimination, particularly in view of the vast increase in Federal contracting. However, enforcement funds are limited and investigations are made only on a complaint basis. Data obtained from these investigations show employment of Negroes generally to be below their relative representation in the local labour force and to be restricted generally to lower level occupations.

From a practical standpoint, the State laws and the non-discriminatory provisions of Federal Government contracts are effective in reducing job discrimination to a substantial extent. It is noteworthy that those responsible for enforcing compliance with these measures are usually able to do so through negotiation and persuasion, without recourse to the formal legal procedures for enforcement contained in the legislation.

*Question :*

6. c) To what extent do unions discriminate on racial, religious or other grounds against workers who may seek membership in the union, particularly where union membership is a condition of employment? What steps are union and government authorities taking in an effort to overcome this source of discrimination?

*Answer :*

There is very little, if any, discrimination because of religion by unions against workers who seek membership. However, there is considerable discrimination against workers because of race. This discrimination is directed generally towards Negroes by local unions.

Such discrimination, however, is not condoned by the A.F.L.-C.I.O., the major national labour organisation, and other independent national federation organisations. The A.F.L.-C.I.O. policy at the national level has been to eliminate racial discrimination as a trade union practice, but this policy has not been enforceable on the auto-

nomous member unions. However, the A.F.L.-C.I.O., and its member international unions are exerting continuous pressure and applying all means available to them to eliminate discriminatory practices by local unions whose policies with respect to membership are not directly under the control of the national organisation. Progress stimulated by both union and government action has been made at the local level in reducing discrimination based on race.

Only recently, the President's Committee on Equal Employment Opportunity and the A.F.L.-C.I.O. jointly launched a "Union Programme For Fair Practices", involving 117 international unions and more than 300 directly-affiliated local unions of the A.F.L.-C.I.O. The objective of the programme is to ensure full and equal membership privileges to all persons, on the job, in training programmes, in referral practices and in the union halls.

In regard to apprenticeship programmes, in which unions play a major role, the Department of Labor asks the inclusion of a specific non-discriminatory statement, in accord with the President's Executive Order prohibiting discrimination in hiring because of race, creed, colour or national origin, in all apprenticeship standards of firms having Federal contracts. Further, the Bureau of Apprenticeship and Training requires the inclusion of this provision in new apprenticeship programmes, if they are to be registered with the Bureau.

Recently, a New York City local of the International Brotherhood of Electrical Workers enrolled 200 Negro and Puerto Rican youths in an apprenticeship programme involving 1,000 recruits. This represents an important break in a discriminatory pattern.

#### IMPROVED UNEMPLOYMENT INSURANCE BENEFITS

We have indicated our views with respect to unemployment insurance compensation that benefits should be increased, that they should be extended to cover long-duration unemployment and that the provisions for unemployment compensation should be more uniform between States (paragraphs 52-55)

#### *Question :*

7. What measures (if any) are being considered to meet these problems so that unemployment insurance may play a more significant role in making possible adjustments to new employment for those permanently displaced?

#### *Answer :*

The problem of income maintenance for long-term unemployed workers, particularly those permanently displaced, appears to call for a well-integrated comprehensive programme of workers income support associated with manpower development objectives. Unemployment Insurance began as a programme aimed at dealing with temporary unemployment to tide workers over between jobs. The

connotation here was "short-term" unemployment. Extensions of Unemployment Insurance have become accepted as appropriate if the temporary period of unemployment is longer than usual, as occurs in recession times. Such extension has occurred in the national programmes of Temporary Unemployment Compensation of 1958-59 and Temporary Extended Unemployment Compensation of 1961-62, as well as in provisions which have been enacted in eight States for such extension during recession periods. Variation in duration of temporary unemployment among States is somewhat reflected by the varying maximum duration provisions in State laws.

A proposal to provide special Federal benefits to workers unemployed beyond the 6 months of protection usually afforded by State Unemployment Insurance was included in the Federal unemployment insurance bill, entitled Employment Security Amendments of 1963 (H.R. 6339) introduced in the 88th Congress. This bill provides for Federally financed benefits to be paid by the State agencies under agreement with the Secretary of Labor, to workers who have had substantial attachment to the labour market in the last 3 years and who have been unemployed for more than 26 weeks and have exhausted their State unemployment insurance. Such extended duration, which would be confined to workers with substantial work force attachment in the past several years, was urged as a programme distinct from State Unemployment Insurance and appropriate for Federal administration and financing rather than State.

Other Federal proposals are aimed at improving the basic Unemployment Insurance system chiefly through a benefit standard that would require States to increase the maximum weekly benefit amounts to a point more consistent with their general wage levels. Such improvement would make Unemployment Insurance a more effective source of purchasing power support, thereby furnishing strength to the economy, a factor fundamental to healthy manpower development.

#### 4. ADAPTATION THROUGH COLLECTIVE BARGAINING

*General:* The structure of unionism in the United States is essentially decentralised, with unions broadly organised along craft or industrial lines. As a result, union decision-making is diffused over a great many areas of the economy, with collective bargaining policy often being determined at the local plant or area level. (In 1960 there were an estimated 150,000 collective bargaining agreements in effect in the United States; 181 national and international unions; and more than 75,000 locals.) Valid generalisations regarding these policies are consequently difficult to establish, particularly since individual bargaining agreements represent pragmatic solutions to a variety of problems in a variety of industrial settings.

The chief collective bargaining approach to problems posed by

rapid economic change has been to help displaced employees directly by programmes designed to stabilise income during periods of layoff and to protect and improve job security. A very low priority has thus far been placed on programmes to increase mobility.

#### UNION LIMITATIONS ON MOBILITY

##### *Question :*

1. a) Are there limitations which make more difficult the geographic, occupational and industrial mobility with respect to the transfer of workers between locals of the same union or between different unions?

##### *Answer :*

An increasing number of contracts covering multi-plant operations include provision for preferential employment rights — provided there are available jobs — at another plant of the company. In the case where two or more unions have representation rights, transfer provisions rarely, if ever, apply on an inter-union basis, but are usually restricted to workers represented by the same international union. For example, the contracts at Armour and Company with the Packinghouse Workers and the Meat Cutters unions both include provision for laid-off employees to receive preferential hiring consideration, on the basis of seniority, upon application for transfer, but only at other plants represented by the same employee's union.

Economic reasons are perhaps the most serious obstacle to cooperation on transfers of members between different locals of the same union. This appears to be true at the company as well as the industry level of operations. For example, on the question of accepting transfers from a closing plant of a steel company to an expanding plant of the Armco Steel Company — based on an inter-plant transfer clause in the union agreement — these transfers were challenged by the local at the latter plant. It claimed that employees at the second plant who were currently laid off had superior rights to the new jobs. The impasse was eventually resolved through arbitration following a lawsuit.

##### *Question :*

1. b) What steps (if any) are being taken to overcome such limitations? (paragraph 62)

##### *Answer :*

Thus far there has been no comprehensive evaluation of the steps undertaken by labour and management to reduce rigidities associated with inter- and intra-union transfers. This is an area which certainly deserves considerable study and research since the prospect of increasingly rapid technological shifts affects the job future of many workers.

