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ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

September 21, 1976

8:30 a.m.

Roosevelt Room

AGENDA

1. Youth Unemployment Initiatives

Commerce



U.S. DEPARTMENT OF LABOR
OFFICE OF THE DEPUTY UNDER SECRETARY
WASHINGTON, D.C. 20210



September 20, 1976

MEMORANDUM FOR ROGER PORTER

FROM: ROLAND DROITSCH *RD*
SUBJECT: EPB Jobs Initiatives

Here are the following:

TAB A: Provides information of Department of Labor activities which assist the unemployed.

TAB B: Provides empirical information on the long-term unemployed and their search behavior, and a bibliography on the subject.

TAB C: Outlines work tests currently administered by the Department of Labor. In addition to requirements listed in the table, active job search is also required for persons applying for benefits under the Trade Adjustment Assistance Act. Standards are identical to those for State UI recipients.

I understand that there will be a meeting this week to decide where we go from here. In Hank's absence he has asked me to stay on top of this. Please keep me advised.

Attachments

Program Summary

UNEMPLOYMENT INSURANCE (UI)

The Federal-State unemployment insurance (UI) program is authorized through the Social Security Act, Federal Unemployment Tax Act, Emergency Unemployment Compensation Act of 1974, Emergency Jobs and Unemployment Assistance Act, and subsequent amendments to those acts.

The UI program was created in 1935 under Titles III and IX of the Social Security Act. About 2,800 local offices are involved in the UI program throughout the Nation.

Under seven separate programs, UI provides temporary income as partial compensation to unemployed workers whose employers are subject to State UI taxes, former Federal employees or members of the Armed Forces, and those covered under emergency legislation (primarily State and local government employees, domestic workers, and certain agricultural workers). Claimants must have been employed and must have earned a specified amount of wages or worked for a specified number of weeks, or both, during a base period established by the State laws. Claimants must also be able to work, available to work, and seeking work. In 1975, 85% of all wage and salary workers were covered under permanent Federal and State programs.

UI programs are administered jointly by the U.S. Department of Labor's Unemployment Insurance Service and the individual States. The Federal Government establishes guidelines and pays administrative costs from funds collected under provisions of the Federal Unemployment Tax Act (FUTA). The States have direct responsibility for operations of UI programs.

UNEMPLOYMENT INSURANCE PROGRAMS, FY 76

Program	Beneficiaries (thousands) <u>1/</u>	Payments (millions of dollars)	Financing	Average Weekly Benefit Amount	Maximum Duration	Average Duration
Regular * Federal- State UI Programs	8,696	\$10,360	State	\$71.43	26 weeks ^{2/}	16.7
Federal- * State Extended Benefits	3,978	2,835	State 50%; Federal 50%	70.12	13 weeks follow- ing exhaustion of regular UI benefits ^{3/}	10.2
Federal Supple- mental Bene- fits	2,952	3,215	Federal	68.50	26 weeks follow- ing exhaustion of EB. ^{4/}	15.9
Supplemental Unemployment Assistance	1,082	903	Federal	54.23	39 weeks	15.4
Unemployment * Compensation for Ex- Servicemen	503	611	Federal	75.90	Same as regular UI	16.0
Unemployment * Compensation for Federal Employees	248	286	Federal	72.65	Same as regular UI	15.9

* Permanent Programs

1/ The number of first payments made in each category.

2/ Differs slightly from state-to-state.

3/ In effect when insured unemployment rate (IUR) is greater than 4% in Nation or State.

4/ In effect when IUR is greater than 6% in State for most recent 13 weeks. Maximum duration is 13 weeks if IUR is greater than 5.0% for most recent 13 weeks but is less than 6.0%.

WORK INCENTIVE PROGRAM (WIN)

The WIN program is designed specifically to enable welfare recipients to become self-supporting by providing them with nonsubsidized employment. The program provides a variety of services including training and child-care to enable recipients to seek and accept employment. The program is conducted jointly with the Department of Health, Education and Welfare which has responsibility for the basic welfare program.

The current WIN program stems from the 1971 amendments to the Social Security Act which required mandatory registration for employment services and training of persons receiving assistance through the Aid to Families with Dependent Children Program. The amendments also required that priority be given to job placement rather than training.

As a result of the 1971 amendments classroom and related skill training has been sharply reduced with the major activity now on-the-job training or direct placement into employment. In conjunction with the placement emphasis, a tax credit was made available to private employers who hired WIN participants. The tax credit, authorized by the Revenue Act of 1971, permits employers to claim 20 percent of the first year's wages as a credit on their taxes.

During FY 76, full-time employment was found for 211,185 participants and part-time employment was found for 19,689. The average starting wage for the employed was \$2.83. Average starting wages for males was much higher than for females, \$3.42 compared to \$2.55. The cost of the program for FY 76 was \$335 million, just under \$1,500 per job.

EMPLOYMENT SERVICE (ES)

The public employment service was created by the Wagner-Peyser Act in 1933 as a Federal-State no fee system to assist workers in obtaining employment.

The U.S. Employment Service and affiliated State agencies operate over 2,400 local offices to serve those seeking employment and those providing jobs. Although the ES has a wide variety of assignments, it is primarily a labor market intermediary, matching skills of jobseekers with employers' job specifications.

General services by the ES include outreach, interviewing, testing, counseling, referral to placement, and training.

INDIVIDUALS SERVED BY THE U.S. EMPLOYMENT SERVICE, FISCAL YEARS 1975-76 (in thousands)

Individuals Served	Fiscal 1976	Fiscal 1975	Percent Change
New & renewal applicants	15,072	15,035	+0.2
Job openings received	7,668	7,889	-2.8
Placed in jobs <u>1/</u>	3,367	3,138	+7.3
Counseled	877	884	-0.8
Tested	679	710	-4.4
Provided with some reportable service <u>2/</u>	8,231	7,727	+6.5
<hr/>			
Federal Obligations (millions)	\$531.6	\$477.2	+11.4

1/ Includes short term placements (3 days or less).

2/ Includes placement in jobs, enrollment in training, referral to jobs, WIN appraisal interviews, referral to training, enrollment in orientation, referral to supportive services, job development contacts, testing and counseling.

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

The Comprehensive Employment and Training Act (CETA) (PL 93-203) was approved December 28, 1973 and amended by PL 93-567 on December 31, 1974. Its objective is to improve the utilization of the nation's human resources by providing job training and employment assistance to the economically disadvantaged, unemployed and underemployed. CETA represents a reversal of the highly centralized categorical approach employed in earlier legislation. The CETA delivery system is decentralized. Block grants to state and local authorities enable them to design and operate their programs best suited to meet the needs of their local constituencies.

