DOCUMENT RESUME

ED 230 698 CE 036 056

TITLE The Federal Interest in Employment and Training. Seventh Annual Report. Report No. 13.
INSTITUTION National Commission for Employment Policy (DOL), Washington, D.C.
PUB DATE Oct 81
NOTE 265p.
PUB TYPE Reports - Descriptive (141)

EDRS PRICE MF01/PC11 Plus Postage.
DESCRIPTORS Adults; Disadvantaged; *Employment Programs; *Equal Opportunities (Jobs); Federal Government; *Federal Programs; *Government Role; History; *Job Training; Policy Formation; *Public Policy; Unemployment; Youth Programs

ABSTRACT

According to this annual report, the National Commission for Employment Policy focused during 1981 on the federal interest in employment and training. This report contains the commission's findings and recommendations together with the staff's report that summarizes the available knowledge of how past employment and training policies and programs have operated together with two specially prepared studies on troubled and displaced workers. After a review of literature, several studies by the commission, consultation with others, and discussions at a conference on employment and training, the commission reached the following conclusions: (1) there has been a long tradition of federal involvement in employment and training programs starting with the Morrill Act of 1862; (2) the primary grounds for a continuing federal interest involve the contribution of employment and training programs to promoting economic growth, facilitating adjustments to labor shocks, and contributing to equal opportunity; and (3) even in the face of current and prospective federal budget cuts, the commission believes that there is a continuing federal interest in employment and training to increase the human capital of hard-to-employ youth and adults so that they will be able to participate actively in the world of work. (KC)

National Commission for Employment Policy

Seventh Annual Report: The Federal Interest in Employment and Training

The National Commission for Employment Policy
Report No. 13
1522 K Street, NW
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Washington, D.C. 20005
October 1981

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TO THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES:

I have the honor to transmit the Seventh Annual Report of the National Commission for Employment Policy which is focused on "The Federal Interest in Employment and Training."

The Commission selected this theme as the first of several forthcoming evaluations of issues that the Administration and the Congress will want to address as they consider the next stage in the evolution of national employment and training policy that must be faced because of the possible expiration of the Comprehensive Employment and Training Act in September 1982.

This report contains the Commission's findings and recommendations together with the staff's report which summarizes the available knowledge of how past employment and training policies and programs have operated together with two specially prepared studies on troubled and displaced workers.

The Commission concludes that:

(a) There has been a long tradition of Federal involvement in employment and training programs starting with the passage of the Morrill Act in 1862 to assist agriculture and the technical arts.

(b) The primary grounds for a continuing Federal interest involve the contribution of employment and training programs to promoting economic growth, facilitating adjustments to labor market shocks, and contributing to equal opportunity.

(c) Even in the face of current and prospective Federal budgetary stringencies, the Commission believes that there is a continuing Federal interest in employment and training to increase the human capital of hard-to-employ youth and adults so that they will be able to participate actively in the world of work and support themselves and their dependents rather than

to be dependent on income transfers. While families, employers, and local and State governments will continue to make adequate commitments to assure the constructive participation of most citizens in the economy and society, many of the hard-to-employ will be neglected and become permanent dependents in the absence of a continuing national concern and effort to help them get and keep jobs.

The Commission and its staff will be pleased to assist in every way possible as the Nation seeks to develop a stronger employment and training policy for the years ahead.

ELI GINZBERG
Chairman

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PART A

COMMISSION STATEMENT

ON

THE FEDERAL INTEREST IN

EMPLOYMENT AND TRAINING

THE FEDERAL INTEREST IN EMPLOYMENT AND TRAINING

The opportunity for all citizens to be productive is essential if the United States is to meet its economic, social, and national security objectives. The increase in human capital is as critical as the growth of financial resources for the expansion of the economy and the well-being of the population. There is a national interest in ensuring that our human resources are developed to their fullest potential.

What is less clear to policymakers today is what, if anything, the Federal Government should do to foster such development. For several decades Congress acted on the premise that there was a Federal interest in promoting training and employment, particularly for those encountering difficulty in getting and holding regular jobs. As a first step in presenting its recommendations on future Federal employment and training policies to the President and the Congress, the National Commission for Employment Policy has returned to basics. It has reexamined whether there is a Federal interest in employment and training. This statement provides a summary of its deliberations and conclusions.

The Commission looked to history for guidance. The Constitution of the United States assigns to the Federal Government responsibility for immigration, equal treatment of citizens under the law, regulation of interstate and foreign commerce, raising armed forces for the defense of the Nation, and providing for the general welfare.

In 1862, in the midst of the Civil War, Congress passed the Morrill Act which gave Federal lands to the States to encourage them to train large numbers of persons for agricultural and the technical arts. In the century that followed Congress took a number of major actions to strengthen the Nation's human resources: 1917--the Smith-Hughes Act to provide funding for vocational education; 1933--the Wagner-Peyser Act to establish the U.S. Employment Service; 1958--the National Defense Education Act to provide funds to increase the pool of scientists, engineers, and other specialists whose skills are critical for the Nation's defense. In the last two decades, beginning with the passage of the Area Redevelopment Act and the Manpower Development and Training Act, Federal employment and training programs have provided opportunities for disadvantaged and displaced workers to become productive citizens.

Both Republican and Democratic administrations and successive Congresses with broad bipartisan support have strengthened the Nation's human resources through employment and training programs.