Yet, there are a number of agreements resulting from collective bargaining which may point the way towards overcoming at least some of these rigidities. One of these agreements is the one between the United States Steel Corporation and the United Steelworkers of America which provided for a guideline outlining minimum standards for improving mobility provisions under the seniority plan. It established seniority pools in each plant covering major operating units and associated rights to jobs (i.e. "bumping") with seniority. Under the agreement, workers with at least 2 years service, who exhaust employment rights at their own seniority pool in a plant, would receive preference over new hires at other company plants within specified geographical areas. Workers with at least 10 years of service and under age 60, who are laid off for a period likely to last at least 2 years, will have preferential rights to available jobs at company plants in other areas. These employees, upon accepting a job in a different geographical area, will be entitled to a moving allowance.

It should be pointed out, however, that under the existing collective bargaining framework, the efficacy of instituting programmes of this type rests essentially on the existence of unions exercising industry-wide influence in bargaining with large multi-plant firms. Programmes of this type have little practical meaning in industries which are relatively unorganised by unions, where a multiplicity of unions compete for bargaining rights, or in industries characterised by small, single-plant firms. Even in single-union industries, the problem of inter-local transfers, as noted previously, has not been completely solved.

#### UNION ACTIVITY AND MOVEMENT OF PLANTS

Our report has indicated some limitations to mobility which have arisen in part, as a result of the provisions of collective agreements negotiated by unions with employers. We have also noted the interest of the employer in maintaining a stable work force which is, as well, not too mobile. Employers also move the location of their plants to a considerable extent in the United States, for economic and other reasons, which causes permanent displacement of workers unless they are mobile.

#### *Question :*

2. To what extent has the effort of employers to escape the restrictions imposed on them by unions through collective bargaining in the interest of their members, led to movements of plants and consequent manpower displacement in the United States?

#### *Answer :*

In recent years there has been a decline of industry in the large industrial centres with a corresponding large increase of industry

in many small communities, particularly in the South, the Midwest, and along the Pacific Coast. The role of "union restrictions" in this movement is so highly debatable as to preclude any valid statement of their effect. The method of deciding where and why to build or transfer operations to one place rather than another, differs so much among companies that no one factor stands out as "the reason" for locating in a given State or community.

There are no generally acceptable quantitative studies of the role of "runaway" shops in the over-all picture of plant or industry migration. Despite the publicity given in recent years to this issue, especially the dramatised flights of some companies to other locations, it would not seem unreasonable to suppose that the restrictions imposed on management by collective bargaining may well be relatively marginal to the total of all factors in the decision to move.

#### EFFECT OF SEVERANCE PAY ON MOBILITY

##### *Question :*

3. a) We have noted that even where there are transfer arrangements in collective agreements which provide for workers to move from a closed plant for operation to a new plant in another location, that large numbers of workers do not move from their home communities.

Is this, in part, due to the availability of severance pay to high seniority displaced workers?

##### *Answer :*

It is difficult to appraise with any precision the role that severance pay has played in inhibiting job mobility, especially as it concerns high seniority employees. The inclusion of such provisions in union contracts has grown relatively slowly, especially when contrasted with the rapid spread of provisions for welfare and pension plans. In the past 5 years, however, such plans have been introduced into several major industries (notably apparel, auto, and aircraft), substantially increasing the prevalence of such plans.

In any analysis, it would be difficult to isolate any one factor as determinant of mobility, nor can the whole range of fringe benefits provided under collective bargaining — pensions, health and welfare plans, severance pay, transfer rights, relocation allowances — be abstracted from other influences on mobility. It can be said only that the availability of severance pay to high seniority employees might serve in some instances to restrict transfer, but its precise effect is difficult to estimate.

Under the Manpower Development and Training Act, the United States Department of Labor is currently conducting a study on the implications of severance pay plans for worker mobility. Particular emphasis will be placed on the operational aspects of these plans in

their day to day application. Case studies of significant plans, as well as trends in the extension of benefits under them, will be reviewed.

*Question :*

3. b) Would it be possible or desirable for the parties to include provisions in collective agreements which would provide transfer and resettlement allowances, more generous than severance pay and as an alternative to it, to encourage greater mobility of this kind?

*Answer :*

As previously indicated, the conditions for granting fringe benefits and the options provided under them, generally reflect the specific needs and compromises of a particular industrial or bargaining situation. While some provisions in their application may tend to restrict mobility, others have the effect of facilitating the movement of workers.

A review of some collective bargaining instruments suggests that a number of agreements, such as those in the steel, automobile, aircraft, longshoring and meatpacking industries, already provide a considerable range of options relating to work transfer and job security that may have significant effects on mobility.

Efforts to expand and improve worker benefits are a continuing feature of collective bargaining activities. One avenue explored in recent negotiations, which would increase opportunities for mobility, is the utilisation of severance pay to finance further education and training.

In order to induce workers to transfer to job vacancies at the same or higher level in the same or other plants of a company, some plans waive the employer's liability for severance pay benefits if the worker refuses a transfer. Another arrangement provides, that in connection with the closing of a plant, a worker eligible for transfer to a plant in another community may visit it to find out about both the job and the community. If the worker subsequently transfers, the cost of the visit will be paid by the company. If he does not transfer, these expenses are deducted from his severance allowances.

#### **REDUCTION OF HOURS OF WORK : LONGER VACATIONS ; EARLIER RETIREMENT**

We understand that the Executive Branch of the United States Government is opposed to reductions in standard hours of work through collective bargaining or amendments to federal hours legislation.

*Question :*

4. a) What are the reasons for this position in an economy with a considerable degree of under-utilisation of manpower resources over the past five or six years?

*Answer :*

The United States Government is not opposed to negotiation over the hours of work through the traditional processes of collective bargaining on an *ad hoc* basis. We believe that the proposals made by the American trade unions deserve respectful consideration ; they are a serious approach to a serious problem — the reduction of unemployment. But we do not believe that a mandatory reduction of the work week by fiat, on a general and indiscriminate basis, would at this time serve the intended purpose of reducing unemployment.

Our most important need at present is for an increase in our rate of economic growth through full employment *and* full utilization of our manpower resources. A generalised reduction in hours together with a generalised increase in wage rates to maintain weekly pay, if taken without regard to the economics of specific cases, would raise overall production costs and affect the balance of trade ; this could materially limit our national output and rate of growth and future prospects of full employment.

*Question :*

4. b) What is the longer-run view of the Federal Government concerning the adjustment of the size of the United States labour force through longer vacations, earlier retirement, shorter weekly hours, in an economy with increasing productivity and higher rates of labour force growth in the next few years.

*Answer :*

There is every reason to expect in the future and to welcome a continuation of the trends of the past in the improvement of working conditions. These will undoubtedly be reflected in a shorter workweek, longer vacations, liberalised sick leave and holiday allowances, more adequate pensions and earlier retirement. These developments in the past were not principally the result of government action to adjust the size of the labour force ; they represented the considered choice of workers and employers, largely through collective bargaining, in distributing the benefits of increasing production through either higher income or increased leisure.

The projected growth in the labour force during the next few years will undoubtedly require that appropriate policies in support of adequate aggregate demand, in conjunction with an active labour market policy to ensure the maximum utilization of human resources, be developed. The successful application of these policies would make possible a higher rate of economic growth, permitting a continuation of the long-term trend towards greater leisure together with higher standards of living. It should be noted that the United States has usually been in the forefront of most other nations in moving in this direction.

*Question :*

4. c) Is the shortening of the lifetime working period considered to be a valid way of consuming a part of the fruits of economic growth, or are considerations of continually rising material standards of living and national security considerations of paramount importance? (paragraphs 72-77).

*Answer :*

The question of the distribution of the benefits of increased production as between greater leisure or higher real income, has traditionally been resolved at the bargaining table, and has also reflected the accepted standards of society expressed in social legislation.