<u>Administrative Control</u>	<u>Target Groups</u>	<u>Services Provides</u>	<u>Enrollment Cumulative 12 mo. ending 6/30/76 (1,000)</u>	<u>Number in PSE Jobs as of June '76 (1,000)</u>	<u>Expenditures FY 1976 millions \$</u>
<u>Title I</u>					
State and Local	Unemployed Underemployed Disadvantaged	Recruitment Testing Training Placement Support PSE	1,731	22.7	1,528.6
<u>Title II</u>					
State, Local and Indian Tribes	Areas with 6.5% unemployment	PSE	255.7	91.5	556.1
<u>Title III</u>					
Federal	Indians Migrants Offenders, Youth Older workers & others specified by Secy of Labor	Training, Job Placement, Research, demonstration projects, job bank	114.3 migrants 45.0 Indians 777.8 summer		566.2
<u>Title IV</u>					
(Job Corps) Federal	Disadvantaged youth 16-19	Residential education, training counseling work experience	43.4		186.6
<u>Title V</u>					
State, Local and Indian Tribes	Areas with 6.5% unemployment	PSE	495.2	175.8	1,934.3

TAB B

1. Empirical Information on the Long Term Unemployed and Their Job Search Behavior

In July 1976, on a seasonally adjusted basis, 2.4 percent of the labor force was unemployed for more than 15 weeks. The mean duration of unemployment is 15.8 weeks, up from 15.1 weeks for the same month a year earlier. The single reason most frequently cited by the long term unemployed for their joblessness is that they lost their last job. They are less likely than are short term unemployed to have quit their last job or to be new entrants or re-entrants to the labor force. One may characterize the long term unemployed as relatively older and, in part, because they are older, as having fewer years of schooling.

A number of strategies for locating work are available to the unemployed. The job search method most frequently used by both long and short term unemployed, and the one most often cited as the strategy that resulted in a job, is direct contact with employers.

Data reported in a 1975 BLS study pertaining to the method of search which resulted in unemployed workers obtaining a job in 1972, when the average unemployment rate was 5.6 percent, are reproduced in the following table:^{1/}

^{1/} It should be noted that the frequency of unemployment by duration, shown in this table is not necessarily representative of the duration distribution of the unemployed. This is a select group, in that they represent individuals who obtained a job after varying periods of unemployment.

Method by which Current Job was Obtained,
by Duration of Job Search
January 1973

(Percent Distribution)

Method	1 to 4 Weeks	5 to 14	15 to 26	27 or more
Total: <u>Number</u> (000)	5,239	2,180	757	575
(%)	100.0	100.0	100.0	100.0
Applied directly to employer	35.9	31.7	28.3	31.7
Asked friends:				
About jobs where they work	12.7	12.6	10.4	11.9
About jobs elsewhere	5.2	6.9	5.3	6.6
Asked Relatives:				
About jobs where they work	5.9	6.0	8.0	7.0
About jobs elsewhere	2.3	1.8	2.5	2.4
Answered newspaper ads:				
Local	13.0	11.7	10.2	12.1
Non-local	1.2	1.9	1.8	.7
Private employment agency	6.7	5.3	6.4	2.2
State employment service	4.9	5.4	6.4	5.0
School placement office	2.9	3.4	3.4	3.5
Civil Service test	1.3	3.4	2.1	4.0
Asked teacher or professor	1.3	1.9	1.1	2.2

	1 to 4 Weeks	5 to 14	15 to 26	27 or more
Went to place where employers come to pick up people	.1	.2	<u>1/</u>	<u>1/</u>
Placed ads in news- papers:				
Local	.3	<u>1/</u>	.3	.4
Non-local	<u>2/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
Answered ads in pro- fessional or trade journals	.4	.7	.3	.4
Union hiring hall	1.3	1.1	3.2	1.1
Contacted local or- ganization	.7	.8	2.0	.4
Placed ads in pro- fessional or trade journals	<u>1/</u>	.1	<u>1/</u>	<u>1/</u>
Other	3.9	5.2	8.5	8.6

1/ No one in category.

2/ Less than 0.05 percent.

SOURCE: Bureau of Labor Statistics, Job Seeking Methods Used by American Workers, 1975, Bulletin 1886, p. 47.

It can be seen from this table that the job search strategies which eventually were successful for the long term unemployed were not very different from the ones that worked for the short term unemployed. This is also the finding of a study which followed persons who had exhausted their UI benefits in October 1974 (Mathematica, Princeton (mimeo), 1976).

As the unemployment experience lengthens, the unemployed worker uses an increasing number of strategies and travels further from home to seek work. According to the 1975 BLS study, of those who recently completed unemployment spells, those who were unemployed 15 weeks or longer tried an average of 5.7 different methods to locate a job, as compared with four methods of job search by those unemployed 15 weeks or less. While more methods are tried by the long term unemployed, the intensity of search (hours spent searching) diminishes somewhat as duration of unemployment increases. However, intensity of search is not importantly related to the probability of finding a job. (BLS and Mathematica).

2. Research on Long Term Unemployment and Job Search Behavior

Much of the recent research bearing on the issue of long term unemployment focuses on the supply side of the market. This research aims at explaining the search behavior of the unemployed; and the nature of the decision process which determines whether the unemployed individual will accept a job offer or will continue to remain unemployed.

It is postulated that an individual will accept a job when the expected returns to continued search are less than or equal to the costs (including most importantly, income foregone) of the search. Specific models differ in their assumptions about how unemployed individuals and vacancies are matched, whether workers revise their expectations as their search proceeds and if so how, and by implication whether longer term unemployment leads individuals to accept a job at a lower wage.

The success of job search depends on the number of vacant jobs available relative to the number of individuals looking for work. When unemployment is high and there are relatively few vacancies, the length of search as well as the actual strategy may be different than it is in better times. There continue to be debates as to just how effective unemployment is in terms of facilitating a better match between workers and jobs.

Although long term unemployment is discussed in the search literature and some attention has been paid to long term unemployment as it relates to extended unemployment insurance benefits, there is relatively little in the way of literature or data pertaining specifically to the search behavior of all long term unemployed.

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TAB C

COMPARISON OF CURRENT WORK TESTS
ADMINISTERED BY DEPARTMENT OF LABOR

WIN

Food Stamps

UI

FSB

To Whom Does the Test Generally Apply?