Looking ahead to the middle and latter 1980's, the Commission sees a continuing Federal interest in reducing the number of persons who will face long-term unemployment and permanent low earnings. These people will need assistance as the economy shifts increasingly toward advanced services, thereby reducing the number of unskilled jobs; as experienced workers lose their jobs as a consequence of dislocation and technological changes; as increasing proportions of the poverty population are families headed by women; and as many youth continue to drop out of school without having acquired the minimum competencies which employers require.

The Commission has identified the following major Federal interests in employment and training:

To Promote Economic Growth

The expansion of the economy can be increased by enabling all who are able and willing to work to do so and by increasing the productive capacity and flexibility of the work force. Since many adults and youth lack the competencies and skills necessary to obtain and retain regular employment, they need training opportunities that can make them job ready, employable, and productive. But many cannot afford to pay for such training and employers, viewing them as poor risks, will not hire and provide them with training opportunities. In addition to private employers, State and local governments may also underinvest in training because workers, once trained, may move to new areas.

To Facilitate Adjustment to Labor Market Shocks

Defense, foreign policy, and other decisions by the Federal Government can have significant impacts on States, localities, industries, and individuals. For example, defense contractors may increasingly encounter skill shortages as the military budget is increased, while the reduction in the number of young adults may make it more difficult for the Armed Services to recruit personnel. Likewise, a decision to close a military base or to change immigration policy may have short or longer term disruptive effects on a locality or region. Moreover, the Federal Government may seek to ameliorate shocks external to the domestic economy, arising out of an oil embargo or trade decisions of other nations. Such disruptions to the labor

market are certain to occur in the future as in the past. Knowing when intervention by the Federal Government is required and what form that intervention should take might well have to be decided on a case by case basis as it has so often been in the past.

To Secure Equal Opportunity

While most Americans can provide themselves and their offspring with the experiences and competencies necessary to enable them to compete for good jobs, low-skilled, low-income individuals are least likely to be able to afford training and least likely to know how to get it. They are also the least attractive workers for firms to hire, and they are often the most difficult and most costly for educational institutions to serve. They often reside in areas that are least likely to have the resources to assist them, and without access to broader opportunities they are unlikely to become productive citizens. Moreover, many low-skilled and low-income persons, despite noticeable progress, still face discrimination on account of age, sex, race, or national origin.

The Commission recognizes that many institutions in our society contribute to human resources development, including the family, the community, the church, business, labor, the education system, States and local governments. These institutions work well for most Americans and are the primary institutions for human resource development. To the extent that individuals and other institutions in society are willing and able to provide these, the Federal interest is served. The Federal Government's role should be limited to promoting those activities that otherwise would not take place and to activities which are less costly or more efficient to the Nation as a whole when undertaken at the Federal level.

The Commission believes the primary focus of any federally financed employment and training efforts should be to assist youth and adults who are not able on their own or through other institutions to acquire the services which would enable them to obtain and retain regular jobs. To the extent that Federal employment and training programs succeed, enrollees will be able to support themselves and their dependents. This is the preferred pattern deeply engrained in the American experience. Successful training programs also yield additional benefits by reducing the public assistance rolls, increasing the labor supply available to employers, and helping to speed the growth of the Nation's economy. It is critical, however, that Government not repeat the error of creating unduly high expectations, only to have the programs judged a failure by standards they never could have achieved.

The wealth of a nation is based on the productive capacity of its people. People who do not work are supported by the taxes that employers and workers pay. The Federal Government should do all it can to help nonproductive and tax-consuming persons to become productive taxpayers. This cannot be done for everyone, and it is not cheap to do, but where feasible it is preferable to income transfer payments. Profitable social investments in human beings need to be made if we are to maintain the basic fabric of our society. The Commission is convinced that Americans want to work, but to do so they must possess the competencies, skills, and information that will lead an employer to offer them a job. Government must encourage a sound and equitable economy so it will be profitable for employers to make such offers. It is a good public investment for the Federal Government to provide opportunities for those who need them so that they can become regular, productive workers.

PART B

STAFF REPORT

ON

EMPLOYMENT AND TRAINING

PREFACE

This staff report was prepared for the Members of the National Commission for Employment Policy as part of their review of the Nation's employment and training activities. Ralph E. Smith and I had overall direction of the report, with major contributions from Stephen Cecchetti and Ronald Warren (chapter 2) and Janet Johnston (chapter 4). The authors based their findings on existing literature, several studies sponsored by the Commission, consultation with others, and discussions at a conference on employment and training held by the Commission in September 1981. Virtually all of the Commission staff participated in this review. The authors of this report have also benefited from the comments of several outside reviewers.

DANIEL H. SAKS
Director

CHAPTER 1

OVERVIEW

By

Daniel H. Saks

and

Ralph E. Smith

OVERVIEW

The Federal Government has a long history of helping people prepare for and find jobs. For more than 50 years the Federal Government has funded an Employment Service to provide labor market information and job matching services to the general public. During the past two decades the Federal Government has funded a variety of special programs designed to promote employment and training opportunities for disadvantaged individuals. Further, the Federal Government has given support to State and local elementary, secondary, vocational, and adult education programs. More recently, it has provided adjustment assistance to individuals who lost their jobs as a result of adverse trade or government actions.

