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MATERIAL PREPARED FOR SECRETARY OF LABOR JOHN DUNLOP'S
SESSIONS WITH THE PRESS

<u>No.</u>	<u>Date</u>	<u>Subject</u>
1	1/28/75	<u>Construction Industry</u> - Paper entitled "A Framework for Labor-Management-Government Discussions in the Construction Industry in 1975"
2	4/2/75	<u>Unemployment</u> - Paper entitled "Behind the Aggregate Unemployment Rate - The Importance of Structure"
3	4/9/75	<u>Unemployment Insurance</u> - Paper entitled 'The Federal-State Unemployment Insurance Program'
4.	4/9/75	<u>Department of Labor</u> - Paper entitled "Purposes of the Labor Department"
5	4/15/75	<u>Job Losers</u> - Memorandum entitled "Job Losers in the Current Recession" with Additional Paper entitled "Further Comments on Job Losers (4/30/75)"
6	4/23/75	<u>European Labor</u> - Paper entitled 'The Labor Force and Labor Problems in Europe, 1920-1970"
7	5/12/75	<u>Trade Act of 1974</u> - Memorandum for the Secretary on Trade Adjustment Assistance for Workers
8	5/13/75	<u>Refugees</u> - Paper entitled 'Department of Labor Participation in Indochina Refugee Program"
9	5/16/75	<u>Job Leavers, Reentrants, and New Entrants</u> - Memorandum for the Secretary on Analysis of Counterparts to Job Losers: Job Leavers, Reentrants and New Entrants
10	5/25/75	<u>Youth</u> - Paper entitled "Youth Education and Labor Market Facts"





January 28, 1975

A Framework for Labor-Management-Government
Discussions in the Construction Industry
in 1975

I

In accordance with the recommendations of the President's Labor-Management Committee, the prospect of a continuing joint labor-management committee in construction has been explored systemically during the past three months. It is now recommended that the President establish by executive order a joint labor-management committee for construction. The standard national labor organizations and the national contractor associations engaged in collective bargaining in the industry are prepared to participate and work on the problems of the industry in such a framework.

The purposes of the construction labor-management committee are to make recommendations to the Economic Policy Board and the President with respect to policies for labor and management in the industry that will permit free and responsible collective bargaining, industry peace, sound wage and price policies, increased productivity, and related manpower policies, and such other matters that will contribute to the longer-run economic well-being of the industry and the economy.

II

The construction labor-management committee, referred to below as the National Joint Committee, shall undertake the following activities to improve the performance of collective bargaining in the construction industry:

- (1) The local parties to collective bargaining should be advised that the national unions and the national contractor associations with members engaged in collective bargaining intend to maintain a National Joint Committee, meeting regularly through the year 1975, to facilitate the collective bargaining process at local and area levels, to assist each other in providing information,



and to encourage the peaceful negotiation of local and area agreements, whether formally coordinated or not.

This National Joint Committee seeks to facilitate local coordinated bargaining and larger area bargaining where appropriate, recognizing that this approach is not universally applicable, at least not for the present. Moreover, there are vast differences in the procedures for coordination and the area appropriate to coordinated collective bargaining.

(2) This National Joint Committee will maintain a close working relationship with the national office of the Federal Mediation and Conciliation Service to facilitate the resolution of disputes in local collective bargaining through the mediation process.

(3) The national unions and the national contractor associations (and their two coordinating bodies, the Building and Construction Trades Department and the Council of Construction Employers) intend to maintain, with the assistance of the government, the central computer file of wage and fringe benefit data in order to make such information readily available to local parties and to facilitate discussion of locality and area problems. The national parties, likewise, intend to develop, with the assistance of the government, a central data file of manpower requirements and availabilities by major areas of the country.

(4) The National Joint Committee intends to invite to Washington from certain key areas the representatives of local unions and contractor associations to engage in discussions of local negotiating problems, seeking to facilitate a framework in which local settlements can be constructively developed and coordinated bargaining facilitated if appropriate.

(5) This National Joint Committee believes that a Coordinating Committee of federal government agencies should be promptly established, to begin to serve as an



Office of Construction, to facilitate relations with the federal government on many matters, to coordinate diverse activities and to simplify communications and discussions of policy issues.

(6) The National Joint Committee should formally adopt this statement and promulgate it to all local unions and contractors and local contractor associations.

(7) It may be that it is timely for labor and management to explore a wider range of common interests such as their concern with unreasonable environmental constraints, means to provide a greater continuing volume of housing and construction, and to establish a more viable and practical legal framework for collective bargaining.

III

The following statement is addressed to parties in the construction industry engaged in collective bargaining negotiations in 1975.

The Collective Bargaining Environment

The events of 1974 produced in the construction industry internal distortions, tensions and an environment of uncertainty that constitute an unusually complex and apprehensive setting for local collective bargaining over the terms of the 3500 agreements which are scheduled to expire and be renegotiated in 1975. In many instances local parties are now seeking suggestions and guidance from their respective national organizations. It would be constructive if a common framework for local negotiations and other problems of the industry could be adopted.

Work stoppages, which had been reduced from the high 1970 level of one out of three negotiations to one out of twenty-five negotiations in 1973, increased sharply in 1974 to one out of ten negotiations. The duration of work stoppages which had been markedly reduced also rebounded. Wage relationships among crafts in localities and among contiguous areas were in good balance generally by the start



of 1974, but serious distortions have already emerged again as some crafts and localities have pushed markedly ahead in 1974 negotiations.

The 1974 record is not a distinguished one for free collective bargaining and encourages those who would seek to impose a permanent system of controls on construction.

Housing starts are running at an annual rate of less than a million units, down from 2.4 million units in 1972 and 2.1 million units in 1973; apartment units nationally are down 75 percent from their peak compared to a much smaller decline in single family homes. Capital spending of utilities and industrial plants has been slashed in recent months, casting uncertainty over what had been generally regarded as an optimistic outlook for industrial construction. Unemployment nationally in construction for November 1974, seasonally adjusted, was 11.8 percent compared to 7.6 percent a year earlier, almost twice the general national rate. The cost-of-living is still rising at a substantial rate.

National figures do not well reflect the full construction picture, since there is vast dispersion and variability among localities, regions, branches of the industry, crafts and contractors. Some are relatively slightly affected by the economic downturn, while others are in depressed conditions. Moreover, the economic outlook is highly variable and uncertain for the diverse groups which constitute the amorphous, yet interdependent, construction industry.

This harsh environment, and its uncertain prospects, constitutes a most difficult setting for collective bargaining in 1975 and contains the foretaste of greater industrial relations strife, more serious distortions in wage relationships that will plague the industry for years, and abandonment of a number of constructive collective bargaining steps taken in recent years by local parties to improve the geographical and craft wage structure, the procedures for collective bargaining, dispute settlement and productivity.



The 1975 collective bargaining setting constitutes a major challenge to the leaders of labor organizations and contractor groups to look to their longer run interests rather than to press immediate and short run interests to the hilt, depending on which has the temporary advantage or upper hand.

Procedural Suggestions

In the environment of 1975 it is most important that local parties avoid unnecessary work stoppages so far as possible which will tend to enhance unemployment for workers and decrease business returns for contractors directly involved, and for numerous other workers and contractors who are always indirectly affected by a work stoppage. Owners and buyers of construction services need every encouragement to make construction commitments, and a period of constructive industrial peace will facilitate construction jobs and construction contracts.

(1) Local parties should avail themselves of every machinery to resolve their collective bargaining disputes. In some branches of the industry national machinery, such as industry councils, are available. In other branches, craft boards have been maintained and are available to secure settlement. In all cases the Federal Mediation and Conciliation Service is available to facilitate these national procedures.

(2) Coordinated local bargaining among the local unions and contractor associations, with a common expiration date wherever possible, is a development which experience has shown to be generally constructive in the industry. The feasibility and appropriateness of coordinated bargaining should be explored in each area, although it may be inappropriate or premature in some localities. In such coordinated negotiations increased standardization of many general working conditions which are common to various trades and contractors, such as hours of work, is appropriate.

(3) The expansion of the geographical area of collective bargaining which has been going on in recent years



should also be explored, appropriate to each area or state. In some cases various wage zones may be appropriately included in this expansion with standardization of conditions over a number of wage zones.

(4) The local parties, in coordinated bargaining or otherwise, need to give consideration to the arrangements that have been found mutually helpful in a number of areas to establish separate wage rate schedules, and working rules in some respects as well, for particular branches of construction such as heavy and highway construction and housing construction.

(5) Early negotiations, and prenegotiation conferences, can be used to avoid extreme positions, to secure reliable data and to enhance the prospects of settlement. The suggestions for coordinated local bargaining, expansion of geographical areas and the establishment of separate wage schedules and conditions for particular types of construction, as appropriate, require considerable time to explore. These discussions should be begun at the earliest possible date.