- Able-bodied AFDC Recipients between the ages of 16 and 65.

- Able-bodied Food Stamp recipients between the ages of 18 and 65.

- Unemployed workers with prior wages in covered employment. Must have worked for stipulated time in base period or earned specified amount.
- Must be available for work.

- All FSB recipients

Who is Exempt from the Test?

- Mothers or other relatives caring for children under six or medically incapacitated household members; full-time students (youths).

- Mothers or other relatives caring for dependent children under 18 or incapacitated adults; students in accredited schools or training programs.

- No recipients exempt.

- No recipients exempt

When may the Test be Applied?

- When registrants are certified as having supportive services needed to work or train.

- On application, in sense that must register with ES. (Welfare agency sends registration to ES).

- On application

- On eligibility

What Proportion of Non-exempt Recipients are Contacted?

- All registrants.

- Less than 25% of 2.6 million registrants.

- All contacted at time of application but number of subsequent contacts varies over time and among States.

- All

What Action may be Required of Applicants or Recipients?

- Registration for employment or training.
- When certified, acceptance of suitable job or participation in WIN project determined appropriate by WIN staff.

- Registration with ES.
- Response to ES call-in.
- Acceptance of suitable job.

- Normally active job search.
- Periodic interviews, number varying considerably from State-to-State and over time. Laid-off workers with specified return date usually not interviewed.
- Acceptance of suitable job.

- Interview with ES to determine if training is needed
- Participation in available appropriate training.



WIN

Food Stamps

UI

FSB

How is Suitable Job Defined?

- Wages must meet or exceed applicable Federal or State minimum wage laws. When laws not applicable, wage must not be substantially less than wage normally paid for similar work in labor market but in no event less than 3/4 of FLSA minimum wage for situations when WIN income disregard available. When income disregard does not apply, wage less allowable deductions must at least equal family's AFDC benefit.

- Same as UI for first 30 days, thereafter any minimum wage job that meets minimum health and safety standards.

- Normally, job in recipients usual occupation paying prevailing rate; this standard may be reduced with length of unemployment and unavailability of usual work.

- Same as UI.

What are the Sanctions If Fail Test?

- Loss of benefits of individual refusing to participate (not to entire family).

- Entire household loses benefits.

- Loss of benefits.

- Loss of benefits

What proportion are Sanctioned?

- About 5% of WIN participants were sanctioned in FY 1975. (1.5% of registrants.)

- 8% of registrants were reported as having failed to comply with the work requirement in FY 1975. Of these, only a fraction lost benefits.

- 3/4 of 1% of the total weeks claimed in CY 1974 were denied.

- Not available.

ES Responsibilities

- Provides regular counseling and referral through WIN unit.
- Provides training through WIN unit.

- Provides job placement and referral services
- Provides other normal ES services necessary
- Provides results of job referral and placement activities to welfare agency.

- Provides job placement and referral services.
- Provides other normal ES services necessary.
- Provides results of job referral and placement activities to UI.

- Examine claimants' progress for obtaining employment.
- Refer claimants in need of training to CETA.



	<u>WIN</u>	<u>Food Stamps</u>	<u>UI</u>	<u>FSB</u>
<u>UI Responsibilities</u>	- Serves as agent in issuing payments.	- None	- Determines eligibility for benefits. - Determines who must register with ES. - Issues payments - Enforces the sanction.	- Determines eligibility benefits. - Issues payments. - Enforces sanctions.
<u>CETA Responsibilities</u>	- Provides training where WIN/CETA linkages have been established.	- No formalized relationship.	- None	- Provides training opp ties to FSB recipient
<u>Welfare Responsibilities</u>	- Determines AFDC eligibility. - Provides supportive services.	- Determines who is non-exempt from the registration requirement. - Registers applicants for employment. - Determines continued eligibility or termination. - Enforces the sanction.	- None	- None



U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

September 20, 1976

MEMORANDUM FOR THE EPB EXECUTIVE COMMITTEE

FROM: W. J. USERY, JR. *RD/msh*

SUBJECT: Youth Unemployment

As per our conversation yesterday attached are the following:

- o A draft background paper on youth unemployment.
- o Q and A's dealing with youth unemployment questions.

① from



TAB B

BACKGROUND PAPER ON YOUTH UNEMPLOYMENT

Youth unemployment has remained consistently two-to-three times as high as the overall unemployment rate for the last two decades. And even though the economy has generated 4 million new jobs in the past 17 months alone, youth unemployment has remained a serious problem. Teenage unemployment stands at 18.7% in the second quarter this year with the figure for non-whites double that rate.

However, to deal with the problem of youth unemployment one must recognize the unique characteristics of this age group which contribute to this higher rate of unemployment.

- o Since 1955, population growth for 16--19 year olds has been 92% compared with only 29% for the total population. However, the growth in importance of teenagers in the labor force is ending as population trends are changing. Over the next 14 years, census projections show the teenage population declining 21% while the total population will grow by 14% over the same period.
- o Much of teenage unemployment is seasonal. From 1971--1975, one-third of teenage unemployment occurred during the months of June, July and August. More than one half of unemployed teenagers were enrolled in school in 1975.
- o A large share of unemployed teenagers are seeking part-time work, indeed more than 40% in 1975.
- o Most unemployed teenagers are either new entrants or reentrants to the labor force. In 1975, 66% of the teenage unemployed were either new entrants (36%) or reentrants (30%) compared with 34% of total unemployed.
- o The duration of unemployment is significantly shorter for 16--19 year olds than for total unemployed. In 1975, 48% of teenage unemployment was less than five weeks while 18% was 15 weeks or longer. For the total unemployed, these figures were 37% and 32%, respectively.

- o There has been a sharp decline in armed services employment, more than 40% since 1968.
- o Much of the teenage unemployment is concentrated in central cities. In 1975, the unemployment rate for 16--19 year olds in such areas was 25%, accounting for one-third of all teenage unemployment.

From these facts it is possible to better understand the problem of youth unemployment.

- o In short, most unemployed teenagers are not seeking full-time permanent employment.
- o In most cases, finding a job is not necessarily the problem, availability of good jobs is.
- o The seasonality of teenage unemployment requires programs directed toward the summer months.
- o Poverty areas, and particularly the inner-city present an especially difficult problem.