In the next few years, the legislation authorizing many of these employment and training activities will expire, providing a unique opportunity for the Nation to reassess the original goals, the accomplishments, and the conditions on which Federal support is based. The Comprehensive Employment and Training Act (CETA), the largest of the Federal employment and training programs, could expire at the end of the current fiscal year. There is, however, a much larger debate now under way, also affecting the future of these programs--the debate on the future direction of the U.S. economy and the role of the Federal Government. The budget is being pared and redirected. Efforts are continuing to increase investment, reduce governmental regulations, and place more reliance on State and local governments, the private sector, and individuals to provide services that the Federal Government has been providing.

The National Commission for Employment Policy is focusing on the basic issues that need to be resolved in order to ensure that the limited amount of Federal resources is used to achieve the highest possible returns. This report and related activities[1] are intended to help the Administration and Congress as they decide the goals of Federal employment and training policies, who is to be served, and what role the Federal Government should play. This chapter provides an overview of the report. Chapter 2

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1. On September 10, 1981, the Commission held a conference at which researchers, program operators, business, labor and community representatives, and State and local officials were brought together to discuss the topics addressed in this report. Two of the major papers prepared as background for this conference are included in the appendixes.

examines the ways in which employment and training programs can improve the performance of the national economy. An analysis of who is in trouble in the labor market is provided in chapter 3. The final chapter describes how federally supported activities fit into the Nation's overall employment and training "system."

The Commission is engaged in a number of other activities intended to help the Administration and Congress with more detailed decisions concerning precisely what activities should be supported and how they should be organized and delivered.[2] In January 1982, the Commission will issue its recommendations and staff report on these topics. However, it is essential that decisions about the specific design of the employment and training activities follow from a clear understanding of what it is that the Federal Government is trying to accomplish and why it is necessary to do so.

What Should Be the Goals of Federal Policies?

Employment and training programs are intended to raise the earnings of those who participate. For individuals whose earnings are usually low, the programs are designed to raise long-term earnings. For those whose earnings are temporarily low, the programs are designed to return their earnings to previous levels as rapidly as possible. Since resources are necessarily limited for such programs, there are two important questions that need to be answered: (1) Who needs help from programs such as these and (2) who among those in need can benefit the most per dollar of program expenditure. Before turning to these questions, it is important to ask how such programs can contribute to overall economic performance (chapter 2).

There are three general ways in which employment and training programs can contribute to the overall economy. First, they can offset the failures of the market to produce enough training and other labor market services. Insufficient training may occur in the private sector because firms

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2. Later this fall the Commission staff will issue an analysis of the impact of CETA on the postprogram earnings of participants; a preliminary report on this study was presented by Howard Bloom at our September conference and is available from the Commission. In December the Commission will sponsor a second major conference on the future direction of employment and training policies, this one focusing on the organization and delivery of employment and training services. A number of studies are being sponsored by the Commission; these will be summarized at the December conference and in the subsequent Commission report.

will not train workers who might change jobs and workers may not be able to finance this training themselves. Such training investments can increase the overall output of the economy. This does not mean that training can solve all of our economic problems but rather that such investments may be profitable for the society and yet not take place.

Second, these programs may be useful for improving the distribution of income and opportunity in our society. Almost all of the substantial progress against poverty in this country over the past 20 years can be accounted for by improvements in our transfer system. Employment and training programs offer, in principle, an opportunity to help poor and displaced workers attain higher productivity and earnings.

Third, a dynamic, modern economy must constantly be adapting to changes in technology, consumer tastes, prices, and other aspects of the economic environment. Effective and well-designed employment and training programs can help reallocate human resources to the regions, occupations, and industries where they will be most productive. Workers are asked to bear a large portion of the adjustment costs in our economy. They cannot be blamed for resisting change unless they are allowed to benefit from the gains of economic change. Employment and training programs offer the hope of displaced workers becoming productive again.

It is hard to predict which of these goals is likely to be most important in the 1980's. Anti-inflation policy will dictate slack labor markets for several years and that will weigh especially heavily on the poor and minorities. Tax policy will encourage investment in the country, but only slowly. Increased investment should accelerate technological change, but it is hard to know whether that will have more effect on low-skilled or high-skilled workers. New technologies have recently been replacing high-skilled workers as well as low-skilled workers. Computers have allowed the mechanization of many functions that used to require human decisionmaking. The baby bust that has followed the baby boom means that the potential labor force will be growing in the current decade at about one-half the rate of growth of the potential labor force observed in the seventies (unless immigration is allowed to increase). Eventually this should lead to a more experienced and better paid work force with less unemployment. Finally, the trebling of energy prices and the doubling of the internationalization of the U.S. economy in the seventies are unlikely to be repeated again in the eighties. These economic prospects need to be remembered as we turn to the question of the major groups in the labor market that might need help.

Who Needs Help?

There are three groups that should be discussed in identifying who is in trouble in the labor market: Youth who are having trouble getting a foothold in the market, adults whose permanent earnings are low, and workers with relatively high earnings who are either permanently or temporarily displaced from their normal employment and earnings patterns. Each of these groups is a prime target for employment and training programs (chapter 3).