Substantive Suggestions

In the environment of 1975, with diverse conditions among localities, branches and crafts in the industry, no nationwide single pattern-making settlement, wage standard or formula is appropriate. Rather, groups of local parties should consider such factors as the following: the longer term relationship of wages of each craft and locality to those of comparable crafts and localities or regions, the desirability of longer term areawide standardization and contract expiration dates, the prospects for work volume and the type of work, and rising living costs, work rules and productivity.

(1) Step increases in multiple-year agreements or annual agreements have been the historical way in this industry for compensating for rising living costs.



(2) The parties to pension plans should review carefully the impact of the new pension legislation on their pension benefits and financial obligations. It may take a period to be clear on these matters until regulations have been issued and administrative rulings, and on some issues, until court decisions are rendered. The national parties are working together on this range of questions.

(3) The parties are encouraged to make a careful survey of the volume of work in their areas by type of construction and to develop reliable information on the extent to which the proportion of work by type is currently performed under collective bargaining agreements and the way this proportion has changed over the past decade.

(4) The productivity of construction operations is a matter of common interest to be explored by the local parties.



April 2, 1975
John T. Dunlop

BEHIND THE AGGREGATE UNEMPLOYMENT RATE --

The Importance of Structure

It is important to recognize that the aggregate unemployment measure reflects not merely general developments in the society and economy, but also separate developments in individual groups and regions. In this regard, the structure of unemployment is more informative and useful for private and public policies than any single aggregate number. Moreover, the structure of unemployment tends to change over the course of cyclical economic activity as well as over the longer term of a decade or two.

In dealing with this subject, this memorandum is divided in three parts. The first presents an overview of cyclical and trend effects for demographic and geographical groupings. The second suggests the effect of selected policies on unemployment at the disaggregated level and points out that specific policies may be focused upon particular groups. The third part emphasizes the magnitude of flows in and out of the labor force.

I. Demographic and Geographic Changes in the Structure of Unemployment

Demographic Changes

Table 1 presents data on unemployment for various age, race and sex groups for selected years beginning in 1958 and ending with the seasonally adjusted figures for February 1975. (Many other cohorts or groupings could be selected.) The particular years chosen provide a perspective on the experience of past recessions and allow an analysis of longer-run structural trends.

The pattern of unemployment by demographic group is quite mixed. Adult males have experienced a lower unemployment rate in this recession relative to the entire population. Part of this change is due to a decline in the labor force participation



of those adult males whose unemployment rates have been among the highest. Adult female unemployment has risen relatively in this recession, especially among white women, whose labor force participation has increased appreciably over the years. (The participation rate of white women increased from 35.5 to 44.4 percent in the period 1958 to 1974. There was virtually no increase among women of other races.) Teenage unemployment, especially among blacks, has jumped rapidly.

Geographical Distribution

Table 2 lists some statistics on the distribution of unemployment across the 9 major regions defined by the Bureau of the Census. Column three indicates the coefficient of variation, a measure of the relative dispersion of unemployment; higher values of this statistic indicate greater dispersion. Historically, regional dispersion decreases during recession, and it is likely that data for 1975, when they become available, will show less dispersion than in 1973. Although a cyclical decline in dispersion is expected, there has also been a trend toward increased regional dispersion of unemployment over the last 15 years. A comparison of 1963 and 1973, two years when average unemployment rates were roughly equal, shows much greater dispersion in the latter year. Regions with high unemployment, especially New England, the Mid-Atlantic states and the Pacific Northwest, have borne an increasing share of the nation's unemployment since the early 1960's.

Thus, more attention properly could be focused on the structure of unemployment with a brief table identifying key groups or cohorts accompanying discussions of the aggregate level of unemployment. Table 3 is illustrative for February 1975 (seasonally adjusted) with comparisons made for earlier years.

II. The Effect of Some General Policies on the Structure of Unemployment

How can a disaggregated approach to the unemployment problem contribute to economic policy? The models used by



economic forecasters are capable of producing estimates of the likely impact of various tax and expenditure policies on the aggregate unemployment rate. Similarly, they can tell us what effect any particular monetary policy change may have on aggregate behavior. However, they do not ordinarily tell us how these changes will affect the various demographic groups and local labor forces that make up the total civilian labor force.

Personal Income Tax Reduction

As an example, consider a cut in personal income taxes of \$10 billion. The best estimates suggest that this would create 600,000 new jobs within one year after its enactment; it means that the total unemployment rate would be lowered by 0.7 percentage points from what it otherwise would have been. Nevertheless, the forecast tells us nothing about the groups or regions that would benefit particularly from the job creation.

A tax reduction in one form may stimulate relatively more consumer durables and housing while in another form the influence may be greater on non-durables. Each of these patterns may influence employment differently in various occupations, industries and regions of the country.

Public Service Employment

Job creation through expanded public service employment is another general policy whose direct effects on aggregate unemployment can be predicted by general models. Each \$1 billion of additional spending on public service employment is estimated to fund slightly over 100,000 jobs. Moreover, a program that shares revenue nearly evenly among the many state and local government units would affect unemployment rates across regions more or less uniformly. Changes in unemployment by occupation and age-race-sex groups would not be so even, however.

Experience under the Emergency Employment Act of 1971 shows that the public service jobs created were filled disproportionately by more educated members of the unemployed



population. Public Service Employment is also likely to have a greater effect on adult unemployment than on the unemployment of youths. Moreover, to the extent public service employment is used to recall public employees recently laid off, it offsets favorable effects on other industries. Table 4 shows that public employees currently have the lowest unemployment rate of any major industrial group; additional spending on public service employment would to this extent tend to reduce unemployment in an industry where it is already relatively low.

Investment Tax Credit Increase

Increasing the investment tax credit is another general economic stimulus that will lower the aggregate unemployment rate. Here too, the direct effects will focus on certain industries, localities and age-race-sex groups. Employment in capital goods industries, directly increased by this policy, is centered among adult males and in the North Central and Mid-Atlantic regions. The direct effects of the increase in capital goods spending generated by the higher investment tax credit will not aid those workers, teenagers and some adult women, whose employment is concentrated more in the service industries than in the goods producing industries. Their employment will eventually benefit from the multiplier effects of spending generated by this policy, but with a substantial lag.

Summary

As these three examples show, general macroeconomic measures have different effects on unemployment by region, demographic group and industry, and these effects vary further with the specific policy followed. There is no question that all the policies discussed can reduce the total unemployment rate, but attention needs to be directed to their impacts on the structure of unemployment as well.

Further, in some instances it may be appropriate to direct particular economic or social policies to particular groups of the unemployed. Thus, the problems of youth unemployment may be approached by special summer youth programs or by more long-term measures designed to improve the transition between school and work. The unemployment problems of this group may be as much a function of the educational system as the labor market.



III Flows in the Labor Force

Table 5 presents recent data in which the non-institutional population is subdivided into its component parts: the armed forces, the civilian employed and unemployed (the civilian labor force), and those outside the labor force. The Table shows that changes in employment and unemployment need not be made up of equal and opposite movements. Thus, comparing October 1973 to the average of 1974, unemployment rose by 1,313,000 while employment stayed essentially unchanged.

The third row from the bottom in Table 5 shows the net changes in the components of the population by employment status. These net changes represent only a tiny fraction of each component, and result from gross flows of people into and out of the labor force, between employment and unemployment. The last two rows present some estimates of the magnitude of these flows. (Because the flow data are not calculated on a regular basis, these are only estimates, but they do reflect the size of current flows that would have occurred in a typical one-month period, based on the average experience between 1967 and 1972.) The net change in the labor force between January and February was a decrease of 236,000; an estimated 4,673,000 people left the labor force, while 4,437,000 entered. Table 5 shows that substantial numbers of people enter or leave the labor force each month, even though only a small net change in the size of the labor force results.



TABLE 1

**Civilian Unemployment Rates, Total
and by Age, Race and Sex**

Year	ALL	<u>White</u>			<u>Negro and Other Races</u>		
		Men20+	Women20+	Teenagers	Men20+	Women20+	Teenagers
1958	6.8	5.5	5.6	14.4	12.7	9.5	27.4
1961	6.7	5.1	5.7	15.3	11.7	10.6	27.7
1965	4.5	2.9	4.0	13.4	6.0	7.5	26.5
1969	3.5	1.9	3.4	10.7	3.7	5.8	24.1
1972	5.6	3.6	4.9	14.2	6.8	8.8	33.5
1973	4.9	2.9	4.3	12.6	5.7	8.2	30.2
1974	5.6	3.5	5.0	14.0	6.8	8.4	32.9
Feb 1975 (seasonally adjusted)	8.2	5.6	7.6	17.5	11.1	10.9	36.7

Source: Bureau of Labor Statistics



TABLE 2

Dispersion of Unemployment Across 9 Regions
of the United States, 1961-1973

Year	Mean Unemployment Rate (1)	Standard deviation of Employment rates (2)	Coefficient of variation (1)-(2)
1961 ...	6.34	.981	.155
1962 ...	5.33	.894	.168
1963 ...	5.64	.872	.154
1964 ...	5.21	.769	.148
1965 ...	4.65	1.015	.218
1966 ...	3.89	.831	.214
1967 ...	3.89	.953	.245
1968 ...	3.64	.823	.226
1969 ...	3.54	.772	.218
1970 ...	5.00	1.065	.213
1971 ...	5.88	1.341	.228
1972 ...	5.53	1.192	.215
1973 ...	4.93	1.041	.211

Source: Monthly Labor Review, March 1975, p. 5.