Over the years, the Federal Government has through a variety of programs sought to address the youth unemployment problem. Among these are:

- o Summer jobs programs aimed at economically disadvantaged youths.
- o Special programs directed towards large-city areas of high unemployment.
- o CETA training and work-experience programs under Title I.
- o Employment service activities designed to aid the transition from school to work.
- o Minimum wage exemptions primarily for part-time employment of students in training-related jobs or college students by their own college.

Despite these initiatives, youth unemployment remains a serious problem. Too many of the past efforts at reducing youth unemployment have been directed merely at just getting our young off the streets rather than onto the payroll of a job that will provide him or her with the experience and training necessary to integrate the person into our job market.

One approach that has been suggested as a means of expanding youths job opportunities is a differential in the minimum wage an employer can pay younger workers where their lack of experience and lower productivity would indicate a lower wage. This is the position taken by the Republican Party Platform. However, care must be taken to protect older workers from losing their jobs in order to make room for lower-paid, young workers. This is a concept that has been reaffirmed by Congress and many Administrations over the years.

Given the need to expand youth employment opportunities while protecting the legitimate rights of older workers to be given adequate protection under the minimum wage laws, there are better ways of dealing with this problem than merely instituting a youth differential. Indeed initiatives have already been taken to tackle this difficult problem.

First, the Secretary of Labor is currently authorized to grant youth wage differentials in a wide variety of apprenticeship, student and youth oriented jobs, particularly those related to training programs. Approximately one-half million young individuals are presently authorized to be employed below the minimum wage under the minimum wage exemption program which represents a very substantial increase over the past two years. This program is being reviewed to determine if modifications might be made under existing authority to provide the needed job opportunities for young people while providing maximum protection for those older workers presently employed.

Second, at the University of Michigan the President urged that the present principle of assuring financial assistance to every high school graduate willing and qualified to go to college should also be extended to those who want a job at which they can learn a trade, a craft or a practical business skill. To this end, the Secretary of Labor has been directed to build on the success of the construction industry apprenticeship program and to develop promptly a plan to adapt this concept for non-construction industries. In addition, the Secretary of Commerce has been directed to identify the ten most successful and promising, privately sponsored approaches to improve youth career development and to implement a plan to encourage their widespread adoption.

Third, disadvantaged youths, particularly those trapped within the inner-city, represent a particularly difficult problem. Too often, the approach taken to solve this problem has been one of make-work, dead-end jobs. What is required is that these youth be brought into the main stream of a productive private job sector. To achieve this end, the Secretary of Labor, in cooperation with the National Alliance of Businessmen, and the Secretary of Commerce are sponsoring a special private base program to increase productive jobs and training for disadvantaged youth and welfare enrollees by 500,000 within the next twelve months. The Secretary of Labor has been authorized to reimburse corporations with up to \$1,400 per year for the training and administrative costs per productive job made available. In this way, the disadvantaged youth is given the experience, training and job that will enable such a person to escape the welfare role.

TAB A

Q. Why is the teenage unemployment rate so high?

A. The problem of teenage unemployment is not new. Youth unemployment has been moving upward for the past two decades. Throughout this period, it has consistently been 2 to 3 times as high as the overall unemployment rate. In August the teenage unemployment rate was almost 20 percent. That for black teenagers was 40%.

Part of the reason for the present high unemployment rates among teenagers is simple demographics. As a result of the maturing of the children born during the baby boom after World War II there are now simply more teenagers in the labor force seeking jobs.

Teenagers are not, by-in-large, unemployed because they lose their job or quit, but because they are either seeking their first job or re-entering the labor market after having been out of it for some period of time. Two-thirds of the teenage unemployed fall in these two categories. Only 19% of unemployed adult males and 33% of unemployed adult women fall into these categories.

Q. Who is the average unemployed teenager?

A. The characteristics of the unemployed teenager differ considerably from those of the unemployed adult. In 1975 over 40% of unemployed teenagers were seeking only part-time work. About half are still in school. This is one reason for the tremendous seasonality in teenage unemployment. From 1971-1975, more than a third of their unemployment took place in June, July, and August.

Q. Is the high unemployment rate among teenagers a serious problem?

A. Yes, the high rates of teenage unemployment are both serious and disturbing. It is particularly disturbing because the best preventive of the associated problem of crime, drug addiction and future dependency is productive youth employment. But to get at the root of the problem one must look beyond the simple unemployment rates. The duration of teenage unemployment is short, averaging 7 weeks in August compared with 19 weeks for adult men and 15 weeks for adult women. This indicates that most teenagers do not have exceeding difficulty finding jobs when they want them. Their unemployment rates are high because there are so many of them flowing through the labor market any any given time. The real problem seems centered on minority inner city youth located in areas when teenage job opportunities are limited.

Q. What problems do teenagers encounter finding jobs?

A. The primary problem is lack of available job information. Research sponsored by the Department of Labor found that about half of the students who are employed found their jobs through friends and relatives. A quarter found their jobs by contacting employers directly.

The major difference between teenagers who had jobs and those unemployed was that the latter relied much more heavily on employer contact and much less on friends and relatives. Almost 80% of unemployed teenagers contacted employers directly while only 13% sought assistance from friends and relatives.

Q. What is the Administration doing to address the problem of teenage unemployment?

A. As you know there are a number of existing programs to deal with the problem including the Summer Job Program, CETA Titles I and IV, and the Employment Service. However, the Administration recognizes that the problem of teenage unemployment continues to be both serious and complex. It was expressly with this in mind that in August, 1974--as one of my first Presidential initiatives--I established a Cabinet Committee on Education and Work.

This week I reviewed the progress of the Committee on Education and Work with the Secretaries of Labor, Commerce, and HEW. Initiatives have gone forward in the fields of Occupational Information, Job Counseling, pilot vocational exploration programs, information exchange, placement programs and others.

Q. The Republican platform supports a youth differential in the minimum wage to solve the youth unemployment problem. Do you support this position?

A. I have long felt that our minimum wage legislation should provide the means for an employer to pay a bit less to young people in order not to curtail job opportunities for this age group. This is what the platform calls for and I agree with it.

*we
are
doing
this*

There is at the same time much legitimate concern, that a minimum wage differential would be used to substitute low wage youth for older workers with family responsibilities. Recognizing this concern, the Secretary of Labor is already authorized under present legislation to grant differentials in a wide variety of apprenticeship, student and youth programs. Approximately 550,000 persons presently are authorized to be employed below the minimum wage under this exemptions authority, and as many as one million youth are employed in industries where the minimum wage requirements do not apply at all. This represents a very significant increase over previous years.