There is no general unemployment problem for youth but rather a concentrated problem among poor and minority youth. We generally expect young people to have higher unemployment rates because they are searching for careers and first jobs and because employers would prefer to hire experienced workers. As a group of youngsters ages, its unemployment rate falls dramatically. There is, however, a serious unemployment problem for black and other minority youth. Furthermore, three-quarters of the unemployment experienced by youth in 1977 was incurred by the 8 percent of the labor force that was unemployed 15 weeks or longer. Such youth are not just job shopping. They are having trouble finding their way into the labor market and we know that being without a job for a long period after leaving school is associated with lower earnings later in life. Youth with low earnings prospects also tend to become adults with poor earnings prospects. Although the baby boom generation has almost completely passed into the labor force, that demographic change will not be enough to solve the minority and poor youth unemployment problem. Minority youth will comprise a rising share of the young population over the next few years and there was a minority youth unemployment problem even in the tight labor market of the late 1960's. In addition, youth who are functionally illiterate will continue to have serious labor market problems.

There is also a hard core of adults with chronic labor market problems. One study prepared for the Commission followed a group of workers through the decade of the seventies (appendix A). While there is a certain degree of movement between low and high earnings, the study found that 5 percent of the male workers in the sample were in the lowest tenth of the earnings distribution 7 out of 10 years. Twenty-one percent of women who headed households were in the lowest tenth of the male earnings distribution every single year of the decade. Thus, a small group of men and a much larger group of women appear to constitute a stable class of extremely low earners. Further, the study

found that the best predictor of low earnings in any year is whether or not an individual had low earnings in the previous year. Since most of the reduction in poverty over the past decade was achieved through the transfer system, the question arises whether it might not have been more effective to try to raise the earnings of those at the bottom of the distribution through employment and training programs.

The third group consists of permanently or temporarily dislocated experienced workers. In another study prepared for the Commission (appendix B), it was found that about 400,000 of the prime-age workers who were unemployed more than 8 weeks in 1980 came from declining industries (almost a quarter of these were from the auto industry). This is a small portion of the total U.S. labor force. Further, such workers tend to be better educated and to have both greater assets and greater access to programs, such as Unemployment Insurance, that are designed to help them. The study also found that coming from a declining industry or a declining occupation did not increase the probability of long duration unemployment. The study did find, however, that the unemployed who were in a declining region tended to have longer spells of unemployment.

What Can Be Done?

To identify a group in need does not necessarily identify a group that would benefit from employment and training programs. Our experiences with federally supported employment and training programs over the past two decades have helped isolate programs that work better for different kinds of groups. The findings from several exceptionally careful evaluations illustrate what good employment and training programs can accomplish. For example, we have learned from the youth entitlement program that offering a disadvantaged youngster a guaranteed job and the opportunity to attend an "alternative" school will not affect the regular school dropout rate, but will cause a substantial number of dropouts to attend an alternative school. We cannot disentangle the degree to which it was the alternative school or the guaranteed job that got these dropouts back into an educational program. Job Corps is another example of a program that has been allowed to mature to the point where it is a good investment on average for the youth who attend. While Job Corps has a substantial dropout rate, the combination of employability skills training, remedial education, and residential living seems to provide a major payoff to those who stay. Job Corps is a good example of a program that is expensive but worth it.

For adult workers with chronic labor market problems, employment and training programs seem to have had the best success with women.[3] For example, a demonstration of a structured program of work experience had its best results for welfare mothers with older children. On-the-job training programs tend to be associated with higher earnings gains for men and women but there is always the possibility that participants selected for these positions may be the most able. Classroom training appears to be especially effective for women who are entering or reentering the labor market.

For dislocated workers, the problem is identifying those who are permanently displaced and those who are on temporary layoffs. For example, one study found that about 70 percent of the workers who received trade adjustment assistance returned to their previous employer. Economic development policies designed to deal with high regional unemployment tend only to be effective in reducing structural unemployment when they are carefully designed to integrate employment and training services with other aspects of the development schemes (see the Commission's Sixth Annual Report). Relocation policies tend to be irrelevant for most dislocated workers. There are some who move before a government program can get to them and there are others who will not move. The experience with trade readjustment assistance was that few workers took advantage of the training offered under that program.

This leaves the Unemployment Insurance system (UI) and the Job Service as the major programs to aid the dislocated worker during the adjustment period. Higher benefits and longer eligibility periods for unemployment insurance can increase the job search period but do not necessarily improve the quality of the new job that a recipient obtains. It is possible that better designed training and relocation programs would be of value to dislocated workers. There is considerable European experience on this issue and more creative alternatives to extended benefits under UI might be considered.

It is important to keep in mind that CETA and the other federally supported employment and training activities constitute only a small part of the Nation's overall

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3. The forthcoming analysis by Howard Bloom of the postprogram earnings gains of CETA participants cited in the previous footnote will provide additional information about the effects of classroom training, OJT, public service employment, and work experience on each major race-sex group's earnings.

employment and training "system." As discussed by Janet Johnston in chapter 4, most formal learning opportunities are provided by elementary, secondary, and postsecondary educational institutions. Private and public employers (including the military) also provide a considerable amount of training. In 1980, only 7 cents of the Nation's training dollar supported Federal employment and training programs, of which perhaps 4 cents were expended for CETA.

Most of the $14 billion that the Federal Government spent on employment and training activities in fiscal year 1980 financed programs that serve people who require special assistance in the labor market. Participants generally were from low-income families, unemployed, and had low prior earnings. It is this group that is least likely to have access to the many training opportunities provided by private employers and is least able to afford to pay for its own training.

