

90TH CONGRESS }
2d Session }

SENATE

{ REPORT
No. 1568

EMPLOYMENT AND MANPOWER PROBLEMS
IN THE CITIES: IMPLICATIONS OF THE
REPORT OF THE NATIONAL ADVISORY
COMMISSION ON CIVIL DISORDERS

REPORT
OF THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES
TOGETHER WITH
SUPPLEMENTARY VIEWS



SEPTEMBER 16, 1968.—Ordered to be printed.

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1968

98-010 O

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CONTENTS

	Page
Introduction.....	3
Findings and recommendations.....	4
Preliminary observations.....	5
The Commission's Report: Manpower aspects.....	6
Testimony before the committee.....	7
Costs and financing.....	8
Costs of Kerner job creation recommendations.....	8
Tax credit approach.....	8
Federally financed jobs.....	9
Difficulties in public employment.....	9
Job mobility versus labor mobility.....	10
Advantages of dispersion.....	10
Improving central cities.....	10
Need for information on the economy of the ghetto.....	11
Racial discrimination as an economic force.....	11
The role of general stabilization policies.....	12
The Employment Act of 1946.....	13
Supplementary views of Representative Curtis.....	15
Supplementary views of Senator Javits.....	19
Supplementary views of Representative Rumsfeld.....	21

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Mr. PROXMIRE, from the Joint Economic Committee,
submitted the following

REPORT
together with
SUPPLEMENTARY VIEWS

INTRODUCTION

Employment and manpower utilization has been a major concern of the Joint Economic Committee since its creation by the Employment Act of 1946. In its Declaration of Policy, the act makes it the "policy and responsibility of the Federal Government to use all practicable means . . . to promote maximum employment, production, and purchasing power." Wisely, in our opinion, the authors of the act left the basic question of determining the precise meaning of maximum or "full" employment to the unfolding experience of public policy. The fact is that there is no fixed-policy target for either employment or unemployment.

In our report of last March,* we addressed ourselves to the levels of unemployment, i.e., unused human resources, as follows:

* * * the long-sought achievement of a 3.5-percent rate of unemployment has heightened our awareness of the inadequacy of goals focused solely on the overall rate of unemployment. This total rate conceals a structure of unemployment varying widely among population groups and areas of the country. For example, in 1967, when the total unemployment rate was 3.8 percent, the unemployment rate for nonwhites was 7.4 percent, and for teenagers 12.9 percent. Moreover, the man-hours lost by the unemployed and persons on part time who could not find full-time jobs amounted to 4.2 percent of the potentially available labor force man-hours. And it should be pointed out that the unemployment figure does not include hundreds of thousands of men and women who should be working but are not even looking for work.¹

The Report of the National Advisory Commission on Civil Disorders raised certain questions about employment and underemployment and their role in civil disturbances that have crucial implications for public economic policy. In the words of the report:

*Joint Economic Report on the 1968 Economic Report of the President, Mar. 19, 1968 (S. Rept. 1016).

¹ Senator Miller and Congressman Curtis wish to call attention to the fact that they have never concurred in the objective of a 3.5-percent rate of unemployment, because they believe this to be an oversimplification of the problem of unemployment.

[NOTE.—Due to pressure of other responsibilities, Senator Fulbright was unable to participate in the hearings and other committee deliberations pertaining to this report and reserves judgment on the specific recommendations made therein.]

[NOTE.—Unfortunately, the burden of Senator Sparkman's duties as chairman of the Senate Banking and Currency Committee, and as acting chairman of the Senate Foreign Relations Committee, made it impossible for him to participate in the hearings on which this report is based. Under the circumstances, the report as written does not have his endorsement.]

Unemployment and underemployment are among the most persistent and serious grievances of our disadvantaged minorities. The pervasive effect of these conditions on the racial ghetto is inextricably linked to the problem of civil disorders.

When the report was issued on March 1, 1968, the Joint Economic Committee reviewed it at some length and concluded that the urgency of the problem merited prompt hearings.

While the civil disorders in recent years involve many institutions and elements in our society, it is obvious that improvement of employment opportunities is a key factor in any approach to the problems that are subsumed under the general word "ghetto." One member of the Commission on Civil Disorders dramatized the issue by saying that "tremendously expanded employment and job training opportunities are the single most important recommendation we could make toward the solution of the underlying causes of urban disorder."

Findings and Recommendations

Adequate employment opportunities to reduce both unemployment and underemployment stands as both a goal of the Employment Act of 1946 and the preferred means of eliminating poverty by most of those who suffer from it. Realization of the goal as well as those aspirations will require strong and balanced expansion of aggregate demand, increased public and private training programs, and further removal of discriminatory practices. The Joint Economic Committee makes the following findings and recommendations based on the Advisory Commission Report and exploratory hearings on the employment and manpower implications of that report.

I. The Joint Economic Committee wishes to stress as strongly as possible that sustained high levels of aggregate demand are necessary to achieve an acceptable degree of utilization of human resources and an adequate measure of success in manpower training and related programs.² A rise of 1 percentage point in the overall unemployment rate would involve approximately three-quarters of a million people—a magnitude which dwarfs present manpower programs and is perhaps larger than all of the manpower training and employment programs put together. Indeed, the programs designed to encourage employment and training in the private sector will surely fail if there is a significant weakening in aggregate demand.

On the basis of the testimony presented, the committee urges upon the Congress a posture of vigilance to discern any signs of weakness in the economy that may lead to higher levels of unemployment.