TABLE 3

Civilian Unemployment Rates



	1958	'61	'65	'69	'72	'73	'74	Oct. 1973	Feb. 1975
Aggregate Unemployment Rate	6.8	6.7	4.5	3.5	5.6	4.9	5.6	4.6	8.2
Adult Men 20+	6.2	5.7	3.2	2.1	4.0	3.2	3.8	3.0	6.2
Adult Women 20+	6.1	6.3	4.5	3.7	5.4	4.8	5.5	4.5	8.1
Teenagers	15.9	16.8	14.8	12.2	16.2	14.5	16.0	14.1	19.9
Household Heads	NC	NC	2.8	1.8	3.3	2.9	3.3	2.7	5.4
Full Time Workers	NC	NC	4.2	3.1	5.1	4.3	5.1	4.1	7.5
White Workers	6.1	6.0	4.1	3.1	5.0	4.3	5.0	4.1	7.4
Black Workers	12.6	12.4	8.1	6.4	10.0	8.9	9.9	8.4	13.5
Average Duration in Weeks	13.9	15.6	11.8	7.9	12.0	10.0	9.7	10.1	11.7
Insured Unemployment Rate	6.4	5.6	3.0	2.1	3.5	2.7	3.6	2.7	5.9

NC denotes that the series was not collected in that year.

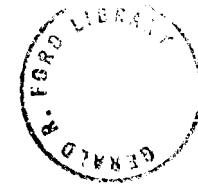


TABLE 4
Unemployment Rates by Industry

Industry	Mining	Construction	Manufacturing	Transportation and Public Utilities	Wholesale and Retail Trade	Finance and Services	Government
Year							
1958	11.0	15.3	9.3	6.1	6.8	5.1	2.5
1961	11.1	15.7	7.8	5.3	7.3	5.5	2.5
1965	5.4	10.1	4.0	2.9	5.0	4.1	1.9
1969	2.9	6.0	3.3	2.2	4.1	3.2	1.9
1972	3.2	10.3	5.6	3.5	6.4	4.8	2.9
1973	2.9	8.8	4.3	3.0	5.6	4.3	2.7
1974	2.9	10.6	5.7	3.2	6.4	4.6	3.0
Feb 1975 (seasonally adjusted)	4.8	15.9	11.0	5.2	8.0	6.5	3.6

Source: Bureau of Labor Statistics

TABLE 5

Labor Force Components (in thousands)

Non-Institutional = Armed Forces + Employed+Unemployed + Outside Labor
 Population (Civilian Labor Force)
 (16 years and over) Force

Oct. 1973 $149,000 = 2,289 + 85,994 + 3,763 + 56,955$
 (4.6%)^a

1974 $150,827 = 2,228 + 85,936 + 5,076 + 57,587$
 (5.6%)

Jan. 1975 $152,230 = 2,193 + 82,969 + 8,180 + 58,888$
 (8.2%)

Feb. 1975 $152,445 = 2,199 + 82,604 + 8,309 + 59,333$
 (8.2%)

Net change 215 = 6 - 365 + 129 + 445
 (Jan. to Feb.)

Gross flows (Jan. to Feb.)^b
 Into labor force +4,437
 Out of labor force -4,673

a. All unemployment rates are seasonally adjusted.

b. Estimated from R. Smith, "The Discouraged Worker in a Full Employment Economy," Urban Institute Working Paper 350-62; and Bureau of Labor Statistics, various publications.



The Federal-State Unemployment Insurance Program

Origins of the System

The cornerstone of unemployment insurance in the United States was laid by the enactment of the Social Security Act in 1935, which imposed a payroll tax on all employers having eight or more employees in services covered by the law. However, 90% of this tax could be offset if the employer paid unemployment insurance taxes under a State law meeting certain general standards. It also provided for Federal grants to the States for the total cost of administering unemployment insurance laws if certain general statutory and administrative standards were met. These inducements were strong enough to bring about the enactment of unemployment insurance laws in every State, the District of Columbia, Alaska, and Hawaii before July 1937. This August, the Federal-State Unemployment Insurance System will celebrate its 40th anniversary--the oldest and largest of the various programs of benefits for the unemployed.

Impact on the Individual and the Economy

The Unemployment Insurance System provides an orderly way of meeting the cost of unemployment to the individual and the community. The key to its effectiveness is its underlying concept that a worker who has demonstrated his recent labor force attachment by working in covered employment has accumulated an earned legal right to compensation for his wage loss when he is involuntarily unemployed. That right is made contingent only on relatively objective tests concerning the facts of his work separation, his unemployment and his continued labor force attachment. While the entire program is premised on the assumption that generally workers depend on their wages to maintain their living standard and need income maintenance when they become unemployed and suffer a wage loss, consideration of individual need is scrupulously avoided.



By providing the purchasing power to the unemployed worker, unemployment insurance serves as another built-in stabilizer in the economy. Dollars that are paid to claimants--not subject to Federal income tax--are quickly spent.

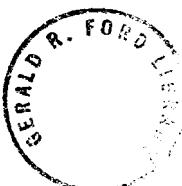
In 1970 \$3.8 billion were paid out in benefits.
In 1971 \$5.0 billion were paid out in benefits.
In 1972 \$4.5 billion were paid out in benefits.
In 1973 \$4.0 billion were paid out in benefits.
In 1974 \$6.0 billion were paid out in benefits.
In 1975 \$20.0 billion are estimated to be paid

As a result, both workers and their communities have learned that, when unemployment occurs, they can count on the unemployment insurance system to provide wage replacement income, and to do so almost automatically. The protection provided by the program sustains the morale and conserves the skills and standards of living of those who become unemployed by enabling them to meet their essential expenses for a reasonable period until they are able to obtain suitable work. By facilitating effective organization of the labor market, the program helps preserve individual skills and earning power, promote maximum utilization of the labor force, and maintain national productivity. By maintaining essential consumer purchasing power, on which production plans are based, the program provides a stabilizing influence during downturns in business activity.

Claims Process

To apply for benefits an unemployed worker must go to the nearest public employment office, register for work and file a claim for unemployment insurance benefits. He must continue to report to the local employment office as directed, usually weekly, to file continued claims for unemployment benefits and to demonstrate his availability for work and ability to work. In some States, many of these continued claims may be submitted by mail.

In most States the first completed week for which the claimant files in a benefit year is an uncompensated waiting period, and benefits are paid beginning with the second week. After the claimant completes his second week of unemployment, his claim for that week is processed and ordinarily he would receive his first



check during or soon after the third week. Of course, in periods of high claims loads, such as we are now experiencing, the delay may be somewhat longer.

Pursuant to the requirement of the Social Security Act that benefit payments be made when due, the Department has established guidelines for promptness. The criterion is based on the percentage of first benefit payments made within 14 days of the end of the first compensable week. The percentage has been set at 86 for intrastate claims and 67 for interstate claims. Benefit payment promptness declined sharply in recent months due to the unprecedented rise in claims load activities. Between November and January 2.3 million new claimants came into the local unemployment compensation offices.

Table 1 illustrates the decline in benefit payment promptness. In January 1975 only 67 percent of intrastate benefit payments were made within 14 days as compared with 80 percent during the July-September 1974 quarter and 78 percent in January 1974. The February 1975 average was much the same, 66 percent. Not in all States was intrastate benefit payment promptness adversely effected. In 12 States the January 1975 percentage was good as or better than the July-September 1974 figure and in 8 States it was less by no more than 5 percentage points. The performance decline was more widespread in the processing of interstate benefit payments. Only 13 States in January 1975 were able to stay reasonably close to this July-September 1974 performance. In the case of interstate claims, the delay--as the 1974 figures indicate--is of long standing. The current heavy unemployment has only aggravated it.

Claims Activities

Today, the Federal-State Unemployment Insurance System is meeting the most significant challenge it has undergone since its inception. Six-and-a-half million jobless American workers look to the unemployment insurance system each week for income maintenance. That figure is up from just over 2 million six months ago and from 2-and-a-half million a year ago. Benefit payments have increased from \$4 billion in 1973 to an estimate of almost \$20 billion in 1975. Table 2 illustrates the tremendous growth of the program from 1973 to the present and what our estimates are that it will be for all of 1975 and 1976.



The charts on initial claims (Chart 1) and insured unemployment (Chart 2) demonstrate pointedly the increase in unemployment during the entire fiscal year, and especially the upswing that began in October. Although the charts reflect a reduced level of insured unemployment and claims activities in recent weeks, there is no expectation that these levels will retreat any time soon to what they were during the past two fiscal years.