CHAPTER 2

EMPLOYMENT AND TRAINING POLICY AND THE NATIONAL ECONOMY

By

Steven G. Cecchetti,

Daniel H. Saks,

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EMPLOYMENT AND TRAINING POLICY AND THE NATIONAL ECONOMY

In recent months, Congress has enacted unprecedented changes in tax and expenditure policies in response to policy initiatives by the new Administration. These initiatives reflect, in part, widespread dissatisfaction with the overall performance of the economy during the previous decade. The apparent slowdown in growth of output per worker from historical trends, increases in marginal tax rates and transfer payments, increasing inflation, and the sluggish reaction of the economy to the external shocks of increases in energy prices and import penetration have all contributed to the rising concern about economic prospects for the 1980's. This chapter reviews recent developments in the level and distribution of aggregate economic well-being and discusses the role of employment and training programs in improving the operation of the economy during the coming decade.

Last year, chapter 1 of the Sixth Annual Report dealt with the employment consequences of anti-inflation policies and the tax reductions that were subsequently enacted. The theme was the economic environment for employment and training policy. This year, the emphasis is reversed. Restraints on social program expenditures as well as the upcoming debate over reauthorization of the Comprehensive Employment and Training Act (CETA) suggest the desirability of evaluating the impact of CETA programs and other elements of the employment and training system on the economy. In particular, what contribution can these programs make to improving the economy's performance?

While effective employment and training programs may help individuals in many ways (as the succeeding chapters of this report document), there are at least three ways in which such programs can also help the economy as a whole:

First, such programs can increase the available goods and services in the economy by making workers more productive and more employable. Giving unskilled workers additional training that they would not otherwise obtain because of imperfect information, inadequate resources, or discrimination can increase the potential output of the economy. Moreover, in times of economic slack, direct job creation may put to productive use human and physical resources that would otherwise be underemployed.

Second, employment and training programs can lessen the burden of both unemployment and poverty that is now borne by a small segment of the population. By choosing program participants from this segment, effective employment and training policy can reduce this unemployment and poverty by making

individuals self-sufficient rather than dependent upon unproductive government transfers.

Third, these programs can help speed adjustment of the economy to new and often unanticipated circumstances. The U.S. economy must constantly adjust to changes in tastes, technology, foreign trade, prices, and government policies. The retraining of displaced workers to match better the changing requirements of a dynamic economy can quicken the requisite adjustments and lessen the transitional loss in output and employment.

The following three sections discuss the goals of increased output and employment, equitable sharing of the burden of unemployment and poverty, and least costly adjustment to new economic environments. Each section first considers the state of the economy with respect to each of these goals and then examines both how and why Government policy might affect the goal.

Increasing the Economy's Output with Employment and Training Programs

The potential output of the economy at any particular time is limited by the existing stock of resources and the state of technology. These resources are physical (buildings and machines), natural, and human (the training, experience, and education embodied in the available work force). Properly designed employment and training programs can expand the effective stock of human resources and, as a consequence, increase the output of goods and services.

The question of the contribution of human resource development to economic growth is especially important in an era when lagging productivity gains have exacerbated our inflation problems. Table 1 reveals that both actual and potential growth during the 1970's lagged behind that of the 1960's. Growth in the gross national product (GNP) and total personal income per capita (adjusted for inflation) was considerably lower in the past decade than in the previous one. Growth in labor productivity fell by one-half but there is relatively little understanding of this phenomenon. Some research[1] has suggested that productivity growth during the

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1. See Edward F. Denison, "Explanations of Declining Growth," Survey of Current Business, Part II, August 1979 and John W. Kendrick, "Productivity Trends and the Recent Slowdown: Historical Perspective, Causal Factors, and Policy Options," in Contemporary Economic Problems (Washington, D.C.: American Enterprise Institute, 1979).

Table 1

Trends in Various Economic Indicators
(Annual Percentage Rates Of Growth)

	1957, 3rd quarter to 1969, 4th quarter	1969, 4th quarter to 1980, 1st quarter
GNP (adjusted for inflation)	3.78	2.48
Potential GNP (adjusted for inflation)	3.62	2.63
Ratio of All Civilian Workers to Total Noninstitutional Population	.13	.42
Output per Hour, All Persons (Private, Nonfarm, Business Sector)	2.44	1.04
Fixed-Weight Deflator for Personal Consumption Expenditure	2.11	5.25
Total Personal Income per Capita (adjusted for inflation)	2.77	2.44

SOURCE: Potential GNP from Council of Economic Advisers; all other series from Department of Commerce, Bureau of Economic Analysis, Business Conditions Digest, various issues.

1970's would have declined 10 to 15 percent more had it not been for the increased education and training of the labor force during that period. Although growth in output fell, the economy was able to assimilate a large influx of new entrants into the work force. At the same time, the ratio of employees to working-age population grew at more than three times the rate of the earlier decade. Potential output growth also fell during the 1970's. This fall in the growth of potential GNP can be attributed to numerous things, including the decline in productivity, decreased investment, and higher energy prices.