II. A substantial reduction in unemployment and underemployment and concomitant poverty depends to a considerable extent upon more adequate manpower policy and programs. To that end:

A. Better and more extensive adult education and training programs should be fostered by Government, industry, and

² Senator Miller and Congressman Curtis note that this demand should not be diluted by inflation, which bears most heavily on the very people most seriously affected by unemployment and underemployment. Also, inflation tends to make imports more attractive in our domestic markets and our exports less competitive in foreign markets, with consequent adverse effects on domestic aggregate demand and employment.

organized labor. Education must be a continuing process for all segments of the labor force in this day of rapid technological change. The Government must play a more active role in stimulating and subsidizing training among the relatively unskilled.

B. Barriers to employment and to promotion in the form of discrimination should be eliminated. This calls for firm enforcement of existing legislation to prevent discriminatory practices. Where additional legislation is necessary to clarify, finance, or make more adequate existing provisions of law, Congressional action must be prompt.

C. Where requirements for entry into jobs are unrealistically difficult, they should be revised. This applies to management, organized labor, and Government.

D. Sufficient information and analysis are not presently available to make fine distinctions in respect to the effectiveness of various manpower programs.

III. Private and public programs to aid and train entrepreneurs in the ghetto should be greatly expanded. At the same time, increased resources should be made available to prospective entrepreneurs, particularly in support of access to capital, insurance, technical advice, and necessary public services. While the Small Business Administration commendably is increasing its efforts to do this, a much more comprehensive and effective effort on the part of both Government and private industry is needed.

IV. Strong emphasis should be placed on revitalizing our central cities. At the same time, much greater effort is required to encourage and support the movement of workers between central cities and the suburbs. In the central cities, we must invest in social capital, particularly schools, parks, health facilities, more adequate housing, cleaner environment, and public transportation. At the same time, there should be strong emphasis on improving transportation from the central city to outlying areas. To this end, increased public and private investment is necessary. We must also recognize the need for increasing opportunities for people to move from central cities to suburban areas, and the importance of open housing practice in this regard. Moreover, efforts should be directed towards encouraging people to remain in rural areas to avoid aggravating the problems of the cities.

V. Finally, as indicated in this committee's previous reports, there is urgent need to improve our capability for determining expenditure priorities.

Preliminary Observations

Economic policy during the last 5 years was marked by expanding aggregate demand which, together with a variety of public and private manpower programs, have served to reduce unemployment to less than 4 percent.³ However, if the rate for nonwhite members of the labor force had been as low as that for whites, the overall rate of unemployment would have been 3.4 percent in 1967 instead of 3.8 percent.

While the report of the National Advisory Commission on Civil Disorders does not concern itself expressly with the overall level of

³ Senator Miller and Congressman Curtis point out that during this period, over 400,000 civilians have been added to the Federal payroll, over 800,000 have been added to our Armed Forces, and estimates indicate that upwards of 2 million are employed in jobs connected with the war in Vietnam. Without these factors, the present unemployment rate would be in excess of 7 percent.

unemployment, it demonstrates in dramatic fashion the unpleasant truth that the burden of unemployment, however low the overall average may be, falls most heavily on minority groups, and especially, the younger members of such groups. Even though there may be jobs available from one end of the occupational spectrum to the other, both the Commission report and the testimony of the witnesses who appeared before this committee emphasize the extent to which minority group members are precluded either by limitations in training or by prejudice from jobs, especially the more rewarding jobs in our economy. Members of these groups are increasingly disinclined to accept the "dead end" jobs at the bottom of the list which involve the least pleasant conditions, the lowest pay, and the least chance for advancement. Emphasis on civil rights and human resource development indeed have awakened higher aspirations and hopes for improved employment possibilities, which are reflected in increased dissatisfaction with marginal employment. These rising aspirations must not be dismissed.

The committee continues to stress the need for more information on unemployment and underemployment. Limitations on information are a handicap in making sound public policy and in effective program administration at the urban level. We need better data on employment, underemployment, and on the number of persons who leave the labor force for unknown reasons. We need to know what is happening to population and labor force trends, to school dropout rates, and to the effectiveness of schooling and training. We know too little about the impact of public manpower and related programs thus making meaningful evaluation difficult in either absolute or comparative terms. Moreover, better information on job vacancies, which this committee has advocated for years, has not yet been developed.

Finally, this committee cannot agree that automation and increasing productivity will shrink the need for a dynamic, growing, and better trained work force. Quite the contrary, unmet human and environmental needs are great and will remain so for some years to come.

Programs of income maintenance are not an acceptable substitute for increased work opportunities for most people of working age. Such programs are appropriately directed to the aged, the disabled, the partially handicapped, and for others who cannot be expected to participate fully in productive economic activity and who are in need. These programs need to be improved and coordinated. The confusion that seems to have arisen as to the roles of employment-related and of welfare-related payments should be cleared up.

The Commission's Report: Manpower Aspects

Surveys of riot areas and of arrest records after the urban riots indicate that a minority, but still a large proportion, of the rioters were unemployed—usually from 20 to 30 percent. Most had jobs but were underemployed. The jobs were usually unskilled and the employment often intermittent. There was feeling among many of the rioters that their present jobs did not reflect their capabilities or reward their hopes.

The report elaborates the point cited above from the Joint Economic Committee report in March that unemployment rates among Negroes have consistently been double the rates for corresponding age and

sex categories of white workers. The Commission estimated that, correcting for undercounting, total nonwhite unemployment in 1967 was 712,000, or 8 percent of the nonwhite labor force. A reduction in the incidence of unemployment in this group to a 3.5-percent level would require an additional 400,000 jobs for nonwhites.