Financing the Program

The program is financed by both Federal and State payroll taxes levied on employers. In a few States employees also contribute. A covered employer is subject to a nominal Federal tax of 3.2 percent on the first \$4,200* of each worker's wages. However, an employer may receive a 2.7 percent credit as an off-set against the Federal tax not only for the State taxes he paid under an approved State law but also for any tax forgiven under a State experience rating system. (A device which provides for varying an employer's State tax rate in accordance with his experience.) The net 0.5 percent Federal tax paid by the employer is used entirely for Federal expenditures in connection with the entire administrative costs, both Federal and State, of operating the unemployment insurance system and the major share of employment service costs; one-half of the benefits payable under the permanent program for extended benefits; all of the benefits payable under the temporary Federal Supplemental Benefits program; and establishment of a loan fund providing non-interest bearing, repayable advances to States with insufficient reserves to continue paying benefits.

State unemployment taxes are established by State legislatures and vary considerably from State to State. Even within a State, employers are generally assigned a variety of rates based on their

*The current tax base represented approximately 52 percent of total wages when it was enacted in 1972 and about 49 percent in 1974. When the program began, all wages were taxable. When a \$3,000 limit on taxable wages was enacted in 1939, this represented 93 percent of total wages.



own experience with unemployment and the condition of the State fund. State revenues are used to finance the total costs for regular benefits and one-half the costs of benefits under the permanent program for extended benefits.

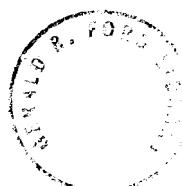
Currently, because of inflation and very high unemployment, the reserve funds of a number of States are in financial difficulty. To permit the continuation of benefit payments under these circumstances, interest-free loans are available from the Federal unemployment account (loan fund) in the Federal Unemployment Trust Fund.

At the present time there are 7 States and Puerto Rico (see Table 3) that have exhausted their benefit reserves and received Federal advances. In addition, there are approximately 30 other States whose reserves and current revenue may not be adequate to meet the benefit costs between now and December 1976. If a number of these States do, in fact, have to borrow, the present loan fund balance will be insufficient to meet the requests. Consequently, the President has requested a supplemental appropriation of a \$5 billion advance from general revenues, subject to later repayment. At a Congressional hearing in February it was also made clear that additional advances would have to be requested in 1976 not only to replenish the loan fund but also to pay the Federal costs incurred in the various extended benefit programs and the costs of the Special Unemployment Assistance program.

Temporary Programs

There are two temporary programs now in place to fill gaps created by deficiencies in the regular program. One of these is the Federal Supplemental Benefits program and the other is the Special Unemployment Assistance program.

Since 1970, the permanent system has included the Federal-State extended benefit program which provides a 50 percent increase in benefit duration, up to a maximum of 13 additional weeks, during periods of high unemployment.



The added weeks are financed equally from Federal and State funds and the program becomes operative upon automatic triggering features for individual States and on a nationwide basis. The program triggers on in any State when insured unemployment reaches 4.5 percent, or at 4 percent, if that level is 20 percent above the corresponding period in the past 2 years. It also triggers on a nationwide basis when insured unemployment for the Nation reaches 4.5 percent for 3 consecutive months. Since 1970 the national trigger has been on twice with the latest occurring in February 1975. In addition, at no time since its enactment, has there been a period when at least one State has not been paying extended benefits.

Federal Supplemental Benefits

The need for additional extended duration (beyond the duration of the permanent regular and extended benefits programs mentioned above) during periods of substantial unemployment has been recognized by the enactment of temporary programs in 1971 and again in 1974. The enactment last year of P.L. 93-572 provided Federal Supplemental Benefits (FSB) equal to one-half the claimant's basic entitlement up to a maximum of 13 additional weeks, was further modified in the Tax Reform Act this year to provide 13 additional weeks until June 30, 1975. This program uses the same triggers as the permanent extended benefit program. As a result of this enactment, a worker, who qualified for at least 26 weeks under the basic State program, may now receive a total of 65 weeks of regular State, Federal-State extended, and Federal Supplemental Benefits. The President announced on April 4, 1975, that he will recommend continuation of this total through December 31, 1976, subject to dephasing trigger levels that will continue its application, as overall unemployment recedes, to States and areas where unemployment remains high.

Special Unemployment Assistance

The Special Unemployment Assistance (SUA) program, which is scheduled under the existing legislation to end December 31, 1975, provides benefits to unemployed workers with prior labor force attachment, but who are not eligible under a State or Federal unemployment



insurance law. This program applies to some 12 million jobs not previously covered by permanent programs. Such uncovered workers are generally those formerly employed in State or local government, agriculture and domestic service. The weekly benefit amount and duration of payments to claimants under the SUA program are mandated to be the same as under the applicable State law, except that no claimant may receive more than 26 weeks of benefits. The President has already proposed extension of this program through calendar year 1976 as well as an increase in the maximum duration of benefits it provides, from 26 to 39 weeks. This program would also be subject to dephasing triggers.

Evaluating the Program

On the basis of our recent experience, this is an appropriate occasion to review certain key features of the UI system, especially with respect to the adequacy of its coverage and duration provisions. The need for such an evaluation can be substantiated by the enactment of two temporary programs less than four months ago and the expansion of one of them within 3 months of enactment.

Coverage

The enactment of the Emergency Jobs and Unemployment Assistance Act recognized that a worker who loses a job that is not covered is no less vulnerable to unemployment than a worker laid off from a covered job. Although there is widespread acceptance of the principle of universal coverage for all workers who work for wages, there are still approximately 12 million workers who are not protected. Since the original Act in 1935, coverage has been expanded significantly on only two occasions -- 1954 and 1970. The majority of those still not covered are employed as farm workers (1.2 million), domestics (1.5 million), or by a State or local government agency (8.3 million). Currently, these workers are covered by the Special Unemployment Assistance program. When that program finally comes to an end, they will again be unprotected unless our permanent legislation is revised to provide them with coverage.



Duration

The continued enactment of temporary measures to deal with long-term unemployment and the constant revision of the trigger mechanism under the permanent program for extended benefits indicates strongly that a more permanent solution to the problem must be found. There seems to be general agreement on the need for revision of the extended benefit trigger. There is also support, in some quarters, for accompanying this with improvements in regular duration provisions.

Maximum Weekly Benefits

Under most State laws, claimants who qualify below the maximum benefit level receive approximately 50 percent of their usual wages in benefits that are not subject to Federal income tax. The same cannot be said, however, of claimants who receive the maximum weekly benefit. When over half the number of claimants in a State are eligible for the maximum benefit payable, as is true now in several States, the majority of those claimants are not getting a 50 percent replacement of their wage loss before taxes. In order to insure that most workers receive at least 50 percent of their lost wages in benefits, the ceiling on benefits would have to be raised.

Financing

We need to look at both an immediate and long-range need to improve financing arrangements to meet the obligations of the program to provide benefits and meet the cost of administration of its provisions. Such increases are essential to preserve the insurance principle in financing unemployment compensation. The immediate need for advances from general revenues has already been mentioned. However, these advances must be paid back and current revenues are inadequate not only to repay the advances but also to meet the projected increases in the costs of the program over the next ten years.



PROMPTNESS OF BENEFIT PAYMENTS

TABLE I

PROMPTNESS OF BENEFIT PAYMENTS

TABLE S

	JUL-SEP'74		(49 STATES)		(40 STATES)		JAN '74	
	INTRA	INTER	INTRA	INTER	INTRA	INTER	JAN '75	72B '75
United States	80	41	67	33	66	28	78	44
Alabama	64	44	60	25	65	25	61	27
Alaska	72	52	64	24	48	14	72	34
Arizona	90	55	81	49	69	35	74	63
Arkansas	91	74	82	—	78	50	85	65
California	92	24	—	—	—	—	90	30
Colorado	68	10	54	3	45	6	54	1
Connecticut	74	1	79	10	—	—	84	8
Delaware	90	65	59	38	—	—	73	82
Dist. of Col.	85	53	87	44	81	35	81	9
Florida	90	74	71	54	86	50	74	74
Georgia	74	61	75	52	50	49	35	15
Hawaii	64	40	54	28	62	27	67	29
Idaho	93	45	41	58	81	41	91	43
Illinois	68	36	62	23	—	—	77	42
Indiana	90	51	81	38	—	—	84	30
Iowa	80	54	84	60	—	—	87	58
Kansas	94	77	71	75	86	67	92	72
Kentucky	50	26	20	1	31	3	49	7
Louisiana	75	60	44	16	73	59	80	71
Maine	86	36	72	28	72	17	78	44
Maryland	81	33	—	—	—	—	65	21
Massachusetts	72	10	56	44	—	—	63	17
Michigan	86	7	—	—	79	2	73	15
Minnesota	76	35	67	21	—	—	76	34
Mississippi	88	71	77	69	80	63	86	73
Missouri	81	70	64	56	60	50	71	74
Montana	85	82	99	27	81	25	74	71
Nebraska	82	67	77	48	51	31	75	32
Nevada	82	53	73	40	78	34	77	53
New Hampshire	83	46	56	29	71	20	75	44
New Jersey	83	58	70	16	65	36	77	3
New Mexico	82	54	55	48	69	42	75	35
New York	87	21	54	5	76	29	78	12
North Carolina	73	45	41	7	40	16	70	41
North Dakota	77	58	84	54	76	43	88	66
Ohio	63	35	34	13	—	—	57	42
Oklahoma	78	72	71	56	74	49	80	67
Oregon	88	69	82	63	76	54	88	65
Pennsylvania	84	47	83	47	79	41	84	55
Puerto Rico	56	24	18	1	32	2	16	0
Rhode Island	71	75	90	65	—	—	88	51
South Carolina	28	15	12	0	—	—	57	31
South Dakota	77	58	60	47	75	62	82	62
Tennessee	88	73	56	30	75	22	79	47
Texas	91	63	85	28	84	22	81	50
Utah	81	36	90	55	78	47	82	37
Vermont	85	67	83	31	74	45	70	34
Virginia	74	42	42	3	14	0	79	20
Virgin Islands	—	—	—	—	—	—	—	—
Washington	80	59	83	56	67	50	87	59
West Virginia	78	62	79	51	70	37	76	48
Wisconsin	87	44	52	61	79	43	87	71
Wyoming	75	55	77	55	67	39	72	50