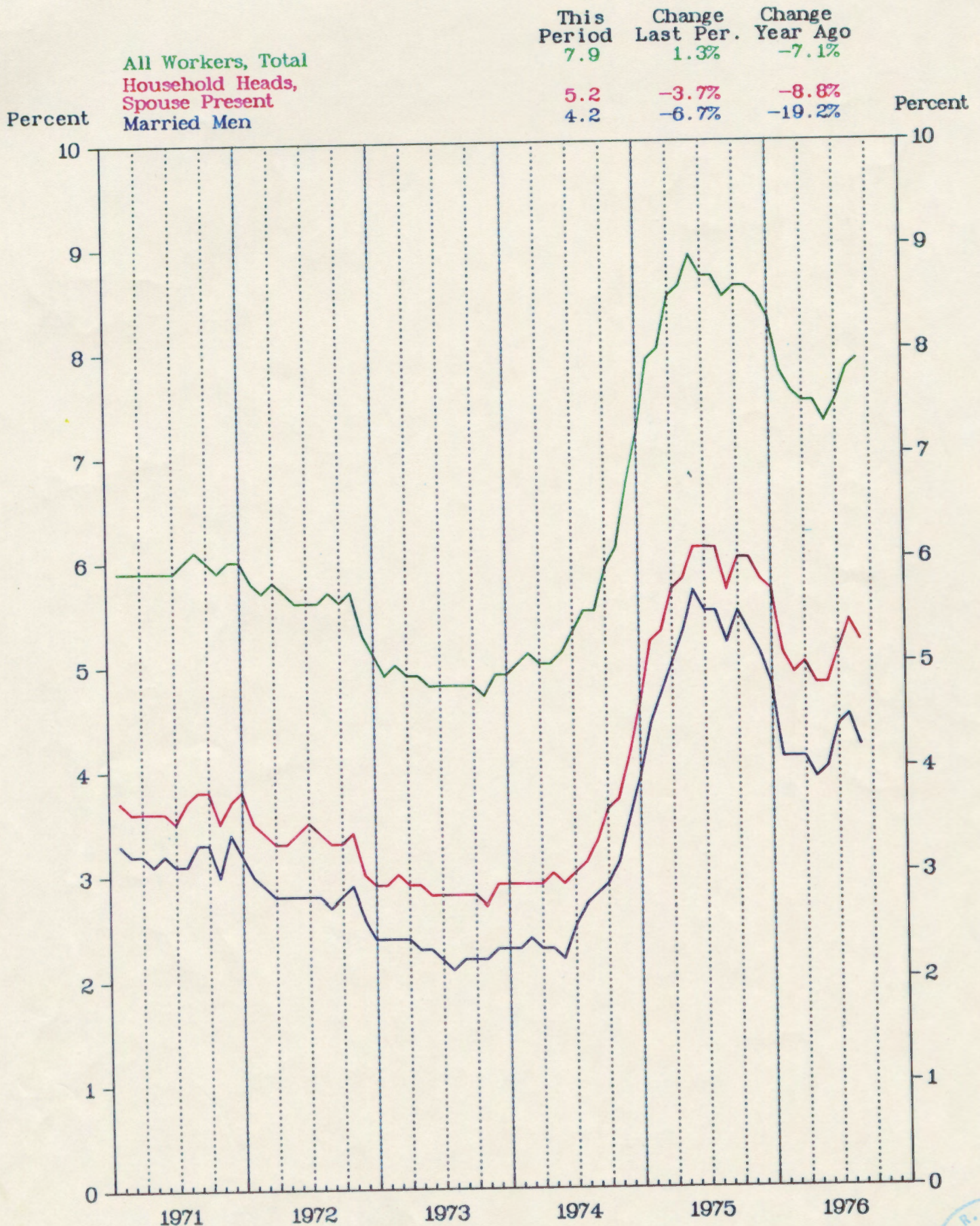
Q. Then in fact don't we already have a youth differential?

A. Yes, however, it is one that recognizes the need to protect our older workers with families from the substitution of low-wage youths, while at the same time giving teenagers every chance to obtain jobs and training in private industry. To further this end, I have asked the Secretaries of Labor and Commerce to review this program to determine if modifications might be in order to ensure that, under existing authority, we are providing needed job opportunities for young people while providing maximum protection for those older workers presently employed.

Q. In spite of the programs you mention, teenage unemployment rates remain high, and in the last few months have been increasing. What is your Administration planning to do about this?

A. I realize that while much has been done, the special problems of youth unemployment requires special action. The Secretary of Labor in cooperation with the National Alliance of Businessmen, has undertaken a special initiative to develop within the next 12 months 500,000 job opportunities for disadvantaged youth and welfare enrollees. I have directed the Secretary of Labor to build on the success of the construction industry apprenticeship program, and to develop promptly a plan to adapt this concept for non-construction industries. I have directed the Secretary of Commerce to identify the ten most successful and promising privately-sponsored approaches to improved youth career development--and to implement a plan to encourage their widespread adoption. Finally, I am pleased to have been able to sign into law this week an expanded employment tax credit program--to provide private employers increased incentives to hire the disadvantaged.