Admittedly, it is difficult to measure jobs qualitatively, but there can be little doubt that employed Negro workers tend to be concentrated in lower paying, less skilled jobs. They also receive lower pay than their white counterparts in comparable occupations and at comparable educational levels. A substantial proportion of ghetto dwellers are part-time workers looking for full-time work, or full-time workers earning less than \$3,000 per year. Also, a substantial number have dropped out of the labor force, frustrated by their persistent inability to find a job.

The estimated "subemployment rate," which includes the above categories, amounts to about 33 percent of the potentially available nonwhite labor force. Approximately 1 million nonwhite persons, the Commission estimated, were, in 1967, subemployed and living in the poverty sections of central cities. In terms of national magnitudes, the Commission cites the figures of 2 million unemployed, and 10 million underemployed—6.5 million of whom work full time and earn less than the annual poverty wage. The Commission further states that "The most compelling and difficult challenge is presented by some 500 thousand 'hardcore' unemployed who live within the central cities. * * *" It might be added that there are higher estimates of the hardcore figure. One witness at our hearings suggested a probable figure of 750,000.

The shortcomings of current statistics notwithstanding, it is nonetheless obvious that the problem of underutilization of human resources is serious.

Testimony Before the Committee

Witnesses before the Joint Economic Committee emphasized the importance of the Kerner Commission finding that "unemployment and underemployment are among the most persistent and serious grievances of disadvantaged minorities. The pervasive effect of these conditions on the racial ghetto is inextricably linked to the problem of civil disorder."

It seems clear that we cannot rely solely on the growth of the economy to resolve the problem—at least for the near term. Testimony indicated that the problem of poverty in the ghetto has not been diminishing over recent years. Ironically, because of the general progress in the Nation as a whole, the plight of the poor has become even more conspicuous than it used to be—the widening disparity being all too apparent to the disadvantaged themselves. There is no evidence of any tendency for incomes or unemployment rates of nonwhites to improve relative to the bettered situation of whites. One witness characterized the situation of the ghetto dwellers as a "giant lockout" from meaningful participation in the job market. The causes lie in inadequate education and training, in discrimination, lack of self-assurance, or in not finding out about job possibilities. The urban poor do not yet identify the tradition of self-improvement as a solution to their problems of income and status.

Costs and Financing

Witnesses stressed that programs designed to reduce the waste of human resources in the ghetto present the Nation with a hard set of priority decisions. Programs must be evaluated in terms of their total effects, not only on the Nation's employment goal, but on the Nation's goals such as economic growth and price stability. Even programs for lessening the ghetto employment problem itself must be judged not only in terms of their own merits, but also in terms of alternative approaches if limited resources dictate that some programs may have to be forgone or postponed. Witnesses before the committee, as well as the report itself, indicate that considerable effort can and should be directed at gaining more effectiveness from, and coordination between, programs already in operation.

Costs of Kerner Job Creation Recommendations

The timespan for implementing the Kerner Commission's job creation recommendations has an important bearing on their costs. The combined annual public and private cost for implementing the recommended program over a 3-year period is placed at \$8.5 billion. However, allowing for related programs underway in fiscal 1968, the requirement for new funds would be \$5.9 billion a year. If the creation of 2 million jobs were to be achieved in 5 years rather than in 3—the annual net cost is estimated at approximately \$3 billion during the first 2 years of operation. These additional outlays could be offset in part through an addition to the GNP by the use of otherwise idle resources, although some part would necessarily come from a shift of resources from other uses. It should be pointed out that programs in the area of employment, to a considerable extent, are investments that often have a relatively short repayment period. This is true from the point of view of the individuals themselves, the government, and the total community.

Some of the Nation's expected \$35 billion real annual increase in the production of goods and services arising from economic growth could be allocated to employment problems of the cities. In regard to Federal funds, the "fiscal dividend," or the increase in Federal tax revenues stemming from the growth in the economy may, over the longer term, constitute a significant source of revenue, some part of which could be allocated to employment programs.

Tax Credit Approach

One of the major issues raised at the hearing concerned the use of income tax credits versus direct contract payments as means for stimulating training and employment of the disadvantaged in the private sector. It has been argued that there is already an investment credit of 7 percent as well as accelerated depreciation applicable to plant and equipment. Without a corresponding encouragement for the employment of labor and investment in human resources, the market is biased against the hiring of low-skilled labor and in favor of labor-displacing capital investments.

Although the tax credit approach has considerable support, some objections were raised. The opinion was expressed that (1) a tax incentive of 7 percent—the same as for plant and equipment, would not be sufficient to induce the hiring of the disadvantaged; and (2) it

would be especially difficult for the public to know the cost of the programs, the types of jobs and training being purchased, and the characteristics of individuals who benefited from the program. It was also pointed out that successful use of the tax credit (and, for that matter, any other program) would have to reach individuals, and also grapple with such severe problems as motivation and general rehabilitation. As presently envisioned there would be no apparent means for monitoring the program, and thus testing the success or failure of the hiring and training induced by the credits.

Proponents of the tax credit can argue that the credit becomes available immediately after enactment, as opposed to direct contract programs which require administrative machinery to solicit employers to carry out the training. Further, tax credits are the approach that businessmen themselves favor and feel they can most efficiently and effectively use and thus would be most willing to utilize. Private industry, proponents argue, would cooperate in helping the government monitor the effects of the credit. Finally, proponents argue that the tax credit approach does not subsidize the individual, but the employer, and thus avoids the indignities that often accompany direct payments to trainees.