Key UI Data 1973-1976

Ford
TABLE 2

Item	Calendar Years			
	1973 (Actual)	1974 (Preliminary)	1975 (Estimate)	1976 (Estimate)
Labor force (thousands)	88,714	91,011	93,000	95,000
Percent to change over 1973	--	2.6	4.8	7.1
Covered employment (thousands)	64,700	65,700	68,000	69,500
Percent change over 1973	--	1.5	5.1	7.4
Total covered wages (\$ millions)	509,161	545,300	583,800	633,900
Percent change over 1973	--	7.1	14.6	24.5
Total taxable wages (\$ millions)	253,120	270,500	280,500	295,400
Percent change over 1973	--	6.9	10.8	16.7
FUTA revenue (\$ millions) (1973 rate 0.58%, 74-76 rate 0.5%)	1,509	1,335	1,404	1,477
State UI tax revenue (\$ millions)	5,144	5,294	5,900	6,300
Total unemployment rate (%)	4.9	5.6	8.1	7.9
Insured unemployment rate (%)	2.7	3.6	6.1	5.9
Average weekly insured unemployment (thousands)				
Regular UI	1,632	2,260	4,148	4,100
EB	45	170	822	813
FSB	--	--	448	439
SUA	--	--	1,327	271
Total	1,677	2,430	6,745	5,623
Benefit payments (\$ millions)				
Regular UI	4,008	4,521	12,100	12,900
EB	144	543	2,800	2,800
FSB	--	--	1,500	1,600
SUA	--	--	3,220	660
Total	4,152	5,064	19,620	17,960
Beneficiaries (thousands)	5,329	6,089	12,220	12,083
Regular UI	244	915	4,277	4,229
EB	--	--	2,138	2,114
FSB	--	--	3,920	--
SUA	--	--	--	--
Total	5,573	7,004	22,555	18,426

U.S. Department of Labor
Manpower Administration
April 8, 1975



**Advances to States from the Federal Unemployment Account
(In millions)**

State	1972	1973	1974	Through 4/4/75	Total
Connecticut	\$31.8	\$21.7	\$8.5	\$106.0	\$168.0
Washington	34.7	6.0	3.4	42.4	86.5
Vermont			5.3	12.2	17.5
New Jersey				235.1	235.1
Rhode Island				30.4	30.4
Michigan				30.0	30.0
Massachusetts				25.0	25.0
Puerto Rico				10.0	10.0
Total	\$66.5	\$27.7	\$17.2	\$491.1	\$602.5

Balance remaining in Federal Unemployment Account \$44 million.

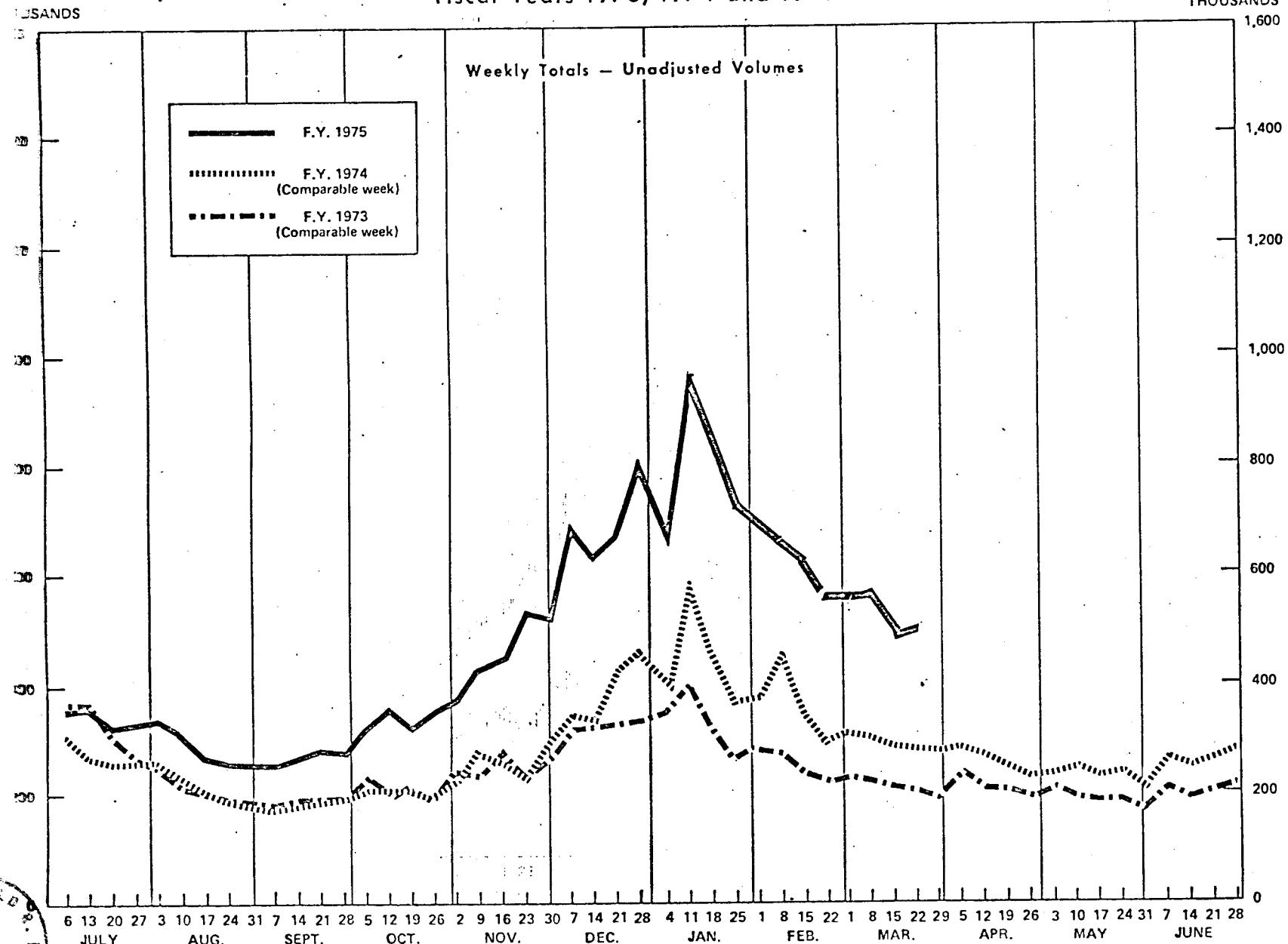
U.S. Department of Labor
Manpower Administration
April 8, 1975