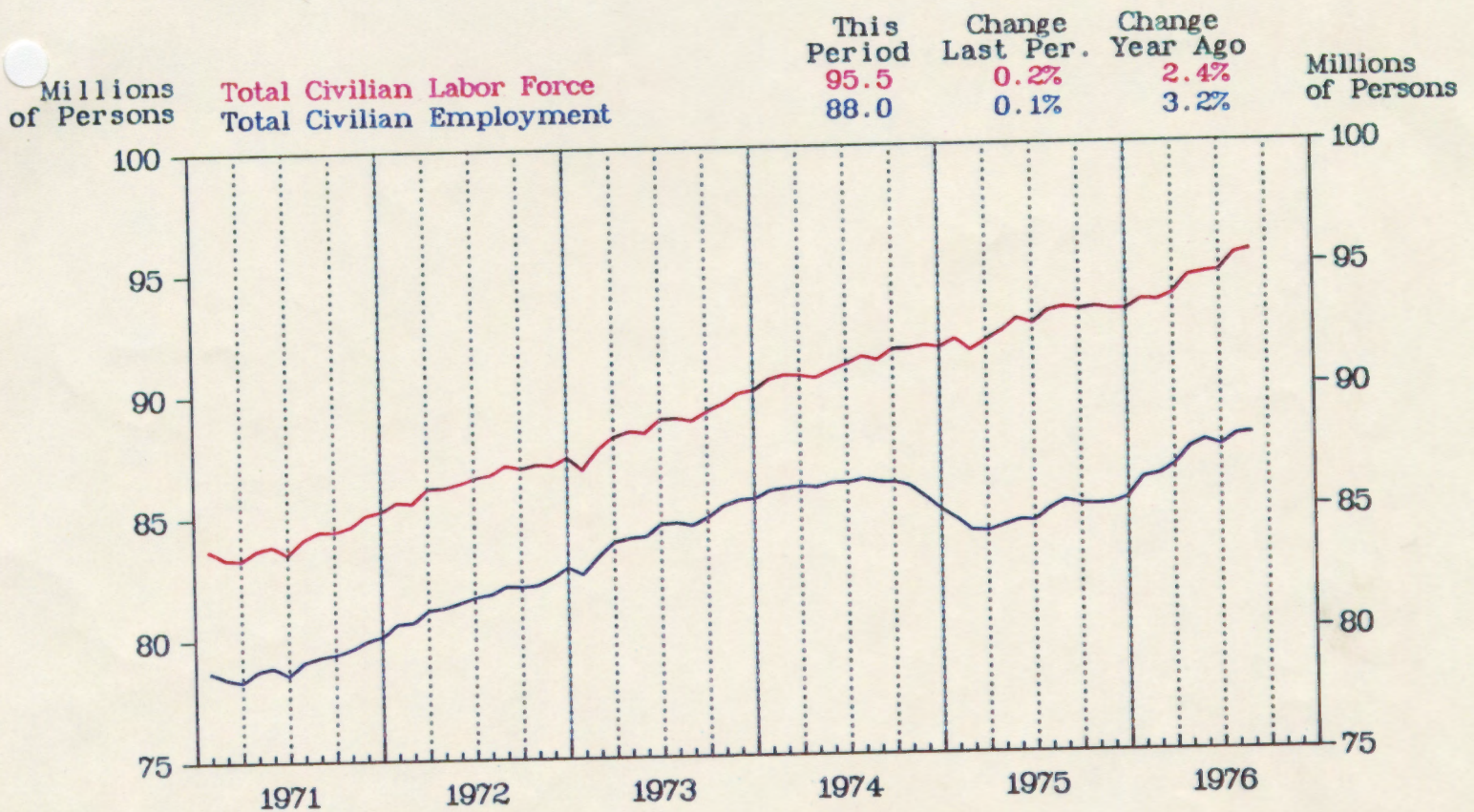
A.2.1—Unemployment Rate



Source: Bureau of Labor Statistics
6 September 1976



A.2.1—Civilian Labor Force and Employment



Source: Bureau of Labor Statistics
6 September 1976

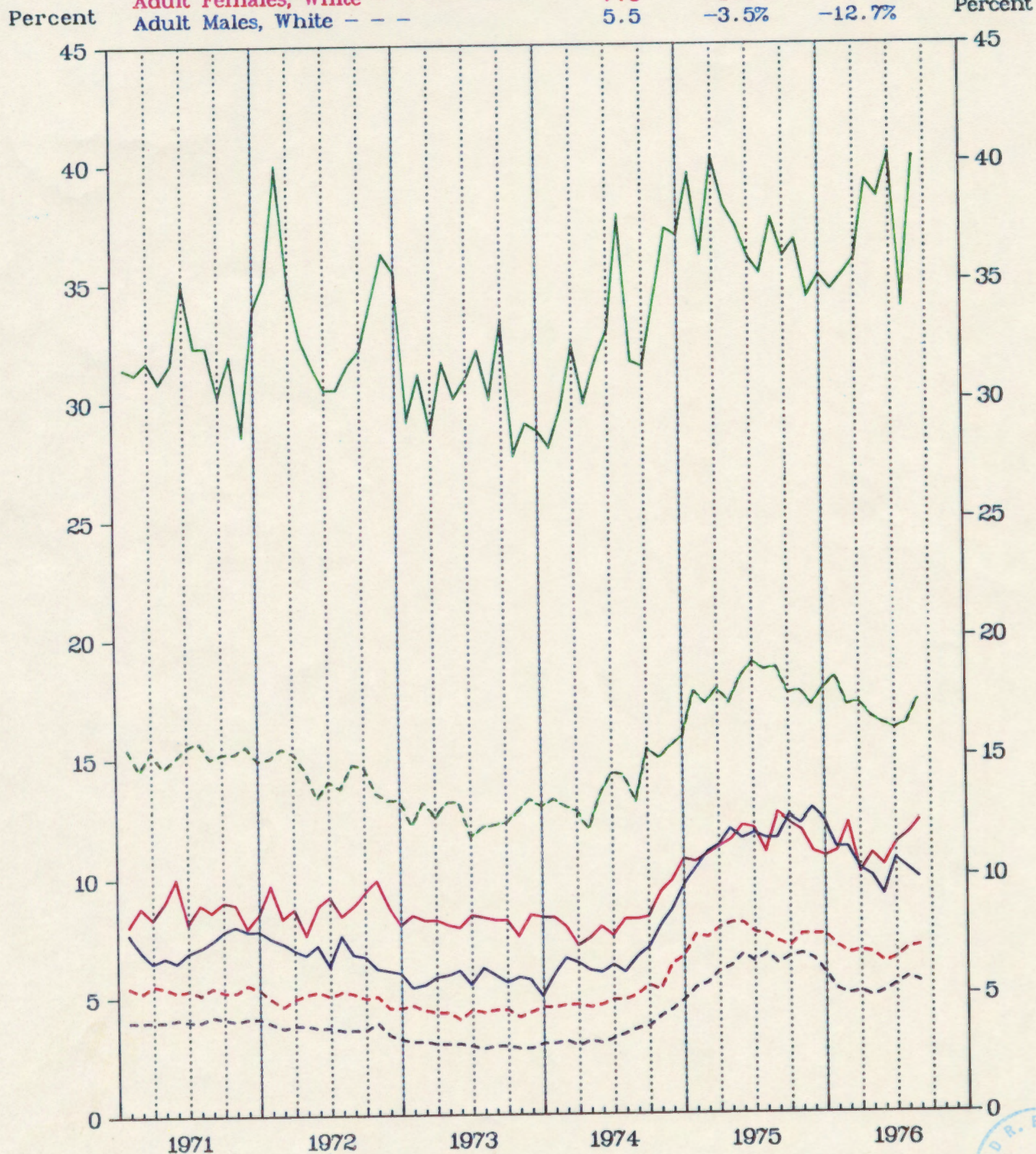
- The Unemployment Rate edged slightly upward from 7.8 percent in July to 7.9 percent in August, the third consecutive monthly increase and 0.6 percentage point above the 1976 low of 7.3 percent reached in May.
- The number of job-seeking workers rose by 80,000 to 7,506,000.
- An increase of 74,000 in Total Civilian Employment to 88.0 million was more than offset by a rise of 154,000 in Total Civilian Labor Force to 95.5 million.
- Jobless teenage workers, increasing by 155,000, accounted for nearly all of the overall unemployment increase.
- Unemployed adult women rose by only 26,000, and unemployed adult males declined by 101,000.
- The jobless rate for Household Heads declined from last month's 1976 high of 5.4 percent to 5.2 percent.
- A decrease from 4.5 percent to 4.2 percent in the unemployment rate of Married Men was nearly a 20 percent drop from the 5.2 percent rate of a year ago.