Provisions for earlier retirement with pension benefits have been one of the areas of increasing extension in union-management agreements. The trend, in terms of emphasis on these and other fringe benefits as against wage increases, has varied considerably over time and according to the negotiating units involved. Legislation has reflected prevailing standards on work life by raising entry ages for young people in industry, directly or by extension of compulsory schooling. Legislation has also reflected standards on early retirement for employees of various government administrations.

It should be noted that during periods of national emergency requiring increases in total output, the American public has foregone all or part of these benefits in the interests of ensuring the Nation's survival.

#### ADAPTIVE SOLUTIONS TO MANPOWER DISPLACEMENT IN COLLECTIVE BARGAINING

The development through collective bargaining of effective adaptive solutions to manpower displacement arising from industrial change can depend on sufficient advance warning of its impact, awareness of successful experience in dealing with similar problems in other industries, and undertaking joint union-management research on the problem and solutions. (paragraphs 79 and 80.)

*Question :*

5. Are there ways in which the Department of Labor and other public institutions, other than through mediation, can assist the parties to collective bargaining to develop more adaptive solutions to the problem of worker displacement arising from technological change?

*Answer :*

The major contribution of the Department of Labor to promoting adaptive solutions through collective bargaining, to the problem of worker displacement resulting from technological change,

lies in its related research activities and in the dissemination of the information it obtains indicating methods of possible adaptations to the displacement problem<sup>1</sup>.

Labor Department studies in this area include an analysis of collective bargaining agreements relevant to automation, other technological changes, employment and job security. Another study will bring together and evaluate all available information on the personnel and industrial relations practices and techniques used by employers and unions to facilitate major accommodational changes. This material should prove helpful in collective bargaining, in that approaches utilized in other industries or plants may suggest adaptations in specific situations.

The Department of Labor is also strengthening its special assistance facilities so that when called upon, it may aid management and labour in industries confronted with problems of marked technological change and sizeable manpower adjustments. The programme offers help in meeting the challenge of manpower displacement by proceeding, in advance, of emergencies or collective bargaining deadlines, to gather and supply information related to the anticipated changes and to assist the parties to develop equitable solutions on the basis of this information.

The Government's early warning system on technological development, described earlier, will also focus the attention of management and labour in affected industries and plants on the worker displacement problems which they will or may have to face, before the immediate emergency arises and in time for them to develop an acceptable programme.

Under the leadership of the United States Employment Service, state public employment systems are conducting a number of demonstration projects designed to indicate how the employment services can assist employers and workers to achieve satisfactory adjustments to technological change. These too may help in determining the attitude and thinking of the parties in collective bargaining.

Much is also being done by States and even localities to build up information on, and promote an awareness of the manpower displacement problem resulting from technological change and of possible solutions, which should also be of value in negotiations of these issues.

In a number of States, Governors have called special conferences to consider the economic and social problems resulting from automation and similar technological change, or have established commissions or advisory committees to consider these problems and the measures needed for dealing with them. State labour departments are continuously developing programmes and broadening their services to employers and unions in this area.

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1. Of course, the availability of publicly sponsored training programmes permits a degree of flexibility in collective bargaining and a reliance on such training programmes to provide for some of the problems of displacement.

A recent significant development at the local government level is the plan announced by the Mayor of New York to develop a local early warning system which will indicate where automation is creating or is likely to create problems in industrial relations. A Committee on Technological Impact on New York City, composed of representatives of labour, management and city officials, is being established. In addition, a team of experts in the fields of automation, manpower utilization, labour relations and vocational education, will study the impact of automation on industries and occupational groups.

#### ASSISTANCE TO WORKERS MOVING FROM DECLINING TO EXPANDING INDUSTRIES

Seniority related fringe benefits generally strengthen the ties of workers to particular employers and industries when they are displaced and thus inhibit their mobility to industries and areas of expanding employment. The "vesting" of pension rights and the development of severance pay have helped to create a degree of "portability" for these fringe benefits. (paragraphs 59, 60 and 62)

#### *Question :*

6. What further measures could unions and management take to facilitate the movement of workers from declining to expanding industries through, for example, such steps as the acceptance of more responsibility for retraining, direct financial assistance for the costs of geographic movement, etc. ?

#### *Answer :*

Support of the establishment of publicly financed training and retraining programmes might well be one of the most significant contributions that could be made by industry and labour in promoting the mobility of workers from areas of declining to expanding employment opportunities. It would also be tremendously useful if labour and management could jointly finance this type of training course to augment existing efforts on these lines.

Thus far, training and retraining programmes provided by industry have been limited to an intra-firm basis. As a matter of fact, many large companies have routinely engaged in large-scale training activities for many years. They have trained newly hired employees and have provided additional training for those given new assignments. A survey made by the Department of Labor covering more than 700,000 establishments found that almost 1 out of 5 had training programmes of some sort in 1962. These programmes, accounting for about 17 million workers, were concentrated in the manufacturing industry, retail trade, transportation, communication and public utilities; in addition, a number of unions (such as the printing trades) have also provided training courses and facilities for their

members in order to improve or make skills more responsive to contemporary job requirements.

The emphasis given to training in recent years, however, has been focused primarily on possible means of avoiding displacement of employees or on a means of enabling them to find new jobs in other firms after displacement — but generally in the same industry for which their skills are applicable. While a number of contract clauses have been negotiated which guarantee retraining opportunities for eligible permanent employees in the event of major technological changes, most of these programmes are oriented towards providing training for the same or different jobs with the same employer.

#### WIDENING JURISDICTION OF UNIONS

Union seniority “districts” coupled with limited crafts jurisdictions and particular plant and company bargaining units, limit the extent to which adaptive solutions to worker displacement can be found through collective bargaining in a context in which the employment of some occupations and industries is declining and others are expanding. (paragraph 61)

#### *Question :*

7. To what extent are measures being developed to overcome these limitations through initiatives to widen or consolidate the jurisdictions of particular unions, developing more liberal transfer and retraining procedures under collective bargaining and through National Labor Relations Board procedures designed to widen the scope of bargaining units?

#### *Answer :*

The degree to which union jurisdictions have been widened has, in fact, been very limited and consequently, there has been no general tendency to increase mobility of workers through this means. Although a number of union mergers has taken place in recent years, the primary interest of the unions has remained the same — to preserve the job security of local union members rather than stimulate mobility of unemployed workers into areas where these workers might jeopardise existing job rights.

On a broad inter-industry basis, arrangements for “portability” accumulated fringe benefits rarely exist, although within an industry group such provisions are sometimes included. (For example, within the ladies’ apparel industry, some contracts provide that workers who shift from blouses to dresses may carry with them accrued pension rights.)

The National Labor Relations Board has exerted profound influence on industrial relations policies and practices. The effects of its decisions have been to widen the scope of bargaining units

which have thus laid the foundation for company-wide agreements and in turn have provided some of the necessary framework for transfer arrangements. With the changing composition of the work force, advances in technology, shifts in occupations — as all these forces continue to exert their pressures — it seems likely that the Board will continue to be influential in the broadening of bargaining units. As a result, the number of bargaining units established on a plant, multi-plant, industry-wide and geographic basis will probably increase.

### *Chapter III*

## **EDUCATION AND TRAINING FOR ECONOMIC GROWTH**

### **ADAPTATION OF EDUCATION TO REQUIREMENTS OF THE ECONOMY**

Many forecasts and analyses of the imbalances between future occupational requirements and supplies assume considerable inflexibility in the organisation of the education and training system and in the educational methodologies used.