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STATE INITIAL CLAIMS

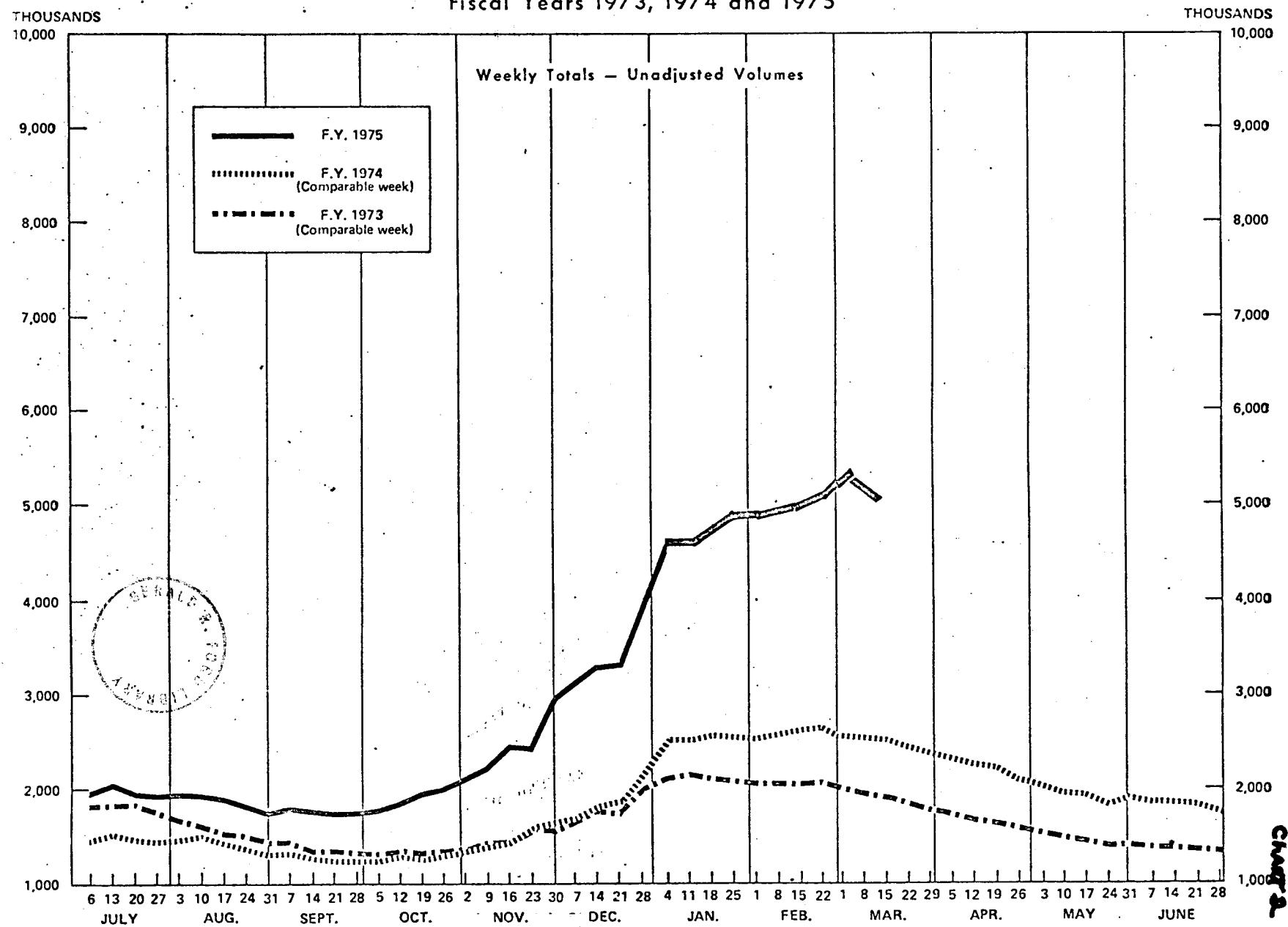
Fiscal Years 1973, 1974 and 1975



March 22, 1975

STATE INSURED UNEMPLOYMENT

Fiscal Years 1973, 1974 and 1975



4-9-75
JTD

PURPOSES OF THE LABOR DEPARTMENT

Introductory Note

The central question of the primary purpose or mission of an institution should be asked periodically. The next question that quickly follows concerns how well that purpose or objective is being achieved. These questions are appropriately asked of the U. S. Department of Labor.

There follows a few brief excerpts from statements from some preceding Secretaries of Labor. They are presented here to encourage thinking through our basic purposes in our times under law and to urge that component parts of the Department reflect upon their mission and how it fits into the whole.

William B. Wilson (1913-1921)

The first Secretary of Labor

Statement by Wilson when chosen to be Secretary

Many wage earners have a natural prejudice against the employer class; and many employers have such a prejudice against wage workers, especially when organized. But the Department of Labor should have no prejudice against either class; furthermore, we should do all we can to remove this prejudice from both sides.

Although the specific work of the Department of Labor is to improve the condition of the wage worker ... yet we must never get labor anything that is out of line with justice. The prosperity of labor is fundamentally based upon the prosperity of the nation as a whole.... Our work is to help the wage workers; but we must help them along sound lines and in a way that will not bring about a detrimental reaction.



Annual Report of the Secretary of Labor, 1913

The Department of Labor was created in the interest of the wage earners of the United States. This is expressly declared by the organic act. "The purpose of the Department of Labor ... shall be to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment."

There is of course no authority in that declaration to foster, promote, or develop for wage earners any special privileges; but the inference is irresistible that Congress did intend to conserve their just interests by means of an executive department especially devoted to their welfare

Nor is there any implication that the wage earners in whose behalf this Department was created consist of such only as are associated together in labor unions. It was created in the interest of the welfare of all the wage earners of the United States, whether organized or unorganized.

....The great guiding purpose, however + the purpose that should govern the Department at every turn and be understood and acquiesced in by everybody - is the purpose prescribed in terms by the organic act, namely, promotion of the welfare of the wage earners of the United States.

In the execution of that purpose the element of fairness to every interest is of equal importance, and the Department has in fact made fairness between wage earner and wage earner, between wage earner and employer, between employer and employer, and between each and the public as a whole the supreme motive and purpose of its activities.

Report of the Secretary of Labor, 1919

In the performance of all its duties the Department has always been mindful of the fact that the self-respect and prosperity of a Nation are but the aggregate of the self-respect and prosperity of its citizens. And as the great



mass of the population of the United States is engaged in wage-earning employment, any advancement in the condition of the workers must necessarily contribute in equal proportion toward the welfare of the country as a whole. Indeed, the Department believes that in order to fulfill the obligations laid upon it by its organic act it must devote its utmost efforts toward improving the conditions surrounding the worker in industry.

Frances Perkins (1933-1945)
The Fourth Secretary of Labor and
First Woman Cabinet Member

Annual Report of the Secretary of Labor, 1933

Perhaps it is of even more importance now than ever before ... that the Department of Labor be administered in "the interest of the welfare of all of the wage earners" ... as Secretary Wilson pointed out 20 years ago. The Department, moreover, must be administered in fairness between worker and employer, between employer and employer, and between each and the public as a whole if it is to accomplish its purpose as set forth by the Congress. Only by doing so in harmony with the welfare of all workers and with legitimate business can the best interests of the country be served.

Article on "State and Federal Departments of Labor," in
State Government, Oct. 1937.

Broadly speaking the work of the Department as at present constituted may be divided into four types: (1) promotional, (2) fact-finding, (3) regulatory and (4) mediatory

Appointed by the President and as a member of the Cabinet which meets weekly, the Secretary of Labor is his official counselor on labor matters and interprets to him the point of view of wage earners on issues of national significance.



James P. Mitchell (1953-1961)
The 8th Secretary

Annual Report of the Secretary of Labor, 1954

The Department of Labor seeks to advance the opportunities of the wage earner in every possible way. When he is a newcomer to the labor market, we help him prepare for a skilled trade through the promotion of apprentice-training programs. Through a Federal-State employment service we help him get a job. Once he has the job, we make sure he is paid all he should be paid according to the Federal minimum-wage and overtime laws. We then administer the safety provisions of several Federal laws to take every precaution that he is not hurt on the job, and we protect his children through child-labor laws. Finally, if he loses his job through no fault of his own, the Labor Department, in cooperation with the States, makes sure he gets prompt payment of unemployment benefits to tide him over until his next job.

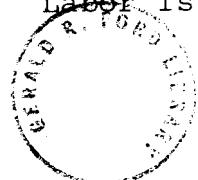
Article "Labor Is Not A Class Apart" by James P. Mitchell,
which appeared in "The Nation's Business, January, 1954.

The Department of Labor has its duties set only in general terms. The Act of Congress establishing the Department 40 years ago assigned to it the responsibility to "foster, promote and develop the welfare of the wage earners of the United States."

It is my firm belief that the Department must, as the first Secretary of Labor stated, discharge its statutory responsibilities "in harmony with the welfare of all industrial classes and all legitimate interests, and by methods tending to foster industrial peace."

The concept of fairness toward every segment of the economy which Secretary Wilson enunciated 40 years ago will be the policy of the Department of Labor while I am Secretary.

The welfare of wage earners can and must be promoted with due regard for the national general interest. Labor is



not a class apart. Workers have interests, needs and aspirations as part of the American public as well as in their role as wage earners. Since workers and their families comprise the overwhelming majority of our population, their personal welfare and the welfare of the nation are frequently - but not always - promoted or impaired by the same developments.

Workers' interests as individuals and as members of the public usually do not conflict, but when they do, workers and the Labor Department both must put the national welfare first. It does labor no good to promote its own interests and wreck the American economy of which it is a vital and integral part.

Wage earners and the Department of Labor both have the intelligence to recognize this fact and the good sense and statemanship to make their decisions in the light of this overriding consideration. Consequently, the Department of Labor can actively promote the legitimate interests of labor and still be fair to other important groups and to the general public.