- Most of the increase in the overall Unemployment rate occurred among Teenagers.
- The jobless rate among White Teenagers rose 1 percentage point to 17.3 percent; and joblessness among Black Teenagers jumped over 6 percentage points, nearly equalling the record unemployment rate of 40.3 percent in June.
- The unemployment rate among Black Adult Females rose from 11.7 percent to 12.3 percent, the highest level since the 12.6 percent rate recorded a year ago.
- The jobless rate among Black Adult Males, however, dropped from 10.3 percent to 9.9 percent, resuming the overall decline initiated in November 1975, during which unemployment among Black Adult Males has declined nearly 23 percent.
- Joblessness among White Adult Females edged up from 6.9 percent to 7.0 percent, the third consecutive monthly increase.
- White Adult Male unemployment declined to 5.5 percent, which by offsetting increases in the unemployment rates in the other sectors of the White labor force, held the overall White unemployment rate at last month's level of 7.1 percent.

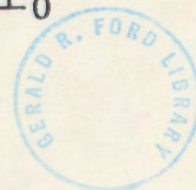


A.2.1—Unemployment by Age, Sex, and Race

	This Period	Change Last Per.	Change Year Ago	
Teenagers, Negro and Other Races	40.2	17.9%	6.9%	
Teenagers, White - - -	17.3	6.1%	-7.5%	
Adult Females, Negro and Other Races	12.3	5.1%	-2.4%	
Adult Males, Negro and Other Races	9.9	-3.9%	-14.7%	
Adult Females, White - - -	7.0	1.4%	-2.8%	
Adult Males, White - - -	5.5	-3.5%	-12.7%	



Source: Bureau of Labor Statistics
6 September 1976



THE WHITE HOUSE

WASHINGTON

September 20, 1976

Carter Allegation

Combination of unemployment and inflation highest in 30 years, unemployment rate of 7.9 higher than any time since the great depression, 50% greater and 2 1/2 million more people than when Ford took office.

Answer

It is true that the 7.9 percent figure is a postwar record and that the number of unemployed has increased from 5 million in August 1974 to 7 1/2 million in August 1975. However, the real issue involves two questions: (1) What caused the difficulties; and (2) How did President Ford React?

Carter Allegation

Six percent inflation rate -- higher than anytime since the Korean War. 3 1/2 percent higher than Kennedy Johnson.

Answer

As to the claim that the current 6 percent inflation is higher than at any time since the Korean War and 3 1/2 percent higher than during the Kennedy-Johnson period, the writer has perverted the facts. Using the Consumer Price Index as a measure of inflation, over the last twelve months ending with July, prices have risen 5.4 percent. The annual rate of increase for other years is as follows:

1957	3.6	1961	1.0	1969	5.4
1958	2.7	1962	1.1	1970	5.9
1959	0.8	1963	1.2	1971	4.3
1960	1.6	1964	1.3	1972	3.3
		1965	1.7	1973	6.2
		1966	2.9	1974	11.0
		1967	2.9	1975	9.1
		1968	4.2		

From 1890 through 1970 consumer prices have increased at an average annual rate of 1.8 percent. The Democratic Party was in control of the Presidency and the Congress when this historic

stability was disrupted in the mid-1960's causing the annual rate of inflation to rise above the 6 percent level by the end of 1968. The average rate of inflation for the 1960-1968 period was much lower than the current level but the creation of negative trends during that period is the real issue.

Carter Allegation

65 billion dollar deficit larger than any previous deficit.

Answer

The \$65 billion budget deficit in FY 1976 is well above the FY 1968 deficit of \$25.2 billion and the peak wartime deficit of \$54.9 billion in FY 1943. These deficits need to be put in perspective, however. As a percentage of the GNP the FY 1976 deficit is only 4 percent while the FY 1968 deficit was 3 percent and the FY 1943 deficit was 29 percent. The FY 1976 budget deficit did not just suddenly appear in the economy -- it is the result of the accumulated policy distortions of the past.

Carter Allegation

\$281 billion increase in the debt during the Nixon-Ford Administration. Largest in history.

Answer

The gross Federal debt at the end of FY 1968 (June 1968) totaled \$369.8 billion; it was expected to rise to \$633.9 billion by the end of FY 1976, an increase of \$264.1 billion. The fact is that national debt has risen at an extraordinary pace even after the end of the major fighting in Vietnam. Once again, the real issue is to identify the historical causes of the budget deficits which must be linked to the momentum of Federal spending for programs created in earlier years.

Carter Allegation

Real value of average workers weekly payroll less than in 1968.

Answer

Real value of average workers weekly payroll is a relatively unfamiliar index that is subject to variations in the mix of workers and the types of jobs held. More familiar measures of personal status refer to disposable personal income since it measures the total change.

Disposable Personal Income
Annual Rates of Change

	<u>In Current Dollars</u>	<u>In Constant 1972 Dollars</u>
1957	5.4	2.0
1958	3.3	1.1
1959	6.0	4.0
1960	4.0	2.1
1961	3.9	2.7
1962	5.8	4.2
1963	4.9	3.4
1964	8.5	7.1
1965	8.1	6.1
1966	8.1	5.1
1967	6.7	4.1
1968	8.0	3.8
1969	7.2	2.5
1970	8.8	4.1
1971	8.3	3.7
1972	7.9	4.2
1973	12.7	6.8
1974	8.9	-1.5
1975	9.5	1.6

Compounded Annual
Rate of Change

1957-1975	7.1	3.5
1960-1968	6.7	4.5
1968-1975	8.0	3.0

These figures indicate that real personal disposable income has continued to increase over the last seven years, but at a slower pace than in the 1960-68 period. This reduced pace is the direct result of the acceleration of inflation that began in the mid-1960's.