#### *Question :*

1. a) To what extent should these analyses take into account the adaptation of the organisation and methodology of education to the future occupational requirements of the economy?

#### *Answer :*

No centralised control exists in this country over the organisation and methodology of education. Development has proceeded along a number of different lines, with rapid change and experiment characteristic in some school systems and only little change in others. In general, there has been only a limited degree of responsiveness in methodology and organisation to occupational forecasts and analyses, not altogether inappropriately, considering the state of the art of forecasting and its inherent limitations in times of rapid structural change.

Notwithstanding, there has been a growing awareness on the part of educational authorities of the need for greater flexibility in adapting to future occupational needs and, at the same time, an increasing effort on the part of manpower authorities to demonstrate the vital role of educational preparation in meeting the manpower needs of the future.

Publications such as "Manpower-Challenge of the 60's", the Occupational Outlook Handbook, the President's Manpower Report and programmes built around them, as well as other programmes of information, have had increasing effect in establishing recognition of the need for more responsive educational measures, and there have been a number of experimental developments in education as a result.

These developments are still limited in extent, however, and there is still a great need to establish even more effective communication between the educational community and those concerned with the problems of manpower requirements, so that more and more appropriate educational programmes can be undertaken to assure that sufficient numbers of young people are adequately prepared for jobs of the future.

*Question :*

1. b) What research is being undertaken with respect to this question and what judgments can be made about the character of the adaptations which the educational and training system will make in future years?

*Answer :*

Since the educational system of the United States is not under national control, no uniform method is being applied for the adaptation of education and training in the future occupational requirements of the country. As a matter of fact, this has been an area of considerable concern to educators and other public officials, and the view that education should be of a general nature rather than occupation-oriented is held equally as strongly as the view that greater adaptation to occupations should take place. In a sense, the split between general versus specialised education is recognised as a false one, and most educators in both camps are united in the view that the quality of instruction should be improved regardless of whether the education is general or occupation-oriented. A well educated citizenry is held to be the soundest base on which to fulfill our manpower requirements.

The Office of Education of the United States Department of Health, Education and Welfare has had for a number of years a cooperative research programme (cooperative between government, educational and other organisations), the results of which are given wide dissemination among educators. The research projects carried on under this programme cover a wide variety of educational subjects, including that of raising educational quality.

Nevertheless, it is recognised that greater flexibility in our educational system is needed. To this end, the administration is sponsoring a comprehensive education bill (H.R. 3000) which, if passed, would provide a start in accomplishing this. This bill contains provisions relating to the restructuring of the allocations for vocational education on the basis of groups of people rather than subjects; the development of technical institutes; the reduction of adult illiteracy; expansion and improvement of guidance and counselling; expansion of general university extension programmes and grants for the construction of public community college facilities.

From the standpoint of manpower requirements, the Department of Labor has for a number of years been publishing Occupational

Outlook bulletins, indicating from an economic standpoint the outlook in different fields. The Office of Manpower, Automation and Training has initiated a programme of expanded research on the country's manpower resources and requirements. This research should eventually provide for better planning in the future.

#### MATCHING VOCATIONAL COURSES TO OCCUPATIONAL REQUIREMENTS

An examination of the enrolments of adults and students in vocational courses indicates that approximately 65 per cent of the students are in home-making and agricultural courses. This appears to be an out-of-date emphasis in terms of the occupational growth needs of the economy currently and in the future.

#### *Question :*

2. What steps are being taken to adjust the distribution of vocational courses so that they will match current and future occupational requirements more closely?

#### *Answer :*

Both Federal and State governments are taking steps to bring vocational education in the United States into better balance with occupational requirements.

Recent legislation has provided for training in new occupational areas and has accelerated training in expanding occupations. In 1956, a practical nurse training programme was approved, and by 1961 some 40,000 trainees had been enrolled. In addition, the National Defence Education Act of 1958 established training programmes for several occupations, including technicians, in recognition of serious and growing shortages; in 1961 more than 120,000 persons were enrolled in technician courses alone. The Area Redevelopment Act of 1961 provided for training programmes to equip unemployed and underemployed persons, along with other programmes in assisting economically distressed areas. Although the training is not geared to finding jobs for trainees, there is reasonable assurance that they do so, since the objective is area-wide development. By the end of 1962, 268 projects had been approved involving 15,360 trainees. The Manpower Development and Training Act of 1962 authorises the training of unemployed and underemployed persons in occupations in which there is a reasonable expectation of future employment. By the end of January 1963, training projects for 21,400 workers had been approved covering over 100 predominantly white-collar and skilled occupations.

Vocational courses within traditional subjects areas, such as agriculture and home economics, are being revised in order to reflect changes in occupational requirements. In vocational agriculture students are being taught a variety of scientific and commercial subjects (mechanics, finance, chemistry, marketing) needed in today's

scientific business farming. Instruction in home economics is also emphasizing course work in skills which are marketable.

Legislation now before the Congress proposes substantial changes in the method used to apportion Federal funds among vocational subjects. This legislation, based on the Report of the Panel of Consultants on Vocational Education, would eliminate the present rigid formula governing Federal assistance to vocational education, and give the States greater flexibility in establishing programmes which are more closely keyed to the requirements of their economies.

#### EDUCATION DURING OR OUTSIDE WORKING HOURS

In the future years, particularly for workers presently employed, specialised training will require a broader base of general education to prepare workers for a rapidly changing technology and to prevent unemployment which is associated with low general educational attainment. (paragraphs 12, 13 and 25)

#### *Question :*

3. Is it necessary and desirable for the Federal and other levels of government to assist industry technically and financially in raising the general educational standards of employed workers, or is it felt that this need can be met by workers on a part-time training basis outside of working hours?

#### *Answer :*

Federal, State and local governments in the United States have found it desirable to provide employed workers with broad opportunities to increase educational attainment, on a part-time basis, outside working hours. It has not generally been found necessary for government to assist industry directly in raising the general educational achievement of employed workers in on-the-job programmes.

More than 3 million persons are presently enrolled in adult education extension programmes conducted by public school systems. Adult classes range from basic literacy training to advanced academic education, and cover a wide range of courses. Over one-half million persons are enrolled in trade, industrial and technical courses.

Existing programmes of adult education fall short of the demand for them. Two key sections of the President's 1963 education proposals deal with this problem. The first would make it possible, by providing grants to State universities and private colleges, for larger numbers of adults to upgrade their occupational proficiencies in off-work hours. The second would provide grants to States for adult basic education projects to be conducted by local public education agencies. The attainment of basic literacy would allow these adults to benefit from more advanced occupational training.

## THE PROBLEM OF DROP-OUTS

### Question :

4. a) What are the main factors responsible for the high proportion of early "drop-out" in the secondary school system? (paragraph 16)

### Answer :

The principal reasons for dropping out of school relate to :

1. *Intelligence.* There is generally a substantial difference in measured intelligence between graduates and drop-outs. For example, a United States Department of Labor study of drop-outs in seven communities found that three times as many drop-outs as high school graduates had I.Q.'s under 85, and that nearly three times as many graduates as drop-outs had I.Q.'s of 110 and over.
2. *Retardment.* The United States Department of Labor found that 85 per cent of the drop-outs were retarded at least one year in grade, and 53 per cent were retarded two or more years.
3. *Reading Failure.* There is a relationship between reading failure and withdrawal from high school. Three times as many poor readers as good readers drop out of school. Disabilities in reading can have serious repercussions. Pupils who do not read well enough for the work of their grade or subject are likely to fail, and failing produces discouragement.
4. *Financial Needs.* Drop-outs from the eleventh and twelfth grades are often forced by unavoidable circumstances, usually financial need, to leave school in larger numbers than younger drop-outs. However, many of those who drop out of school to go to work may simply prefer work to school attendance. The lure of ready money and the sense of independence provided by a job may be strong, especially if the potential drop-out does not find school particularly interesting or sees no value in the courses he is required to take.
5. *Dislike of School.* The drop-out may say that he dislikes school because he is discouraged over his academic progress or dislikes a certain teacher or subject ; he may really mean that he sees no practical value in the subjects he is studying or that he feels excluded from the social life of the school. Educators most often blamed school drop-out on the narrow and inflexible academic curriculum which was intended for pupils who planned to enter college.