Annual Report of the Secretary of Labor, 1959

The Department serves the unorganized as well as the organized. Furthermore, as a component part of the U. S. Government, it has a duty which overrides all others, namely, to serve the Nation as a whole: employers as well as workers, the general public as well as the individual. No group can prosper if another segment fails. Labor cannot be considered as a class apart; its members are both workers and citizens. And the status of the citizen is broader than that of the worker. Thus it is the duty of the Department to explore and encourage every useful measure, public and private, which will contribute to the economic growth of the Nation and the welfare of the public in general.

Appearance on "Meet the Press," September 4, 1960.

I believe that every man has a right to a useful and remunerative job. I think that our system is such that this



is an obligation not only of the government but of the private sector of our economy, which is management and labor

I would much prefer to see free, democratic collective bargaining operate with the troubles and tribulations that prevail in it than to see imposed on this country a system of compulsory arbitration, because you know what happens when politicians decide wages - and this is inevitably the answer to compulsory arbitration - they decide in favor of the greatest number I would prefer to take the occasional strikes, which after all have been very little compared to the number of man days worked, than to impose a system of compulsion in America.

Arthur Goldberg (1961-1962)
The 9th Secretary

At National Press Club, February 2, 1961

I think I ought to share with you ... my personal philosophy. (Quotes from philosopher Salvador de Madariaga):

Our eyes must be idealistic and our feet realistic. We must walk in the right direction but we must walk step by step. Our tasks are ... to carry out what is possible in the spirit of what is desirable.

... Now, what will be the labor policy of the Administration ...? The interests of the labor movement today ... transcend the narrow traditional interests which too many people associate with the concept of labor ... I intend ... to represent the interests of all of the groups in our population.

The Labor Department is a department of our Government. It is not the private domain of any special-interest group in the population ... I intend to see to it that all ... elements in our population are fairly heard, fairly treated, fairly represented, and that their points of view are, to the best of my ability, reconciled to a consensus that will advance and promote the interests of all ...



TV Interview CBS February 12, 1961

Q. Haven't all Secretaries of Labor been advocates of labor's point of view ...?

Secretary Goldberg answers: ...I do not agree with this philosophy. The Department of Labor is a department of our government ... I am charged with administering the laws and enforcing the policies of our government for all the groups in our population. Businessmen have a very important stake in the operation of the Labor Department. I hope they will give me support ... the labor movement of the country is not a class movement, just as the Labor Department is not a class department.

W. Willard Wirtz (1962-1969)
The 10th Secretary

From Wirtz's book "Labor and the Public Interest", published in 1964. ("The Riddle of the Public Interest", pp.10)

It is important in a democratic government, perhaps even more than in any other, that there be a willingness to make lonely decisions which it is recognized that only a minority would support. Yet something is wrong if this type of decision has to be made very often.

The service of the public interest seems to me, then, the pursuit by free minds, strengthened with knowledge, of ultimate values.

Also from "Labor and the Public Interest",
("New Developments in Collective Bargaining" pp. 37-45)

The continuation of private collective bargaining as the important force in the future it has been in the past depends on the decision of the bargainers to exercise responsibility for the concerns that affect the whole economy.

These "public" concerns are not easily defined. They include the achievement of an equitable sharing of the costs



and the fruits of production or service, finding the meaning of "equitable" more in experience than in logic. They include the maintenance of economic stability and the avoidance of spiraling inflation. The "public interest" includes, perhaps most significantly today, the achievement of the nation's full capacity for economic growth

This ... seems the likely future course of collective bargaining if it is to preserve its meaningfulness: that it will take larger account of the responsibilities which the new forces loose in the world have created; that its procedures will continue to develop along lines which make it a more reasoned sort of process; and that there will be, in short, more reliance in collective bargaining on the principles of government, more use in government of the resources and procedures of collective bargaining, and more co-ordination of the two processes

To look back over these past fifty years is to realize that part of their lesson is that /labor/ peace came not as the goal which was sought for itself, but as the by-product of the responsible pursuit of other ends. It is the very idea of collective bargaining that there is strength and value in the free conflict between competing interests. Here, no less than in the relations between nations, those who love peace most wisely do not love it so well that they exalt it above all other ends

With vast unmet needs, but with limitless resources to meet them - in raw materials, in unused manpower and plant capacity, in ideas and ideals - all that stands between this nation and full employment is the determination to do what we can and must do.

Also from "Labor and the Public Interest,"
("The Riddle of the Public Interest," pp.10)

In an increasing range of activities, executive agencies are not primarily concerned with regulation or dictation. They are rather initiators and catalysts; they



explore possibilities, mediate among conflicting interests, and propose and formulate acceptable terms on which the affected individuals and groups may live together, if not prosper; they seek to keep social friction at tolerable levels. The public interest is not the simple sum of all the private interests, but neither is it necessarily different from the private interests directly involved; nor is there any formula to weight or to adjust seasonally the influence of the various minorities which constitute a community. The public interest is not to be identified with the immediate interest; neither is it the same as that of unborn generations. (From Introduction by John T. Dunlop)

George P. Shultz (1969-1970)
The 11th Secretary

Annual Report of the Secretary of Labor, 1969

As a practical matter, and as a philosophy of government, the Department of Labor cannot play the leading role in any of the arenas with which it is concerned. That role must be taken by the composite of individuals and institutions which make up our society. Our job is to serve, to act as a helpful partner to the Nation's citizens and organizations.

Address to all officials of the Department of Labor,
February 14, 1969

In terms of style of the Department ... I would like to see a style in which -- a word like "professional" stands for quite a lot. We have a professional outlook on our work and have that professional pride in what we are doing, and have the sense of objectivity that goes with a professional outlook.

I would like to see us be a Department that's willing to think pretty hard about what we are doing in its relationship to the general scope of government problems and programs,



and question what we are doing objectively and thoughtfully, and bring that kind of perspective and self-examination to our work.

I would like to see us be a Department that's willing to listen. Listen to each other and listen to all these people that are calling up all the time.

Speaking before the AFL-CIO Executive Council, April 16, 1969

America's manpower programs can play important economic as well as social roles in our society. They can be used to build up long-range economic strength, and to provide resources to deal with any rise in unemployment.

If manpower policies are to be fully effective in supporting both economic and social objectives, however, further strengthening and more flexibility is needed in three major areas -- the public employment service, the unemployment insurance system, and manpower training programs.

Remarks to Executive Interns, Department of Labor, July 9, 1969

The Department of Labor's primary concerns are the issues that arise in work places, at the bargaining tables, and in the labor market I recognize that that is a big area in the sense that it infringes on all sorts of things -- economic policies for instance. You talk about the labor market, and the whole business of getting control of inflation without creating unemployment is very important We are also concerned with the whole urban flow of things, particularly the employment aspects of them You can't talk employment without considering transportation, without considering where jobs are located in relation to where people live, without getting into education, without looking into vocational training facilities as they are related to both adult opportunities, without finding out what happens to the young people as they are coming through school, and so on.

U.S. DEPARTMENT OF LABOR

BUREAU OF LABOR STATISTICS

WASHINGTON, D.C. 20212

OFFICE OF THE COMMISSIONER

APR 15 1975

MEMORANDUM FOR THE SECRETARY

Subject: Job Losers in the Current Recessions

We have recently developed some special data on the characteristics of persons who lost their last job. These data may be helpful in increasing public understanding of the unemployment figures and their implications for public policy.

We conclude that the job loser pattern for the recent period is dominated by the industry factor, with little special impact upon sex, color or age categories. Thus men have been more prone to job loss than women, but that was to be expected since they account for the bulk of the employment in the industries where the biggest cutbacks have taken place. Blacks continue to be overrepresented among all categories of unemployed, including job losers; black males appear to have been immediately hard hit in recent layoffs. In terms of age, we see no obvious patterns of discrimination against elderly workers.

The overall unemployment rate reached its cyclical low of 4.7 percent in the last quarter of 1973 (4.6% in October). By the first quarter of 1975, the rate had risen to 8.3 percent (8.7% in March). Those reference quarters have been adopted for this summary, but the attached tables present data for all recent quarters and for the major demographic, industrial and occupational groups.

The largest absolute and relative increase in joblessness has been accounted for by persons who lost their last job. Over 4 million workers were unemployed because of job loss early in 1975, an increase of more than 2.4 million (or nearly 150 percent) since late 1973.

Job losers now account for 53 percent of the unemployed, up from 39 percent in late 1973. Of the 3.4 million persons added to total unemployment from late 1973 to early 1975, 7 out of 10 had lost their last job. The remaining 3 out of 10 were mostly labor force entrants, some of whom may have begun looking for work because of the layoff of the family's prime breadwinner.



The Secretary--2

SELECTED UNEMPLOYMENT DATA
(in thousands, seasonally adjusted)

	Quarter IV 1973	Quarter I 1975	Absolute	Percent	Change
Total unemployed	4,265	7,664	3,399	80	
Job Losers	1,648	4,072	2,424	147	
Percent of total	39	53			

Although I frequently underscore the pervasiveness of this recession by reminding the public that our industry employment figures have recently been showing job cutbacks in about four-fifths of all nonfarm industries, the largest absolute and relative increases in the count of job losers has been in the goods-producing industries, such as construction and heavy manufacturing.