Prices, as measured by an index (the fixed-weight deflator) that measures the cost (in current dollars) of obtaining the goods and services purchased in 1972, rose nearly three times more quickly during the 1970's than they did in the 1960's. The acceleration in prices during the 1970's was in part a result of increased energy prices. To the extent that subsequent wage increases were not offset by productivity gains, this inflation continued.

At the same time that the growth in output has been falling, unemployment rates have been rising. Table 2 presents the actual and so-called "fixed-weight" unemployment rates[2] for several of the past 25 years. As a result of the baby boom generation's entry into the labor force, the percentage of the labor force represented by persons between ages 16 and 24 was much higher in 1980 than in 1957. This group, which contains many people who are looking for work for the first time or trying alternative jobs, experiences more unemployment than older age groups. These data suggest that most of the rise in the unemployment rate during the 1970's cannot be accounted for by the labor force growth of groups with characteristically high unemployment rates.

While various hypotheses exist, there is no consensus about why the economy performed worse in the seventies than the sixties nor is it possible to be entirely sanguine about the

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2. The fixed-weight unemployment rate adjusts for the fact that the demographic components of the labor force have grown at different rates. By weighting unemployment rates for all demographic groups by their 1957 labor force shares, the fixed-weight unemployment rate shows how much of the change in the unemployment rate since then can be attributed to factors other than the changing age, race, and sex composition of the work force.

Table 2

Actual and Fixed-Weight Unemployment Rates
(Percentage of the Labor Force Unemployed)

	1957	1969	1980
Actual	4.27	3.50	7.1
Fixed Weight	4.27	3.09	6.1

Note: The fixed-weight unemployment rate sums the unemployment rate of each of 22 demographic groups weighted by their share in the labor force in 1957.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, and Paul Flaim, "The Effect of Demographic Changes on the Nation's Jobless Rate," Monthly Labor Review vol. 102 (March 1979), pp. 13-23, and unpublished tabulations.

coming decade. The baby boom has been almost completely absorbed into the labor force and the potential labor force (adjusted to include the effects of a more experienced work force) should grow at just over half the rate experienced during the 1970's.[3] However, to the extent that a restrictive aggregate demand policy is pursued to reduce inflation, high unemployment rates may persist during the next several years.

Since any additional output associated with existing Federal training programs would be so small relative to the size of the entire economy, it is hard to determine whether more is being produced by newly trained workers or whether they have merely displaced existing workers. This displacement question arises, of course, with private sector investment as well, but it is important to keep several conceptual points in mind when evaluating the net effects of training programs. First, only if an individual's earnings are higher after training is there any possibility that the output of the entire economy has increased. Higher posttraining earnings (other things equal) are necessary (but not sufficient) to disprove that displacement occurred. Second, it is incorrect to assume that the amount of work to be done in the economy is fixed so that displacement must occur. If a worker is expected to produce enough of an unsubsidized product to be hired, then it is possible that further output expansion can occur without inducing inflation. Third, whether or not output in the economy increases when individuals reap earnings gains depends on whether the added output produced by the trained worker exceeds the costs of resources (for example, equipment, classrooms, teacher and student time) devoted to the training. The question is whether the increased long-term capacity of the economy justifies the short-term costs of the employment and training program. In addition, it does not matter if the additional goods and services are public or private. All that is required is that society values them enough to offset their social cost of production.

If employment and training programs could help the economy, why won't the private sector undertake such programs without Government intervention? The simple answer is that the private

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3. Council of Economic Advisers, "New Estimates of Potential GNP," unpublished staff paper (March 1979).

sector does engage in a great deal of training although there is little knowledge about the size of such efforts.[4] The question is whether such private activity is too small in scale. Individuals may underinvest in training because they do not have easy access to loans for this purpose and they cannot use their future earnings as collateral. Of course, these barriers to human capital investment are especially prevalent among the poor. Firms may underinvest in their workers' training because the workers might change jobs. In these situations, the Government can encourage investment in training by lowering the cost both to the worker and the employer.

There may be beneficial economy-wide consequences if employment and training programs are designed to take people from the pool of disadvantaged, low-wage, unskilled workers and move them into the high-wage, skilled job market. Specifically, if programs are targeted to relieve pressure in labor markets where skill shortages exist, training unemployed people may reduce inflationary pressures in the short run and permit lower unemployment rates in the long run.[5]

In addition, Government can facilitate the match between unemployed workers and unfilled jobs. Some unemployment is the result of the time it takes for workers and employers to find each other. An employment service or information exchange can help reduce the length of time both workers and employers spend searching for each other.[6] If this information is more

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4. Stromsdorfer estimates that in 1975 approximately $50 billion was spent on occupational training in private industry. For further discussion, see Ernst W. Stromsdorfer, "Training in Industry," in Workplace Perspectives on Education and Training, ed. Peter B. Doeringer (Boston: Martinus Nijhoff, 1981), and chapter 4 of this report.

5. Martin Neil Baily and James Tobin, "Inflation-Unemployment Consequences of Job Creation Policies," in Creating Jobs, ed. John L. Palmer (Washington, D.C.: The Brookings Institution, 1978).

6. Preliminary evidence on this has been reported by SRI International, "A Pilot Evaluation of the Impact of the United States Employment Service," prepared under contract for the Office of Program Evaluation, Employment and Training Administration, U.S. Department of Labor. This report is distributed by the National Technical Information Service, Springfield, Virginia 22161 as report PB 297 485/AS.

cheaply provided on a large scale or would not be provided in proper amounts by the private sector, Government involvement could decrease unemployment and increase output. Of course, some job search is appropriate in the real world where information about the characteristics of prospective jobs and workers is costly to acquire. There is a limit, therefore, to the cost-effectiveness of these matchmaking efforts.