### Question :

4. b) What measures are being taken to retain more students in

school and to prepare those who do drop out early to have at least some skills which are in demand on the labour market? (paragraph 17)

*Answer :*

As one line of attack, guidance and testing services are being strengthened in many of the Nation's schools, and young people are being informed about the rising educational requirements for many kinds of employment. It is encouraging that the total number of high school graduates among our youth is continuing to rise. For example, in 1950 the proportion of 17 year olds completing high school was 59 per cent ; in 1958, it was about 65 per cent.

Nevertheless the school drop-out problem is serious and many of our school systems are taking positive steps to retain more youngsters — many of whom come from economically and culturally disadvantaged groups — in school. Action is being taken to recognise the potential drop-out as early as possible and curriculum changes are being instituted that are designed to prepare non-college bound youth more effectively for the responsibilities of adulthood.

In this regard, the Department of Labor has been conducting a very active "stay in school" programme, as well as research and information work directed at providing operative solutions to the problem.

In addition, the disabling effects on employment of illiteracy and lack of basic skills have been recognised under M.D.T.A. and A.R.A. training projects. In Pennsylvania and Virginia, pilot programmes are underway to endow illiterates and educationally deficient workers with fundamental skills which have proved a prerequisite for their employment. The results of these programmes will have a bearing on the shape of the future training programmes, which at this point are directed primarily at preparation for specific occupations rather than at providing general skills for workers severely limited by a lack of basic education.

The public school systems have also developed operating programmes designed to keep young people in school, providing special classes in English and mathematics and giving special occupational training (such as barbering and commercial cooking) to give these young people useful skills.

*Question :*

t. c) What kinds of progress and institutions can be developed on a full and part-time basis to provide an opportunity for those who "drop-out" early and enter the labour force, to return and gain more general education as well as specific skill training? (paragraph 18)

*Answer :*

The Administration's comprehensive education bill, "The National Education Act of 1963", provides for the strengthening of this country's vocational education programme. Title V, Part A of the

Act provides vocational education for persons who have completed or left high school and who are available for full-time study in preparation for entering the labour market. Title VI of the Act is concerned with the expansion of continuing education.

Part B of this title of the Act is concerned with adult basic education. Its purpose is to initiate programmes of instruction for adults who are unable to read and write English and adults who have not completed the eighth grade of school or achieved an equivalent level of education. These programmes are designed to raise the level of education of such adults with a view to making them less likely to become dependent on others, improving their ability to benefit from occupational training and otherwise increasing their opportunities for more productive and profitable employment.

The Manpower Development and Training Act of 1962 provides that, whenever appropriate, the Secretary of Labor shall provide a special programme for the testing, counselling, and selection of youths, sixteen years of age or older, for occupational training and further schooling. Training allowances at a rate not exceeding \$20 a week may be paid to youths over nineteen but under twenty-two years of age, where such allowances are necessary to provide them with occupational training. However, not more than 5 per cent of the estimated total training allowances paid annually under the M.D.T.A. may be paid to such youths.

Work experience programmes are in operation in many States. The pupil is released from school a part of each day to work for pay. In some of the programmes, study and work are closely related. In others, the school simply makes it possible for those who want to work to do so. Distributive Educational Programmes and Diversified Occupations are examples of school work programmes.

These programmes offer instruction and experience in distribution and marketing. In the secondary school, the programme uses both the facilities of the school and the merchandising resources of the community, students being required to be employed for a minimum of 15 hours per week. Students enroll in other academic courses.

M.D.T.A. and A.R.A. programmes provide for job training and the development of skills which will equip the drop-out for work. Parts of these programmes are administered through the Labor Department where assistance is given in the selection and in referral of suitable applicants.

On-the-job training programmes in which an individual is hired and trained in needed skills while he works.

The enactment of the proposed Youth Employment Opportunities Act and the National Service Corps will provide training in good work habits and some basic education.

Training programmes are now being developed for welfare clients; under these programmes, welfare clients who are physically able and willing are given needed training to be equipped to hold

jobs. The Employment Service is providing selection, counselling, and testing for such applicants to help determine for what they may be trained.

Many States have programmes initiated by the school with the cooperation of the Employment Service to teach various skills such as mechanics, office techniques and methods in printing, to school drop-outs. Little Rock, Arkansas, has such a programme.

Job Upgrading Programmes are in operation in some States. In such projects, drop-outs and unemployed high school graduates are motivated towards greater vocational achievement, to give them training, guidance, supervised work experience and help in obtaining suitable stable jobs with growth possibilities. Most young people register with the Employment Service. Financing is from private, non-profit organisations.

Apprenticeship Programmes have selected trainees who undergo a programmed period of training and earn at an increasing rate as they learn.

#### **RAISING THE STATUS OF VOCATIONAL EDUCATION**

##### *Question :*

5. a) Are measures being developed to raise the status of the "vocational" parts of the educational system and to ensure that students can transfer in either direction between the academic and the vocational wings of the system? (paragraph 19)

##### *Answer :*

Measures are being taken to enhance the status of vocational education in the United States. First, significant efforts are being made to increase national recognition of the importance of vocational education, its current deficiencies and the need to improve its status and effectiveness. The President's Panel of Consultants on Vocational Education was created to review and to evaluate the national vocational education programme and to make recommendations for improving and redirecting it. The report of this advisory panel, composed of members from education, labour, industry and the government, formed the basis of the President's 1963 vocational educational proposal.

Second, new emphasis is being given to increasing the quality of both teachers and students in vocational education. The President's vocational education proposal would help finance these improvements by Federal grants.

Third, efforts are being made to increase the participation of workers and employers in the planning and administration of vocational training in order to achieve an improvement in the curriculum methods and equipment used. Employers are actively participating in vocational training under the M.D.T.A. and A.R.A.

The United States educational system is designed to permit the transfer of students between vocational and academic systems, with

certain minimum requirements for specialisation in the high schools. The trend in vocational education towards post-high school work and higher requirements for general, theoretical and academic course work, is reducing existing differences between vocational and academic programmes.

Finally, the President's Panel on Vocational Education reaffirmed the idea that vocational education should be strengthened with quality scientific courses within the Nation's general education system.

*Question :*

5. b) Can the secondary school system be developed in a way which will allow students to enter course programmes with a substantial vocational content and not be cut off from entering university level institutions, should they wish to do so? (paragraph 20)

*Answer :*

The American educational system traditionally has attempted to provide vocational education students with an academic background which is broad enough to permit continuing education at the university level. This has been realised in some measure. Students in many school districts, who elect to enter programmes of substantial vocational content, can enter university level programmes if they have achieved acceptable levels of scholastic performance.