SELECTED DATA ON JOB LOSERS
(in thousands, seasonally adjusted)

	Quarter IV 1973	Quarter I 1975	Absolute	Percent	Change
Total	1,648	4,072	2,424	147	
Goods-producing	853	2,555	1,702	201	
Service-producing	615	1,191	576	92	
Farm, self-employment and other	180	326	146	78	



The Secretary--3

Public comprehension of the locus of job loss in the goods industries is critical in two aspects. First, it indicates that this recession is a traditional "demand deficient" downturn that is amenable to traditional solutions. Second, and perhaps more important, it sets the stage for a public awareness of the socio-economic implications, for individual families and for the Nation as a whole, arising from the concentration of layoffs in the goods industries, which are generally staffed by mature workers with considerable job experience and family responsibilities.

A breakdown of the job loss data by sex, race, and age reveals increases for all groups, but with some differences. Male job losers have shown the largest numerical increase, both in absolute terms (1.6 million) and percentwise (150 percent). The increase for women has been somewhat smaller (800,000--or about 140 percent). See table 1. The proportion of women job losers has been smaller than their proportion in the labor force, probably because the industries in which they are most heavily employed (services, trade, etc.) have not been quite as hard hit as the goods-producing industries.

Black workers, who have historically been accounting for about one-fifth of total unemployment (though they make up only one-tenth of the labor force) are just about as equally overrepresented among the job losers. In early 1975, blacks accounted for 725,000--or about 18 percent of the job losers--roughly the same proportion which they accounted for in the second half of 1973. The relative constancy of the distribution of the job losers by color and sex is shown in table 2.

In terms of age, the largest increase in job loss among the male population has been among those under 45 years of age. The number of job losers among this group has increased by 162 percent; among males 45 years and over, the increase amounted to 120 percent. Among women, the proportional increase in job loss has been about the same for those 45 and over as for those under 45 (both groups showing increases of around 140 percent).

Julius Shiskin
JULIUS SHISKIN
Commissioner

Attachments



Table 1. Unemployed job losers by sex, age, color, and industry groups
 (Numbers in thousands)

Sex, age, color and industry groups	1973		1974				197
	III	IV	I	II	III	IV	
Total, 16 years and over	1,597	1,648	1,999	1,966	2,095	2,816	4,072
Male, total	1,010	1,071	1,310	1,261	1,370	1,832	2,679
16-45 years	732	768	973	961	1,023	1,380	2,010
45 years and over.....	278	299	332	313	354	440	657
Female, total	594	580	687	685	745	993	1,389
16-45 years	419	413	498	493	525	682	976
45 years and over.....	170	172	188	195	218	319	416
White, total	1,276	1,360	1,610	1,562	1,763	2,310	3,344
Male	809	892	1,054	1,015	1,147	1,494	2,197
Female	467	468	556	547	616	808	1,146
Black, total	328	291	388	383	352	523	725
Male	201	179	257	246	223	338	482
Female	127	112	131	138	129	185	243
Goods-producing industries ...	835	853	1,096	1,083	1,178	1,726	2,555
Trade, finance, and services..	589	615	714	696	713	867	1,191

Note: Individual items may not add to totals due to independent seasonal adjustment.



Table 2. Proportions of civilian labor force and job loss unemployment accounted for by black and white men and women

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Color and sex	1973		1974				1975
	III	IV	I	II	III	IV	I
Total civilian labor force (1,000's)	88,980	89,823	90,467	90,644	91,396	91,785	91,810
Total job losers (1,000's)	1,597	1,648	1,999	1,966	2,095	2,816	4,072
White male							
Percent of job losers	50.7	54.1	52.7	51.6	54.7	53.1	54.0
Percent of labor force	54.7	54.6	54.6	54.4	54.2	54.3	54.0
White female							
Percent of job losers	29.2	28.4	27.8	27.8	29.4	28.7	28.1
Percent of labor force	33.9	34.0	34.0	34.2	34.5	34.3	34.7
Black male							
Percent of job losers	12.6	10.9	12.9	12.5	10.6	12.0	11.8
Percent of labor force	6.3	6.3	6.4	6.4	6.2	6.2	6.2
Black female							
Percent of job losers	8.0	6.8	6.6	7.0	6.2	6.6	6.0
Percent of labor force	5.1	5.1	5.1	5.1	5.1	5.1	5.1

Note: Individual items may not add to totals due to independent seasonal adjustment.

Table 3. Increase in the number of job losers by major occupational group, (not seasonally adjusted)

Occupational group and sex	Change from 1974 I to 1975 I	
	Thousands	Percent
Total		
White-collar.....	494	88
Professional and managerial.....	166	87
Sales and clerical.....	328	89
Blue-collar.....	1,901	120
Craftsmen and kindred.....	536	119
Operatives.....	1,055	130
Laborers.....	309	94
Services and farm.....	159	45
Male		
White-collar.....	241	98
Blue-collar.....	1,417	112
Services and farm.....	87	53
Female		
White-collar.....	252	80
Blue-collar.....	485	149
Services and farm.....	70	45



RECENT UNEMPLOYMENT DATA BY REASONS FOR UNEMPLOYMENT
 (in thousands, seasonally adjusted)

	Quarter IV 1973	Quarter I 1975	<u>Change</u>	
			Absolute	Percent
Total unemployed	4,265	7,664	3,399	80
Job losers	1,648	4,072	2,424	147
Job leavers	738	763	25	3
Re-entrants	1,250	1,821	571	46
New entrants	603	826	223	37
Percent distribution				
Total	100	100		
Job losers	39	54		
Job leavers	17	10		
Re-entrants	29	24		
New entrants	14	11		

NOTE: Individual items may not add to totals because of independent seasonal adjustment and rounding.

BUREAU OF LABOR STATISTICS



April 30, 1975

FURTHER COMMENTS ON JOB LOSERS

All the statements in the material on job losers made available to the press on Wednesday, April 23, were supported by the data we distributed at that time.

After the press stories appeared, we received many questions. These did not concern our basic point--that the job loser pattern for this recession is dominated by the industry factor--but rather were concerned with the relative impact on men and women and on blacks and whites. To check our points, we extended our calculations to make comparisons over 6 different periods, starting with the third quarter of 1973 and in each case ending in the first quarter of 1975. These are shown in the attached table.

Some of the major findings from the table are:

1. Percentage increases among goods-producing industry job losers exceeded by far the major private service-producing industries in all six periods.
2. Percentage increases among men exceeded those for women in all six time periods.
3. Percentage increases for white male job losers exceeded those for black men in four of the six periods; in two time periods (from IV-1973 and from III-1974) the reverse was true.



These calculations suggest a slightly modified conclusion, as follows:

The job-loser pattern for the recent period is dominated by industry developments--that is, the principal factor determining job loss in this recession has been a person's industry attachment rather than sex, color, or age. In absolute and relative terms men have experienced greater job loss than women. This was to be expected because they account for the bulk of the employment in the industries where the biggest cutbacks have taken place. On the basis of all the information now available, there do not seem to be significant differences between the percent increases in job loss for black males and white males. Thus, blacks continue to be overrepresented in this category of the unemployed, as in all others. Similarly, there is no evidence that older workers have suffered a disproportionate share of job losses during the recession period. However, none of these findings is meant to imply that there have been no individual instances of discrimination against women, blacks, or elderly workers.

A more comprehensive study with full detail will be issued by BLS in a few weeks.

Attachment

SOURCE: Julius Shiskin
Commissioner of Labor Statistics



Table 1. Percentage Increases in the Number of Job Losers by Industry Group, Sex and Age, and Color and Sex Over Successive Quarters From Third Quarter 73 to First Quarter 75 (based on seasonally adjusted data)

Group	Percentage increase to quarter I 1975 from:						
	Q III 73	Q IV 73	Q I 74	Q II 74	Q III 74	Q IV 74	
Total.....	155	147	104	107	94	45	
<u>Industry</u>							
Goods-producing 1/.....	206	200	133	136	117	48	
Trade, finance, services....	102	94	67	71	67	37	
<u>Sex and age</u>							
Male.....	165	150	105	112	96	46	
16-44 years.....	175	162	107	109	96	46	
45 years and over.....	136	120	98	110	86	49	
Female.....	134	139	102	103	86	40	
16-44 years.....	133	136	96	98	86	43	
45 years and over.....	145	142	121	113	91	30	
<u>Color and sex</u>							
White.....	162	146	108	114	90	45	
Males.....	172	146	108	116	92	47	
Females.....	145	145	106	110	86	42	
Negro and other races.....	121	149	87	89	106	39	
Males.....	140	169	88	96	116	43	
Females.....	91	117	85	76	88	31	

1/ Group includes manufacturing, construction, mining and transportation and public utilities.

SOURCE: Bureau of Labor Statistics
 Office of Current Employment Analysis
 April 29, 1975