Federally Financed Jobs

The committee heard testimony on the feasibility of a program of federally financed jobs in the public sector. Under this approach, public and community organizations would submit competitive bids to accomplish particular public objectives by employing disadvantaged workers. Proponents of "the Government as an employer of last resort" approach do not advocate this as a panacea, but rather as one of a "list of manpower tools" needed for a comprehensive and adequate program. It was stressed that such programs should seek to develop meaningful careers in public service employment. There are already several pilot programs that promote public employment for the disadvantaged; among these are such programs as New Careers and Operation Mainstream. These constitute an experimental basis for efforts to provide further expansion of public employment opportunities.

Among the arguments for these proposals is a widespread manpower shortage in the area of public service, as well as a large backlog of unfilled needs for public service in such fields as fire and police protection, health, and environmental improvement.

Difficulties in Public Employment

The approach does, however, have some significant difficulties. Public employment at rates of pay near the minimum wage might be turned down by the young, unemployed ghetto worker, unless convinced that it will lead to a better future. Older employed workers currently receiving poverty incomes might be attracted to this type of job possibility. Moreover, unless equal or better opportunities were available in the rural poverty areas, there might be an acceleration in the influx of the rural poor into the large central cities.⁴ The opinion

⁴ Senator Miller and Congresswoman Curtis point out that this approach runs counter to the capitalistic economic system which, properly encouraged, can and should provide employment opportunities for people not engaged in providing needed governmental services.

was expressed that this approach would not really get at the causes of unemployment—the most important of which is a lack of even an elementary level of education. The failure of public policy to cure this educational lack is made even more appalling by the present underutilization of existing facilities for basic education and training. However the need for basic education and training is much greater than would be indicated by an estimated count of 500,000 hard-core unemployed.

Job Mobility vs. Labor Mobility

Witnesses did not agree on the role of public policy in attempting to bring about a better match between the location of jobs and the location of workers. For a number of reasons—economic, social, and political—jobs for which unskilled and semiskilled workers may qualify have been expanding more rapidly in the suburban rings than in the central cities, and in cities of intermediate size. In spite of these trends in employment opportunities, there has continued to be massive immigration of Negroes, Puerto Ricans, poor whites, and Spanish-Americans to the cores of the Nation's largest cities.

Advantages of Dispersion

On the one hand, it was argued that there are strong economic forces impelling dispersion of industry. If this is true, it might be grossly inefficient for public policy to attempt to stem or reverse these trends by subsidies to industry for locating in a ghetto. This also might perpetuate ghetto isolation. Some of the economic factors leading to dispersion included the following:

- (1) Cheaper land outside of the central city;
- (2) Developments in transportation, including the growth of air and highway transportation, making it less essential for plants to be located near the hub of large cities. (In addition, production inputs and finished products have become less bulky and more highly processed.)
- (3) Technological developments favoring the use of single-story, continuous-processing plants; and
- (4) Less crowding away from the central city, making it easier for employees to find housing near their work and to commute more easily.

Moreover, the types of industry which have been growing most rapidly tend to hire highly skilled and technically trained workers who are both attracted to and can afford the relatively improved and modern public facilities characteristic of the environment of the new suburb.

The problem here is how to bridge the spatial gap between the ghetto residents and jobs. To the extent that the physical isolation of the ghetto is responsible for the gap, public policies should stress improved transportation services. To the extent that poor communications and social isolation are responsible, public policy should stress improving job information for ghetto residents and improved civil rights enforcement.

Improving Central Cities

Some experts argue that the revitalization of urban centers must be made a major objective of public policy, since it would be impractical

to dismantle the central cities. They advocate reversing the erosion in the tax base, improving social services, strengthening law enforcement, and developing better schools so that people would voluntarily choose to live in the central cities.

Improved capital availability and adequate insurance would also help. Because the central city has been deteriorating, it is difficult now to insure property or to obtain capital for residential and business construction. Capital tends to be unavailable to entrepreneurs in the black community who otherwise would be inclined to undertake business ventures in the ghetto.

Need for Information on the Economy of the Ghetto

Establishment of a more rational set of incentives is a necessary precondition to solving manpower problems in the ghetto. Lack of information makes this very difficult.

We know very little about the incentives and disincentives that influence the economic life in the ghettos. What is apparent, however, is that the manpower and employment programs will not be successful unless they take the economic forces of the poverty neighborhoods into account. Intensive study and research is needed in ghetto areas to discover how to most efficiently and effectively mobilize and channel the resources of the ghetto into productive occupational pursuits.

One factor that has tended to aggravate the problems of unemployment and underemployment in the urban areas is the geographical mobility of the rural poor. The cities, with their promise of better job opportunities and higher welfare relief standards, serve to draw the poor from rural poverty areas. And as the country succeeds in providing more and better employment opportunities in urban areas, the rural-to-urban migration can be expected to intensify.

It is essential to recognize that in a very real sense, today's rural poverty problems are tomorrow's urban poverty problems, and that an effective program to improve the condition of the poor must include measures aimed at making life and work in the rural areas more attractive. To a large extent, the programs proposed to improve employment opportunities in the cities are applicable to rural areas. These include economic incentives for the establishment of industries in these areas, the provisions of educational and training facilities, removal of discrimination barriers to employment, and improved transportation.

Racial Discrimination as an Economic Force

Three aspects were stressed in regard to equalizing employment opportunities: the need to eliminate discrimination among equally qualified job applicants; the need to equalize opportunities for job preparation; and the need to set up jobs in ways that more fully utilize the total available supply of labor.

Witnesses strongly emphasized that discrimination in the labor market is an extremely important element in the problem of unused manpower. To quote one witness:

The most significant factor determining unused manpower among Negroes is racial discrimination. . . . The fact is that most Negroes, particularly young workers, have more edu-

cation than they need for the jobs they can get, and I want to stress that point because everybody believes that the Negroes aren't ready for employment. . . .