Most programmes in both preparatory trade schools and in vocational-preparatory courses in regular secondary schools, include certain minimum general education requirements and a wide range of elective courses. Through this system the successful student can not only complete a programme of substantial vocational content but can also be prepared to enter certain university level programmes.

Some graduates of vocational programmes enter university level institutions in preparation for vocational teaching careers. In 1959, 12 per cent of all graduates of trade and industrial education programmes in the North Atlantic region continued their training beyond high school in technical institutions, colleges and universities. In many districts, however, inadequate counselling and a limited range of courses make it extremely difficult for the student who has chosen a vocational programme to enter university level institutions. A primary cause of these inadequacies is insufficient budget on the local level. The President's 1963 education proposals would increase support for individual school districts and improve the quality and scope of instruction and counselling.

#### POST HIGH SCHOOL VOCATIONAL AND TECHNICAL TRAINING

The Report of the Panel of Consultants on Vocational Education has recommended that the Federal government increase its support of full-time, post-high school, vocational and technical training. (paragraph 21)

*Question :*

6. a) In what ways can the Federal government contribute to the stimulation of this most important aspect of technical education?

*Answer :*

There are two major operating programmes for full-time, post-high school technical education in the United States.

Under the N.D.E.A. of 1958, Federal assistance and State contributions for construction, expansion and improvement of educational facilities have resulted in full-time technical training of some 63,000 post-high school students. Under the M.D.T.A. of 1962, unemployed persons are being trained full-time for a variety of technical jobs in which there is a demonstrated expectation of employment. In addition, another 20,000 workers have been approved for training under the A.R.A.

In addition, the proposed National Education Improvement Act of 1963 embodies several features for stimulating post-high school vocational and technical training. One of the most important is the provision of financial support for strengthening faculty, acquiring equipment, developing curriculum and providing facilities for programmes of technical education in engineering, mathematics and the physical and biological sciences. This money would finance the preparation of students for immediate employment at the semi-professional level in occupations which report manpower shortages or which effect national security or economic growth.

A second proposal provides grants to stimulate the establishment or expansion of general extension at the college level or above. Extension courses are becoming an increasingly important means for technical workers to improve their skills and maintain their competence.

A third proposal would establish a 3-year programme of grants to finance construction of public community colleges which are particularly well suited for programmes of vocational and technical education.

*Question :*

6. b) Would it be useful to stimulate the development of combined school-work patterns of post-secondary school training of technicians? (paragraph 22)

*Answer :*

The usefulness of combined school-work programmes for training technicians at the post-secondary level has been demonstrated in the United States under the National Defence Education Act of 1958. Under this Act more than 180,000 students have been trained for technical occupations in a work-school extension programme. The size of the enrolments and the steady expansion of extension training reflect the growing recognition of the importance of this programme.

The National Improvement Act of 1963 proposed two pro-

grammes combining work and school in post-high school courses. One, mentioned above, is a substantial programme of Federal grants to stimulate the establishment or expansion of publicly supported extension education on the post-secondary school level. In addition, the Act proposes a 3-year programme of Federal support for education-related work-assistance programmes in institutions of higher education. The funds would support student employment of not over 15 hours a week while classes were in session, thereby enabling the student to earn money and gain practical experience to supplement his regular course of studies.

#### **TRAINING OF UNEMPLOYED WORKERS**

Training for the unemployed so far provided under the Manpower Development Training and the Area Redevelopment Assistance Acts is so far focused only on providing the unemployed with the specific skills which are required currently in local labour markets. (paragraphs 26-28)

#### *Question :*

7. a) Is consideration being given to providing a greater emphasis on general educational upgrading courses which will open a larger spectrum of employment opportunities in a larger number of labour markets and which can also provide a basis for further specialised training? (paragraphs 29-31)

#### *Answer :*

Up to the present time, the emphasis in training programmes under A.R.A. and M.D.T.A. has been on preparing the worker for a specific occupation. When the educationally deprived or other trainees lacked knowledge of a subject which is a prerequisite for the particular job, provision has often been made in the training programme to remedy the deficiency. As we gain more experience in training, however, we expect that more emphasis will be placed on general educational upgrading in order that the trainee may be better prepared to adjust to a broader range of occupations. Such training would be most appropriate under M.D.T.A. in view of the longer period of training possible under that Act. [See also reply to question 4 (b)].

#### *Question :*

7. b) Would it be useful to move unemployed trainees from local areas to other areas in which a greater variety of training programmes can be provided?

#### *Answer :*

The Manpower Development and Training Act takes into consideration the fact that the necessary training facilities may not be

easily accessible to unemployed trainees. Therefore, in addition to the regular allowance payments, transportation and subsistence allowances may be paid to persons who must pursue training in facilities located outside the commuting area of their regular place of residence.

The National Education Improvement Act of 1963 provides for the use of funds for the construction of area vocational schools. A central area school would bring up-to-date training to larger geographic areas.

*Question :*

7. c) Would it be helpful to make use of the training facilities which employers have available, for training the unemployed? Could the trainees earn while they learn in industry with government financial assistance bringing their wages up to a higher level?

*Answer :*

It is helpful and in fact desirable in establishing training programmes for the unemployed to take the maximum advantage of facilities which employers and unions may have available. This is one important means of maximizing benefits from funds available for training. Training in employer facilities, moreover, is often the only practicable solution to training workers for the needs of a particular employer. The employer's needs may often be quite specialised, or the type of worker needed may be in such limited demand in the area that it would not be feasible to undertake the training unless the employer provided the necessary facilities. Moreover, many labour unions have had well established programmes of apprenticeship training geared to the needs of their occupations which have proved valuable in providing training. The printing trades unions are among many craft unions engaged in such training programmes.

There have been many instances under both A.R.A. and M.D.T.A., where trainees have been trained on facilities and equipment furnished by the employer. Both Acts also urge the Secretary of Labor to promote establishment of on-the-job training programmes which indicates that utilisation of employer facilities is a firmly established principle of training legislation.

*Question :*

7. d) Would it be useful under training programmes for the unemployed to relate movement and resettlement allowances to training allowances, so that workers could be encouraged to move to any area in which employment could be found in the occupation for which they have been trained.

*Answer :*

In general it would probably be useful to provide allowances for moving and resettlement in conjunction with training, particularly

in the case of workers in chronically depressed areas. Early drafts of the M.D.T.A. in fact, did provide for a relocation allowance to induce desired labour mobility but this feature was omitted from the Act as finally passed.

A legislative precedent does exist in the Trade Expansion Act passed in 1962 for payment of relocation allowance, and the problems and experience under this Act will be studied carefully to assess the desirability of its extension on a broader basis.

Under M.D.T.A., workers may be trained outside their own areas and paid subsistence in addition to regular training allowances while living away from home. This makes it possible for persons from areas of little employment to be trained in areas of demand when training facilities do not exist in their local areas.

#### UNIFYING STATE LEGISLATION ON VOCATIONAL EDUCATION

We have noted that there are a great many pieces of legislation which provide Federal assistance for the vocational education of young people through State and local educational institutions. Recent legislation under the Manpower Development Training Act, Area Redevelopment Act and the Trade Expansion Act provides training for adult unemployed workers.

#### *Question :*

8. Would it be desirable for the Federal government to combine all of these vocational education assistance programmes into a single piece of legislation which could be administered as a single entity and which could flexibly adjust to changing training and educational needs as they arise?

#### *Answer :*

It would be desirable for the Federal government to unify the legislation and administration of vocational education in the United States.

At present, the Office of Education operates under several major legislative acts passed at different times for different purposes. As a consequence, Federal programmes of vocational education have tended to be rigid and insufficiently responsive to changing needs.