Two other kinds of employment and training policies can be used to further the goals of general economic growth: Direct job creation by government agencies and wage or training subsidies to private firms or individuals. Public service employment (PSE) under CETA is an example of the first, while the Targeted Jobs Tax Credit (TJTC) and on-the-job training (OJT) programs under CETA are examples of the second. Both policies have advantages and disadvantages that were discussed in the Sixth Annual Report, and only a few issues will be reiterated here.

An important question about any of these programs is whether they change behavior or merely provide windfalls to persons already behaving as desired. In a public service employment program, for instance, new jobs may not be created if State and local governments put people eligible for the program into previously existing jobs. A similar problem may exist with a targeted wage subsidy program, if firms hire people they would have hired anyway.[7] Of course, placing hard-to-employ people into regular jobs may improve their long-term productivity so that the overall quality of the work force may increase even though no new jobs are created in the short run.

Direct job creation programs enroll people to participate in projects not undertaken by the private sector. As a consequence, the value to society of the output from these programs has been questioned.[8] If program participants are

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7. One element of this problem is retroactive certification of program eligibility. See the study conducted at the Ohio State University by Randall Ripley, The Implementation of the Targeted Jobs Tax Credit, Report Number 2 (Columbus: Ohio State University, for the U.S. Department of Labor, 1981), p. 55.

8. See Laurie J. Bassi, "Evaluating Alternative Job Creation Programs," draft report to the National Commission for Employment Policy (Washington, D.C.: The Urban Institute, August 1981).

involved in activities other than training, they will be producing some type of service for their community. Moreover, to the extent that participants would have been receiving Unemployment Insurance or other transfer payments, the net gain to society is increased. As in the case of all Government programs, however, it is important to determine if the cost of the program exceeds the value society attaches to the goods and services produced.

Since the ultimate goal of public employment programs is placing people in unsubsidized jobs, there may be yet another serious drawback. The skills and experience gained through subsidized government jobs may not be transferable to either private sector or regular public sector jobs. Even if the Government is providing only training, there is no guarantee that the skills people learn will match those in demand in the job market. On the other hand, PSE--like private OJT--is a way of generating stable employment experience and improving work habits for hard-to-employ persons.

In examining training programs, as distinct from direct job creation, one must ask whether it is more efficient for the Government to run training programs or to encourage private firms to train additional workers. Efficiency in this context refers both to lower budgetary cost for the Government and the chosen program's employment effect. If the ultimate goal is to place people in permanent, private sector jobs, it may be better for private firms to do the training. People will gain firm-specific skills along with general occupational skills and training should be less time consuming, more relevant, and less costly. Firms also may be induced to train additional workers through targeted wage and training subsidies.

It should be emphasized that although it is extremely desirable to encourage on-the-job training within firms that will be the ultimate employers this is not always possible. If the training required to perform a certain task is specific to an industry but not to a firm, either the trainee must bear the cost (in the form of reduced wages) or the Government may have to provide a training subsidy or do the training itself. Firms may not be willing to train someone whose skills are easily transferable to a competitor and individual workers may not be able to undertake these investments because of discrimination, poverty, imperfect information about opportunities, or inability to borrow funds.

While much of the Federal support for employment and training programs has been aimed at generating a more productive work force, other goals, including income support, have also been pursued. Moreover, relative to the size of the economy, Federal expenditures on employment programs have been extremely limited, so it is unrealistic to have expected measurable improvements in performance indicators like the unemployment rate or per capita income from these programs. The important point is that whenever the Government or private sector make investment decisions about anything, from highways to training, resources should be allocated where they make at least as great a contribution to total output as any foregone opportunity. Some employment and training programs, such as Job Corps, are expensive but the return per dollar seems to be relatively high. Others are cheap per participant but may not be worth the cost. Full-time youth work experience with little skill content may fall in this latter category.[9] An employment and training system that promotes investment in human resources should reallocate resources in directions that produce the highest returns and where the market generally fails most seriously to perform adequately.

Redistributing the Burden of Unemployment and Poverty

Employment and training programs are capable of aiding people at the low end of the income distribution, as well as those who are chronically unemployed, by lessening the inequality of economic opportunity. There is considerable evidence that a large share of both poverty and unemployment is borne by a small segment of the population.[10] To the extent that chronically disadvantaged persons can be identified, employment and training programs can be designed to help move them into labor markets where they may find stable employment and income. In the short run it will usually cost more to make unskilled and hard-to-employ people more productive, rather than to simply provide them with transfer payments. In the long run, however, making people self-sufficient may be a less costly means to increase economic opportunity for the disadvantaged and to maintain the social cohesion essential for the health of the economy and the Nation.

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9. Cost-benefit ratios for various employment and training programs are reported in National Council on Employment Policy, "CETA's Results and Their Implications" (Washington, D.C.: National Council on Employment Policy, September 1981).