Among full-time participants in the labor market, the typical Negro worker earns only about half the amount of the typical white worker. For comparable years of schooling, the Negro worker earns far less than his white counterpart. Thus, available statistics indicate that the economic returns to Negroes from investments in education are relatively lower than white persons and the decision to drop out of school is comprehensible from an economic standpoint at present.

Particular attention was directed to the lack of minority representation in the construction industry—not because discrimination was particularly worse in this industry than in others, but because in the construction industry there are large numbers of unskilled and semi-skilled jobs with relatively high pay. The statement was made that:

* * * except in very marginal circumstances, and in unskilled categories, the construction industry labor force on June 6, 1968, is lily white * * *

* * * no programs are underway and no changes are in the works at the present time which will result in a balanced construction labor force with appropriate proportions of minority workers in the years immediately ahead.

* * * the continuing failure to create a minority worker construction labor force is leading to an intolerable impasse which threatens to result in drastic and often violent confrontation whenever building and construction is undertaken in our cities.

In the area of job preparation, Negroes typically have less formal education than whites, and the education available to them is inferior to that available to whites. As a witness said, "Unequal educational opportunity puts the Negro worker in an inferior position in the competition for jobs entirely independent of discrimination by employers."

More attention should be directed to job qualifications, to job promotion policies, and to job organization in order to provide opportunities for less skilled members of the labor force. The opinion was expressed that in a large number of instances, formal hiring requirements bear very little relation to the qualifications actually needed to perform the work. Particular attention was focused on the service sector as an area where jobs needed to be revised to make use of intermediate and lesser skills where possible. In the service sector, skill divisions tend to be far too rigid so that there is relatively little opportunity for advancement.

The Role of General Stabilization Policies

If stabilization policies fail so that the economy alternates between inflation and recession, it will be impossible successfully to provide more adequate income, through jobs or otherwise, to the substantial portion of our population living in poverty. The coordination of fiscal and monetary policies in a manner that will lead to the continuous maintenance of high-level employment with reasonably stable prices is a necessary precondition for successful solutions to the problems of disadvantage for many of our citizens. This will require a better

performance than in the past in managing monetary policy. It will also require better balance between Federal receipts and expenditures, reform of the tax system, and a reordering of spending priorities, as this committee has recommended on many occasions.

Finally, this committee has repeatedly pointed out that there is great need for a definite, effective, and realistic set of wage-price guideposts as a major instrument of stabilization policy.⁵ It has been the experience of all advanced democratic nations that high employment policies tend to bring about rising wages and prices. It is the role of responsible policy to prevent these disruptive increases without imposing rigidities on the economy.

The Employment Act of 1946

Witnesses made numerous suggestions concerning the interpretation of the Employment Act of 1946. There was some disagreement as to the scope of the Federal Government's responsibility under that act. For example, it was suggested that the scope of the act be broadened so that individuals who are able and willing to work or willing to take training would be able to report to a particular place and say, "Here I am. I want to work." Another witness interpreted the Kerner report as implying that altering the shape and level of the American income distribution must become one of the Nation's central economic goals in addition to those normally cited, such as economic growth, high levels of employment, relative price stability, and reasonable balance in international accounts. It was pointed out that the attainment of a desired income distribution was fundamental in the sense that all of the arguments about the efficiency of a free enterprise system depend on the assumption that there is an appropriate income distribution.

On the other hand, the opinion was expressed that the Employment Act is a general framework for the balanced pursuit of economic policy with respect to all governmental and private objectives, with the warning that these other objectives should not be disregarded in the pursuit of some particular objective—in this case, a fuller utilization of manpower in the ghettos.

⁵ The Republican members of the Joint Economic Committee wish to make it clear that they have never endorsed this recommendation. They feel that the wage-price guideposts are not, and can never be, a substitute for responsible fiscal and monetary policies. As they pointed out in their minority views on the 1968 Economic Report of the President, "The Administration has done the Nation a disservice by relying on guideposts to restrain inflationary forces that it was itself engendering and encouraging through its fiscal and monetary policies. The guideposts can play a useful educational role in discouraging inflationary pressures in an economy that is not pressing against its supply capacity and producing widespread price and wage increases. But the guideposts should not be a major instrument of stabilization policy and cannot substitute for fiscal and monetary restraint."

SUPPLEMENTARY VIEWS OF REPRESENTATIVE CURTIS

I have signed the committee report because I believe it makes many valid points. Furthermore, I am pleased that the Joint Economic Committee held public hearings on the Kerner Commission report. However, I think some basic points have not been set forth. Furthermore, the report does not present the basic context that I think is necessary to understand the problems and to move the dialog forward.

First, I think it is important to grapple with the basic question. Does automation or cybernetics or rapid technological advance create more jobs than it destroys? Is its process of job creation and job destruction of such a nature that sizable segments of our population are rendered economically obsolete?

I think the evidence clearly shows that automation creates many more jobs than it destroys and that the American society continues to experience its historical shortage of manpower. There are more jobs going begging than there are unemployed.

Further, I think the evidence shows that far from rendering certain people economically obsolete 20th century automation carries with it increased specialization which actually renders people who formerly were economically unemployable employable. For example, people with physical handicaps such as blindness, complete deafness, no legs, no arms, can be fully usable simply by structuring job specifications around their handicap. The same can be said for people with limited IQ's—job specifications can be written to fully utilize their talents and abilities to be trained. As automation produces further specializations, habilitation, and rehabilitation possibilities increase. After all, a human being with an IQ of only 50 is a much more efficient mechanism than even the computer of the future now on the drafting tables. Instead of bemoaning the differences between human beings and adopting policies to try to produce a sameness we should welcome differences and adopt policies that permit the development of the full potentials of their differences.