The President's Panel of Consultants on Vocational Education emphasized the need for replacing this legislative patchwork with a unified vocational education act in order to achieve greater flexibility in programming. It recommended that a single education agency administer the act and be responsible for coordinating all government programmes which include vocational and technical training. For retraining unemployed workers, however, United States experience indicates that a coordinated inter-agency programme is desirable. Recognition of the need for both labour market and vocational training experts is made in the Manpower Development and Training

Act of 1962. Under the Act, the Department of Labor has the responsibility of selecting, counselling and placement of unemployed trainees, while the Office of Education is responsible for conducting and administering institutional training; on-the-job training is administered by the United States Department of Labor. Through the joint efforts of the agencies, more than 50,000 unemployed workers will be retrained during the first year of the programme. Moreover, the Department of Labor coordinates a system of apprenticeship training under which more than 150,000 apprentices are currently receiving instructions in registered programmes.

**RELATING LOCAL INDUSTRY NEEDS TO VOCATIONAL TRAINING PROGRAMMES : USE OF ADVANCED TRAINING METHODS**

*Question :*

9. a) What measures are being taken and should be developed to relate the needs of industry at the local level to vocational educational programmes?

*Answer :*

Employment security agencies have a continuing programme of occupational research in larger labour market areas to provide information on the occupational structure and the employment outlook. This information, obtained primarily for employment service use, is also published and made available for other purposes. It is often used by education officials in development of vocational education curricula. In North Carolina, for example, a State-wide survey of the occupational outlook in technical occupations, was developed specifically for the use of educational officials in the establishment of curricula for area technical schools.

Information from skill surveys is fed back to local advisory committees for use in community development efforts, which include planning to meet emerging occupational needs. Training-need surveys in specific occupations, made in connection with the M.D.T.A., A.R.A., and the National Defence Education Act, serve to make education officials aware of the changing occupational requirements in local industries.

The need for extending skill surveys and training need surveys to additional areas is becoming increasingly recognised. There is also need for more frequent surveys and systematic collection and analysis of job vacancy data by employment offices. A regular programme of coordination with local and State school administrators, State vocational education agencies and school counsellors, is planned to assist in translating occupational information into specific vocational and technical education courses.

*Question :*

9. b) To what extent are the advanced training and educational

methodologies developed by many private corporations and by the armed forces, used in public educational and training programmes? (paragraph 32)

*Answer :*

In the United States, there is a very close working relationship between the educational community, industry and government, and educators are frequently called upon to develop training programmes in industry and in the armed forces. New training techniques are reported widely in association, trade, professional and other journals and, when feasible, are adapted for use in public educational and training programmes.

The Department of Labor is especially interested in the training experiences of industry and the armed forces because of its responsibilities under the Manpower Development and Training Act.

In addition, provision for improvement of instruction is made under the Smith-Hughes Act through allocation of Federal funds for supervision and teacher training in vocational fields.

#### APPRENTICESHIP TRAINING REFORMS

We have noted that there has been surprisingly little change in the character and nature of apprenticeship programmes in the United States in the face of a rapidly changing technological and occupational structure (paragraph 33).

*Question :*

10. What reforms and new directions for apprenticeship in the United States are considered as desirable by the United States Department of Labor?

*Answer :*

The strong father-son tradition of the skilled trades in the United States has contributed to a situation in which many apprentice programmes have not been open to members of minority races on a basis of equality. This, with other facets of racial discrimination, is a situation which requires reform and which is receiving the top priority attention of the United States Government at this time.

An equal and related need is for substantial expansion of the apprenticeship system in the United States. Apprenticeship has not kept pace with the growth of the economy and, unless expanded very substantially, will account for far too low a proportion of the workers obtaining journeyman status. (The fact that a large proportion of journeymen in the United States reach this status through unplanned series of work experiences rather than through organised apprenticeship is an important factor in the frequent complaints about quality of workmanship.)

We see strong need in the United States apprenticeship pro-

gramme for increased adaptability to changing technology. Apprentice programmes are being developed in new industries (e.g., missiles and electronics), but such adaptations are scattered and far from being adequately responsive to changes in industry. Failure to adapt into the newer industries and occupations is undoubtedly responsible for a significant part of the failure of the apprenticeship system to expand with the economy. There is growing recognition of this need and the craft union advisors to the apprenticeship programme in the United States have suggested the possibility of establishing different and presumably more flexible standards for mass production industries.

There is clear and growing need, already recognised by a number of the important craft unions, for development of organised journeyman training programmes designed to keep the journeymen up-to-date on new techniques and machines. This is a healthy recognition of the demands of the modern technology and we hope to see dramatic expansion in this type of training.

Finally, related to all of the foregoing points, we see the need for increased attention to the quality of training being obtained through apprenticeship. Again a few of the craft unions have devoted pioneering attention to this need, with promising results. We hope for greatly increased attention to quality factors in the years immediately ahead.

## *Chapter IV*

# **EMPLOYMENT SERVICE AND MANPOWER POLICY**

### **SCOPE OF THE EMPLOYMENT SERVICE**

To serve the needs of workers and employers more effectively, the United States Employment Service should penetrate the labour market to a greater extent (paragraphs 1-5) :

#### *Questions :*

1. a) Should the Employment Service seek to provide service to all occupational groups, from casual day labourers to executives and professionals, to an equal degree?
1. b) Should the Employment Service actively promote the use of its facilities by employees who wish to seek more satisfying and higher paid jobs?
1. c) To create more openings for both employed and unemployed workers, should the Employment Service actively solicit employers for business, advertise its services to them and provide informational and technical services on a free basis to them in competition with other recruitment agencies?

#### *Answers :*

1. a) The Employment Service should provide service to meet the needs of all applicants who seek its help regardless of occupational category. The amount of service provided depends upon the type of work the applicant does as well as his need for such special services as counselling, testing, and job development. Across-the-board service which excludes no occupational group is essential to reach the goal of full manpower utilisation.
1. b) Workers should be encouraged to fully utilise their skills. Those who have improved their education, training and experience must frequently seek other employment in order to fully utilise their newly acquired skills. Furthermore, employers whose choice of applicants is restricted to unemployed workers will soon stop using the Employment Service. Under these conditions the job opportunities for the unemployed would decrease.

1. c) The Employment Service must solicit employers for job openings. Any agency depending on the voluntary use of its facilities must make its services known to employers and the public. Failure on the part of the Employment Service to advertise its wares — whether they be job openings or qualified applicants — would mean that the service would not be doing its utmost in trying to place its applicants or would not be providing employers with an adequate choice of qualified workers. Technical services should be provided for employers who need but cannot afford this type of service, in order to stabilise employment and better utilise the skills of the work force.

#### **PROVISION OF LABOUR MARKET INFORMATION**

Balanced, timely and complete labour market information to improve the functioning of the labour market is an important part of manpower policy (paragraph 7).

#### *Questions :*

2. a) What share of new hiring does the Employment Service require in order to secure adequate labour market information as a means of determining new directions for its activities and to develop detailed statistics on the operation of the labour market?

2. b) In addition, is it desirable and possible to obtain statistics concerning vacancies, job seekers and the placement activities of private agencies, trade unions, professional associations, schools and colleges, etc.?

#### *Answers :*

2. a) The development of labour market information by the Employment Service does not depend upon the share of the total hiring done through the Employment Service in a labour market area. Through the Unemployment Insurance programme, the joint Current Employment Statistics and Labor Turnover Programmes, and through other activities conducted by the Employment Service, labour market information covering the entire job market area is obtained. Another example is the unemployment estimates for local areas which play an important part in the classification of areas. The development of these estimates does not depend upon the extent of hiring done through the Employment Service.