Carter Allegation

We will never lick this problem unless we fight inflation and unemployment together and that is what I intend to do when I become President.

Answer

The quote is incomprehensible unless his meaning is confused by a typographical error. If he is trying to say that we must fight both inflation and unemployment and that progress on either requires progress on both, I would agree but that is our position. We came at inflation first in the fall of 1974 because it was so intense and it would have been impossible to restore output and unemployment gains with such price distortions destroying economic prospects and jobs.

OFFICE OF THE VICE PRESIDENT
WASHINGTON

September 20, 1976

MEMORANDUM FOR ELLIOT RICHARDSON
FROM: JACK VENEMAN
SUBJECT: Youth Unemployment

At this morning's EPB meeting a question was raised with regard to possible demonstration or experimental programs which would target on the youth unemployment problem.

On several occasions the Vice President has discussed with the President a "Job Scholarship" proposal which would be similar to the basic opportunity grant for higher education. The attached memorandum describes the concept which, it seems to me, the President could announce as an experimental program in perhaps six cities. Also included is a proposed "School-Work" initiative which would make funds available to school districts that develop programs to hire youth to repair damage caused by vandalism, etc. This too could be done on a demonstration basis.

It would seem that these two programs would be low cost initiatives that reflect the spirit of the President's remarks in Ann Arbor (attached).

cc: Jim Cannon ✓
Arthur Quern
Richard Darman



0920

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Providing "Job Scholarships" for
Low Income Youth

Background

Youth unemployment statistics remain very high. The August 1976 figures indicate that among youth 16 through 19 years of age, the unemployment rate is 19.7% or 1.8 million persons. Among minority youth the rate is 40.2% or 393,000 persons.

One problem is that many jobs open to untrained youth are unsatisfactory to the youth. They do not present a long-term career path to youth seeking full-time employment. As a consequence, youth tend to quit their jobs at a high rate, thus leaving large numbers to be counted unemployed and continuously seeking new job opportunities.

Employers are reluctant to employ youth in jobs in which they have to pay the costs of training plus the minimum wage. Consequently, employers tend to offer youthful job seekers low-skilled work which requires little or no training. Jobs leading to skilled work are reserved for those applicants who are more likely to stay long enough to provide a return on the training investment.

An issue is whether more should be done to provide disadvantaged and minority group youth seeking full-time work more opportunities to acquire skilled jobs and receive useful training.

Among the proposals that have been considered has been the lowering of the minimum wage for youth. This is not considered realistic because of the strong union pressure to raise the minimum wage.

An alternative which may be more politically viable is to provide a financial incentive to employers to take youth into skilled jobs and to train them. The "Job Scholarship" proposal represents this type of an approach.

Proposal

A "Job Scholarship" is a voucher which the youth would exchange with employers for a skilled job and training for a specified period of time.

The concept of the "Job Scholarship" is similar to the Basic Opportunity Grant Scholarship with which disadvantaged youth can obtain a college education.

The Scholarship is envisioned as a fixed grant of \$1,000 for one year of training or employment which would be renewable for an additional year if the recipient successfully completed the first year's program.

The Scholarship would be limited to those with incomes below 150% of the poverty level. It could only be used to purchase employment in full-time skilled jobs, determined by the Department of Labor to provide a clear long-term career path and significant potential for increasing wages and responsibility.

The program would be coordinated by a newly created Youth Job Service which would be responsible for seeking out and certifying job opportunities which would be eligible for participation in the "Job Scholarship" program. It would also determine recipient income eligibility.

The "Job Scholarship" concept should be phased in at a point when the economy approximates full employment, projected to be near the third quarter of FY 1978.

A program which would provide approximately 450,000 scholarships will require funding at about \$.5 billion per year. This is estimated as the amount necessary to cover unemployed disadvantaged youth.

Advantages of the "Job Scholarship" Approach

- o The "Job Scholarship" is a visible response to the youth unemployment rate.
- o The "Job Scholarship" program, as opposed to the more general CETA programs, is focused directly on youth and their employment needs. Only about 27% of those in CETA "On The Job Training" programs are youth.
- o The use of a voucher allows the youth flexibility in the labor market and provides him with the independence to select the type of employment which he feels would be most interesting and satisfying.
- o The "Job Scholarship" provides a direct incentive for employers to hire and train youth for more skilled jobs than they would otherwise be able to obtain.
- o From an equity point of view, the "Job Scholarship" provides career opportunities for disadvantaged youth entering the labor market in the same way that the Basic Opportunity Grant program opportunity for youth going to college.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Developing a "School Work" Program

Background

The Administration has developed programs which supply summer jobs for over 1.5 million youth, including \$528.4 million for 888,100 jobs through the summer youth program.

There is a need to provide to youth attending school jobs which can be continued during the school year, as well as in the summer months.

Proposal

A "School Work" project could be established to provide part-time and summer jobs for youth within the neighborhood school setting. Projects would be designed to restore the damage caused by vandalism to the school facility.

The program could be financed partially with funds from existing programs and directed to part-time and summer jobs for youth in their own schools.

The students would engage in full-time jobs at the minimum wage during the summer, and quarter-time work during the school year. The youth would be trained to perform such jobs as cleaning and painting the schools, repairing broken windows, restoring furniture, building new facilities, etc.

The proposal is based upon the concept that the school is more than a learning facility. It is also a community institution that can serve as a recreational facility and a community center. The jobs are provided at the school site to increase pride in the school and provide a strong sense of community identification for the youth.

The projects would be directed by the coaches, the school principals, or other respected faculty members. A coach is generally recognized and respected as an authority figure within the school and can successfully instill both a sense of discipline and a sense of self-confidence. Federal funds could be channelled through the State Employment Service or local CETA prime sponsors directly to school districts that establish programs in accordance with specified criteria.

FROM THE PRESIDENT'S SPEECH IN ANN ARBOR, MICHIGAN - 9/15/76

"I am particularly concerned that there are too many young Americans who cannot find a good job or get the training and the experience they need to find a job.

"Americans have long since recognized the importance of assuring that every high school graduate who is willing, able and qualified be able to go to college. We have done so through grants, loans and scholarships.

"I believe we can apply the same principle to create a program for young people who choose not to go to college, but want a job at which they can learn a trade, a craft or practical business skills."