If these two points about technological advancement are true, then the great thrust must be training and retraining, not the pessimistic and backward approach of guaranteed income which assumes that certain people are economically unusable and therefore Government must gear itself to a massive, permanent welfare program.

Welfare is to get people on their economic feet. It is a way station, not a home.

Another point needs to be made. Our society has reached the point of economic development that we can afford in money whatever governmental programs are necessary to put people on their economic feet. Indeed, from an economic standpoint our most unused and underutilized economic assets are our unemployed and underemployed people; therefore, we can't afford not to push forward the programs which would enable them to be fully participating members of the society. Properly structured and under the proper economic climate the private sector could solve most of these economic problems.

Money is not the problem. Well-designed programs are. Poor programs overfunded can push us backward, not forward. Redundant programs can put us in a thicket. Insistence on maintaining aggregate demand in the society by having the Federal Government supplement whatever the private sector does not spend can remove discipline from governmental programs to such an extent that poor and redundant programs proliferate and smother healthy growth. I think an examination of the present proliferation of welfare programs reveals that this is exactly what has occurred in recent years.

The report fails to properly analyze the frictional and structural and institutional unemployment created in recent years by automation. As during previous periods of rapid technological advancement there has been a great movement from rural areas to urban areas. There is a decline in agricultural employment and an increase in employment in other economic sectors. But even more significant perhaps is the shift from manufacturing into services and distribution. A shift from blue-collar workers to white-collar workers.

There likewise has been a marked increase in leisure time. The 40-hour week and the 8-hour day—less than 8 hours with the coffee break—and, what is coming about, the 11-month year. This can lead to a fallow 7th year—the sabbatical year. All of this is made possible by productivity increases. Furthermore, leisure time properly spent is recreational time which produces further productivity increases through increased health, lowered incidence of accidents, and increased quality of work.

The report fails to grapple with the basic problems of the core cities. Its misuse of the term "ghetto" illustrates how lacking in understanding it is. The report along with most of the present-day writings on the subject fails to define the basic terms used, i.e., "ghetto," "poverty," "white racism." A failure to define basic terms is the hallmark of sloppy scholarship.

Far from the stir within the core cities being depressing, it is exhilarating. Of course I am not referring to the surface activity which has come out in the recent years in the highly publicized demonstrations, riots, and lawlessness. The basic stir occurring is a dispersal of people who formerly had been crowded into small spaces. Much of what has been described as the deterioration of core cities is an expansion so people can have more elbow room. The core cities have declined in population and they are continuing to decline. The economic factors that lay behind the aberration which created the high rise in the core cities and the overcrowding; namely, mass production which depends upon many people coming to work and upon steam power are no longer with us. The private automobile as a basis of mass transportation and the development of electrical power now permit factories and mass endeavors to move out where there is elbow room, better air, and better scenery.

The nondescriptive and derogatory term "urban sprawl" used by these observers to describe this breath of progress illustrates vividly their lack of understanding what is really going on.

Furthermore, the report fails to note that within the past 4 years there has been a significant reversal of trends of the rural dweller, the former agriculturist, to go to the metroplex. In the past 4 years the movement of factories and economic endeavors to small towns has overcome the movement the other way and we will begin to see increasingly population increases in rural areas, continued decreases in

the core city areas and a more modest increase in the suburban areas of the metroplexes.

The report fails to discuss the basic fiscal economics of the big cities where the concentration of low-income persons (the proper term for the phenomena called the ghettos) occurs. A proper discussion involves a discussion of the real estate property tax. The real estate tax is the only significant tax on wealth employed in our society. The income tax and the excise tax, the transaction tax, are taxes on economic activity and must be considered in this light. A study of the tax on wealth is an economic revelation. As it has been used in our society by our cities and local governmental units such as school boards, it is of particular interest. It is a shame its study and the study of wealth itself has been neglected by our scholars in the last four decades.

A properly structured real estate tax applies a higher rate to undeveloped property than it does to developed property. This is in order to create an incentive to improve property. The tax on wealth itself is a stimulus to use property to gain an economic return. A good real estate tax depends upon a system of constant reappraisal. Corruption or inefficiency or obsolescence—or inflation of the dollar can cause great distortions in a good real estate tax.

A good real estate tax depends upon updated and properly conceived zoning laws—the essence of good local government itself. It depends upon up-to-date and efficient building codes—again an essential test of good local government.

A good real estate tax will never rely upon taxing the homes of people for more than 35 percent of its revenues, 65 percent at least must come from the real estate tax paid by economic ventures, manufacturing, commerce, finance, utilities, etc.

A good real estate tax today can bring in with ease all the revenues necessary to support education and other community facilities provided there is a modest reapportionment at the State level based upon transaction and income taxes to apportion additional funds to the areas of limited wealth from the areas of greater wealth. There is no need for national reapportionment as there are no poor States among the 50 States, measured in terms of wealth.

The most glaring omission in the report is the position that national labor unions play in coping with the problems of rapid technological advancement, particularly in increased frictional and structural unemployment. The national labor unions have taken the traditional position of fighting automation; of featherbedding; of sabotaging; instead of permitting and encouraging training and retraining and labor mobility to come about.

Our Federal tax laws have not been updated to keep pace with our rapid technological advancement and to a great extent they impede education, training, retraining, and the mobility of labor in moving out of obsolete skills into the skills in demand and moving geographically from areas where jobs have disappeared to the areas where the new jobs created go begging.