2. b) Information on job vacancies by occupation for local areas would be extremely valuable for the day-to-day operations of the Employment Service as well as for programme planning and evaluation. It would seem that such information would be much more useful than obtaining information on the specific vacancies and placements made by private agencies, trade unions, professional associations, etc., which often cover a relatively small proportion of the total hires and vacancies. Moreover, serious problems would probably be encountered

if attempts were made to obtain from specific private agencies, trade unions, etc., the number and kinds of job vacancies, job seekers, and placements made. In the first place, there is serious doubt whether such information would be voluntarily supplied by such agencies; a requirement for such reporting by Federal legislation would be strongly resisted by such groups. In addition, since both applicants and employers tend to use more than one hiring channel, the resultant duplication in the statistics on vacancies and job seekers would lessen the value of such data.

It is planned to undertake studies on methods of collective job vacancy information from employers by area and occupation, in accordance with the recommendations of the President's Committee to Appraise Employment and Unemployment Statistics.

#### PRIVATE FEE-CHARGING AGENCIES

In many States, private fee-charging employment agencies are regulated to protect those using their services from exploitation, while in other States, there is little regulation (paragraph 12).

#### *Questions :*

3. a) Would it be desirable for the Federal government to provide a greater degree of uniformity and coverage of such regulated activities in the States?
3. b) Would it be desirable, through regulations, to require that private agencies do not charge those seeking work for their services, but rather charge fees only to employers?

#### *Answers :*

3. a) The Federal government should provide a greater degree of uniformity in the States in the regulation of private fee-charging employment agencies, for the protection of workers who seek employment through this source. Some States have adequate laws and the private agencies are well regulated for the protection of the worker, while others either have inadequate laws or their laws are not enforced for proper control. Legislation should be enacted to provide grants to States which meet Federal standards for the licensing and regulation of fee-charging private agencies. This would encourage the States to adopt and enforce uniform standards. States which agree to accept Federal standards would receive grants of 100 per cent to finance the administration and operation of the licensing and regulatory function.

#### DIFFICULTIES OF NON-DISCRIMINATION POLICY

The Employment Service has a public responsibility to help in eliminating discrimination in employment (paragraph 31).

#### *Question :*

4. To what extent does this public responsibility interfere with its

role of providing efficient service to employers and in this way increasing its share of the total hiring business?

*Answer :*

The Employment Service is impaired to some extent in increasing its share of the total hiring business, because of its responsibility to help in eliminating discrimination in employment. Although the implementation of equal employment opportunity policy does not of itself make the Employment Service less able to play its role of maximum utilisation of manpower resources, employers who wish to discriminate may and do avoid utilising the Employment Service. No reliable method of measuring the placement business denied the Employment Service because of its antidiscrimination policies has yet been devised. To quantitatively assess this loss is extremely difficult, because of the complex nature of the free labour market and the varying implementation given such policies by the State agencies. However, a recent experience has demonstrated that improvement in the general efficiency of the Employment Service in serving both employers and applicants, has resulted in an increased share of the total hiring business, notwithstanding the antidiscrimination policy.

It has also been observed that some employers who have withdrawn their business because of the antidiscrimination policy have shortly thereafter restored that business upon considering the quality of Employment Service services and the rationale underlying the policy. This may be attributed to the considerable efforts expended by the Employment Service to convince employers of the advantages of nondiscriminatory employment practices to themselves, their communities, and the Nation's economy. While the responsibility for carrying out public policy against discrimination undoubtedly has a deterring effect upon increasing the Employment Service's share of the total hiring business, this effect is not regarded as a prohibitive hindrance.

#### MEASURES FOR IMPROVING EMPLOYMENT SERVICES

The Public Employment Service is organised on a Federal State basis with the Federal partner having financial responsibility and the State partner having administrative and operating responsibility. (Paragraphs 22-23)

*Question :*

5. What positive measures could further strengthen Federal leadership and at the same time assist the States in improving their services, particularly in relation to the placement function?

*Answer :*

- i) Intensified Federal direction in training programmes for employment service staff covering fields such as organisation,

- management, placement techniques, local office processes.
- ii) More adequate staffing numerically in the major metropolitan areas (based on relation to size of the labour force).
  - iii) Abandonment of comparability concept. (Tying of employment service professional staff pay to unrealistic comparisons with other State agency positions.)
  - iv) Establishing minimum standards of qualifying education and experience for professional placement personnel recruitment. Establishing job content for interviewers to include application-taking, order-solicitation, selection and referral. (A study to serve as the basis for minimum standards is now in process.)
  - v) Control over State allocation of employment service personnel to insure that staff added to metropolitan areas is not diverted to other activities or locations.
  - vi) Enactment of national Fair Employment Practices legislation prohibiting racial discrimination in all employment agencies and services.

#### STRENGTHENING INTER- AND INTRA-STATE CLEARANCE

##### *Question :*

6. The Employment Service greatly needs to improve its facilities for inter-area recruitment and placement if it is to play a significant role in helping to balance the changing geographic needs of the market (paragraph 34).

What measures can be taken to strengthen the clearance function (a) within States, (b) between States, to minimise the impact of labour market imbalances?

##### *Answer :*

In order to strengthen facilities for inter-area recruitment and placement, and to effect a satisfactory balancing influence upon changing geographic requirements of the labour market, our programme planning includes the following specifics :

1. We shall continue present research designed to determine effective methods for the speeding up of the matching process involved in inter-area recruitment — when the applicant and the prospective job may be widely separated geographically. This involves improved communications through the use of teleprocessing and provides for regional or other strategic centres for storage and retrieval of applicant and job order data. It is anticipated that this will minimise manual tasks concerned with file search and pre-screening and will facilitate to a great degree the matching of applicant qualifications and job requirements.
2. We also plan to strengthen our operations in the field of

professional and technical placement by means of the following methods :

- i) Continued improvement of physical facilities for local offices of this type in order to attract high calibre applicants to occupations in which there is considerable geographic mobility.
  - ii) Developing and providing State agencies with standards which placement staff in such offices should meet.
  - iii) Ensuring that facilities of the Employment Service are made available to more college graduates and drop-outs through on-campus service, when requested by college administrators, in order that job openings in inter-area recruitment may be brought to the attention of such applicants.
  - iv) Providing assistance in the preparation of resumes and equipment for making sufficient copies for distribution through the inter-area recruitment system.
  - v) Providing facilities in large metropolitan area offices whereby applicants may view or listen to visual or sound materials provided by employers, to explain their jobs and the nature of their firms and communities to applicants. Information of this type would serve to supplement the written job order.
3. A pilot project may be initiated on an experimental basis whereby, after agreement with the States, employers would be permitted to place an order with any local office in the Employment Service system, provided that they place the order simultaneously with the local office serving their area.
  4. We also plan to strengthen our agreement with the United States Civil Service Commission regarding Federal agency recruitment, to insure that Federal agencies would be required to place their job openings with the local office in any area in which they may recruit.
  5. Current planning also includes the compilation and dissemination of more current labour market information which may be used to advantage in day-to-day operations involved in the geographic movement of workers.
  6. We plan to clarify and simplify to the greatest extent possible our lines of communication with respect to the entire inter-area recruitment programme and to concentrate on employer and applicant service with emphasis on flexibility of procedures and system design.

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