There is no discussion in the committee report or in the Kerner report of the role that organized labor plays in maintaining the status quo politically and economically in supporting the vested interests in the core of the big cities. Labor unions organized for political action tied in with big city political bosses control the governments of most of the large cities. These leaders resist proper zoning laws, the modern-

ization of building codes and honest and up-to-date real estate appraisal. They encourage welfare for welfare sake, particularly financed by taxes imposed by other authorities, State and Federal, where they can escape the responsibility for their imposition. They use welfare—just as in the days of Jane Addams at Hull House—to maintain their political power. They fight training and retraining programs unless they are oriented to apprenticeship training within the present jurisdictional structure of their organizations. They stick to the traditional guild system of passing skills from father to son even though this freezes out sizable portions of the unemployed and aggravates the problems of differences in race and culture.

I wish to again point out that the process of training and retraining is not the simplistic one of matching the unemployed with the newly created jobs going begging. The process is much more rational and complicated but, if understood, much easier to come up with the right answers to the problems created. The jobs going begging frequently require higher skills than those required to hold present jobs. A person with a good job must go to night school or have on-the-job training to take this job going begging. Thus leaving his job, which is a good job, to be filled by someone below him on the ladder of skills who likewise has to upgrade his skill by night school or on-the-job training. Somewhere along the ladder of skills are shunted in the unemployed and underemployed who likewise have to go through a training process. This is a lifetime system. Today a person has to train and retrain probably four or five times during his 45 years in the labor market to remain economically useful. Fifty years ago a skill learned could probably last a lifetime.

I regret that another attempt is made, in the introduction, to make the terms "maximum" and "full" employment appear to be synonymous. This robs the student of the fruitful dialog which occurred at the time the Employment Act of 1946 was enacted, over the differences implicit in these two terms. The term "maximum" was used to convey the idea that society through its governmental sector could do no more than create the economic climate which hopefully would attain full employment in the economic sector. The term "full", on the contrary, was used to convey the idea that Government could and therefore must guarantee employment for all. The concept of Government being the employer of last resort is a similar corruption of the meaning of terms. The term "employment" has implicit in it economic employment. Employer of the last resort has, of course, the connotation of "make-work", not of economically useful work. I think most people react unfavorably both to welfare as a way of life and "make-work" as a technique to make welfare as a way of life more palatable.

Welfare to help people get on their economic feet is not resented, on the other hand.

The basic question thus remains. Are there sufficient jobs to be filled, of the kind the people as we have them can fill? The evidence, I believe, shows that there are. Accordingly, there is no need for the pessimism and inhumanity which calls for guaranteed incomes or Government to be the employer of last resort. There is reason for optimism which calls for guaranteed opportunities for our people to be gainfully employed throughout their lifetime.

THOMAS B. CURTIS.

SUPPLEMENTARY VIEWS OF SENATOR JAVITS

I believe the committee has submitted what is, on the whole, a most useful summary of proposals in the field of manpower training and a needed call for action on the recommendations of the National Advisory Commission on Civil Disorders (hereafter referred to as the Commission).

If there is any problem with the report, it is that we hardly need yet another general statement of manpower needs. To those who, like myself, serve on the Senate Subcommittee on Employment, Manpower, and Poverty which has legislative jurisdiction over these matters, the need for action is already clear. Moreover, that subcommittee has also held extensive hearings on the employment recommendations of the Commission.

What we need to do now is to agree on specific legislative measures to implement these recommendations and on the question of specifics, the committee's report is somewhat lacking. In order to serve this need for specificity, I would like in these separate views to call attention to a set of proposals which has already been introduced to carry out the Commission's manpower proposals, in the hope that they might gain bipartisan support in the days ahead.

On March 28 of this year, Senator Prouty and I with 13 Republican Senators and Congressmen Goodell and Quie with 63 Republican Members of the House introduced the National Manpower Act of 1968. That act sought to put into legislative form many of the specific proposals of the Commission's report. Among the recommendations of that report which were implemented in our bill were: (1) consolidation and coordination of manpower activities at the local level; (2) a computer-based program to match job vacancies with jobless persons on a nationwide basis; (3) expanded efforts to create public service job opportunities; (4) increased opportunities for entrepreneurship in ghetto areas; (5) establishment of a national nonprofit corporation to coordinate government activities with private enterprise in the manpower area; and (6) provision of tax credits as an option to direct reimbursements to employers for hiring and training the hard-core unemployed.

Our bill sought specifically to deal with the problem of motivation raised by the committee and by the Commission report by suggesting a new approach in the creation of public service jobs. In the past, such jobs have often been in menial and dead-end occupations, with the result that they had little attraction to the slum resident to seek and to maintain employment in such a capacity. In our National Manpower Act of 1968 we suggested that such public service jobs be organized as much as possible through local, profit-making service companies. Hence, rather than the Government giving a grant to a city department to undertake neighborhood cleanup and rehabilitation programs, it would instead give a contract to a company owned and operated by the employees themselves (mainly from the slums)

with the possibility of an added profit feature if the contract were performed in a superior way. In this way, the employees are not only working but they own "a piece of the action," and, through their company can seek to sell their services on a competitive basis in the community at large. This approach has already proven successful in pilot projects around the country, and these local corporations have been characterized by very high employee retention rates.

Many of these provisions have been incorporated in a bipartisan measure which may be offered as an amendment to the Manpower Development and Training Act this year. This bill will give senators who are sympathetic to implementing the recommendations of the Commission a particular legislative vehicle to implement the reports of that Commission and this committee.

JACOB K. JAVITS.

SUPPLEMENTARY VIEWS OF REPRESENTATIVE RUMSFELD

INTRODUCTION

I commend the Joint Economic Committee for its valuable contribution in undertaking a first evaluation and review of this significant Commission report. The committee's 2 weeks of hearings represent a reproach of this administration which has proceeded to ignore the report and recommendations of the National Advisory Commission on Civil Disorders which it formed.

I am in substantial agreement with the committee's report. However, it is general in its analysis and wide ranging in its recommendations to the point that there is a danger of misinterpretation and misunderstanding. Within this framework I add these comments in several areas where I would have preferred the committee place different emphasis or attempt more specific analysis and conclusions.

ENRICHMENT VERSUS DISPERSAL

In its recommendations the committee report points out that the two approaches of inner-city revitalization and dispersal are not alternatives, but rather are complements. The discussion of this subject, however, seems to lend greater credence to the dispersal concept than I feel was justified on the basis of the testimony. Further, it does not reflect the strong testimony in support of the concept that raising the economic level of the poor in the inner city and developing the pride of accomplishment which will result from participation in the process, is a step which may have to occur first or during the process. One witness theorized that meaningful enrichment can be accomplished in a matter of years, while dispersal may be a matter of decades.

IMPROVING OPPORTUNITIES IN RURAL AREAS

The committee's report properly points out that one of the factors that has aggravated the problem of urban poverty has been the migration of the rural poor to the cities. The urban areas, with their promise of better employment, improved income opportunities, and higher welfare relief payments, have served as magnets to draw the disadvantaged from rural areas, particularly those of the South. There is some evidence that increasingly higher levels and broader coverage of the Federal minimum wage have closed some employment opportunities to southern Negroes, adding further stimulus to the migration. It is estimated that an average of 134,600 nonwhites annually have migrated from the South since 1940. While this average has been declining in the past several years, it can be expected that programs aimed at enriching central city areas could stimulate further migration.

In this context, the committee report recognizes that, in a very real sense, the rural poverty problems of today are the urban poverty

problems of tomorrow, and an effective program to improve the conditions and opportunities of the poor in the cities must be accompanied by measures aimed at improving life and employment for the rural disadvantaged as well.

The committee report, however, fails to specify a detailed solution. As a stimulant to this end, I include the specific recommendations of the minority members of the Joint Economic Committee in their views on the 1968 President's Economic Report:

RURAL DEVELOPMENT TO RELIEVE PRESSURE ON CITIES

A program to provide satisfying and self-fulfilling employment opportunities in rural areas and small towns should include—

- (a) economic incentives for the establishment of industries in those areas;
- (b) wherever possible, placing government establishments, both Federal and State, outside the large urban center;
- (c) awarding Government contracts in rural areas, wherever feasible;
- (d) stepping up conservation and recreation activities as a new source of employment for the rural unemployed;
- (e) providing rural workers employment and counseling services at least equal to those provided in our cities.

THE TAX CREDIT APPROACH

I believe that the tax credit approach to stimulate private sector employment training is needed to supplement the direct contract approach. I do not find the arguments of opponents, such as those listed in the committee report, convincing. The credit need not be set at 7 percent, and presumably the Internal Revenue Service could continually gather information on the use of the credit, as it does for other provisions of the tax code, and evaluate its success or failure in meeting the desired objectives.

As a cosponsor of the Human Investment Act, I feel, along with the National Advisory Commission, that its approach holds promise in stimulating on-the-job training and new job creation for the urban disadvantaged. The program would spur job training in the private sector by providing a tax credit to employers amounting to 10 percent of certain expenses of job training, including apprenticeship training, on-the-job training programs under the Manpower Development and Training Act, cooperative work-study programs, tuition refund programs, and expenses of organized group and classroom instruction.

THE UNION ROLE

The National Advisory Commission recommends that "Artificial barriers to employment and promotion must be removed by both public agencies and private employers." I agree, but feel that the report fails to deal with the effect of some labor union policies and practices on Negro employment. The hearings revealed that dis-

criminary union practices are a factor in denying employment opportunities to the hard-core unemployed.

The testimony we heard cast no reflection on the dedication of some labor union leadership to the principle of equal opportunity for employment. It did, however, indicate that too little actual progress has been made in opening up apprenticeship opportunities to Negroes. Whether the problem is overt discrimination, artificial hiring and membership standards, discriminatory occupational tests, or one-dimensional training procedures, unions must increase and speed up efforts to eliminate the misuse of the apprenticeship and craft system to deny employment opportunities to the disadvantaged. Without the active participation by unions at the local level, the hard-core unemployed will still find substantial, discriminatory barriers to their efforts to obtain effective training and meaningful employment.

CONCLUSION

These hearings, useful as they were as the first effort specifically devoted to studying the work of the Commission, still only provide the beginnings for the in-depth study and analysis that the Advisory Commission's report deserves, and, indeed, demands. The hearings raised a good many more questions than they answered. Substantially more effort will be required before this Nation solves the urgent problems facing it today. I hope and urge that other congressional committees look at the aspects of the Commission report appropriate to their jurisdictions so that the Congress will be able to thoughtfully, precisely, and responsibly deal with any conditions that may cause civil disorders. While I do not fully agree with all of the recommendations of the Commission's report, I do feel that their findings, conclusions, and recommendations merit the prompt attention of the Congress and the Nation. This Nation cannot afford to ignore, minimize, or misunderstand the causes of civil disorders of the number and gravity which have swept across the United States in recent years.

There can be no excuse or justification for the administration's continued silence on this report and the problem area with which it deals. The 91st Congress must aggressively face these problems.

DONALD RUMSFELD.