10. See appendix A of this Report for Richard Freeman's study.

The nature of this labor market inequity is illustrated in table 3 which presents unemployment rates for various years by age, race, and sex groups. The proportion of unemployment experienced by adult white men has always been small in comparison with their labor force. Variations among the groups cannot simply be accounted for by the fact that teenagers are just starting their working lives and many more women are entering or reentering the labor force. A striking feature of these data is that the relative unemployment rates of these groups have not narrowed in recent years.

Data from longitudinal surveys indicate that most spells of unemployment are short but that most unemployment is attributable to long spells. For example, Clark and Summers[11] found that, in 1974, one-half of unemployment was due to spells lasting 3 months or more. In addition, they reported that 73 percent of the total weeks of unemployment were accounted for by individuals who experienced 15 weeks or more of joblessness. Forty percent of all unemployment was experienced by the 2.5 percent of the labor force who suffered more than 6 months of unemployment.

Further evidence on the concentration of unemployment can be gleaned from the Panel Study of Income Dynamics conducted by the Institute for Social Research at the University of Michigan. Using this data set, investigators have concluded that there was a great deal of stability in the unemployment patterns of adult male heads of households over the 1972 to 1975 period.[12] While only 8.6 percent of the entire sample was unemployed in 1973, nearly half the people who were unemployed in 1972 were also unemployed in 1973. This concentration of unemployment points to personal attributes and human capital accumulation as important determinants of labor market success. Employment and training programs could play a major role in moving these people into stable labor markets. The movement of a small number of people with long histories of unemployment into permanent jobs could significantly lower measured unemployment rates. Once again, the policy-relevant question is the long-term cost-effectiveness of this approach versus a program of income maintenance.

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11. Kim B. Clark and Lawrence H. Summers, "Labor Market Dynamics and Unemployment: A Reconsideration," Brookings Papers on Economic Activity no. 1, 1979, pp. 13-72.

12. Mary Corcoran and Martha S. Hill, "Persistence in Unemployment Among Adult Men," in Five Thousand American Families--Patterns of Economic Progress, ed. Greg J. Duncan and James N. Morgan , vol.8 (Ann Arbor: University of Michigan Institute for Social Research, 1980).

Table 3

Unemployment Rates By Demographic Group
(Percentage of Labor Force)

	1957	1969	1980
Total Civilian Labor Force	4.3	3.5	7.1
Whites	3.8	3.1	6.3
Men, total	3.6	2.5	6.1
Men, ages 16 to 19	11.5	10.0	16.2
Men, ages 20 +	3.2	1.9	5.2
Women, total	4.3	4.2	6.5
Women, ages 16 to 19	9.5	11.5	13.9
Women, ages 20 +	3.8	3.4	5.6
Nonwhites	7.9	6.4	13.2
Men, total	8.3	5.3	13.3
Men, ages 16 to 19	18.4	21.4	34.9
Men, ages 20 +	7.6	3.7	11.4
Women, total	7.3	7.8	13.1
Women, ages 16 to 19	20.2	27.6	36.9
Women, ages 20 +	6.4	5.8	11.1

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, various issues.

Although poverty in this country has declined substantially since the 1960's, earned income has become less equally distributed. Table 4 presents calculations by researchers at the Institute for Research on Poverty on the distribution of family income before and after transfer payments. From 1965 to 1978, the distribution of earned family income (excluding transfers) became less equal. Moreover, the proportion of individuals with earned incomes below the official poverty line has declined by only 5 percent.

These data suggest that the trend toward increased equality of the income distribution has been the result of transfer payments rather than increased labor market earnings.[13] By 1976, nearly three-fourths of all the people who had been poor were brought above the poverty line by Government transfer programs (including in-kind programs like Medicaid). The Institute for Research on Poverty estimated that, by 1980, only 4 percent of the population remained below the poverty level.[14]

Analogous to the persistence of unemployment is the persistence of low earnings. A small group of people has persistently low earnings.[15] What is the link between unemployment, low earnings, and poverty? Levy[16] argues that the families of 25 percent of the able-bodied, working-age population have earned incomes below the poverty level. But the connection between unemployment and poverty has been weakened over the past 20 years by several factors, including increases in governmental income support programs, changes in the age composition of the labor force, and an increase in the number of unemployed people with-

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13. Some have argued that the rise in transfer payments over the past 20 years may have reduced incentives to work and, consequently, been responsible, through a shift in labor supply, for the decrease in earned income of those at the low end of the income distribution.

14. Institute for Research on Poverty, "A Grant Application submitted to the Assistant Secretary for Policy Evaluation at the Department of Health and Human Services" (Madison, Wis.: University of Wisconsin, February 1981).

15. Freeman, "Troubled Workers in the Labor Market," appendix A, reports that only about 5 percent of male heads of households with permanent labor force attachment are in the lowest tenth of the male earnings distribution 70 percent or more of the time.

16. Frank Levy, "How Big Is the American Underclass?" Working Paper 0090-1 (Washington, D.C.: The Urban Institute, 1979).

Table 4

Distribution of Income for Families and Unrelated Individuals

Quintile	Percentage of Total Income Received by Each Quintile			
	1965		1978	
	Earned Income	Total Income	Earned Income	Total Income
1	1.32	3.93	0.76	3.86
2	9.62	10.82	7.77	9.85
3	17.99	17.65	16.82	16.74
4	26.05	24.97	26.69	25.17
5	45.03	42.62	47.95	44.38

Note: Total income includes all transfer payments while earned income is earned through employment.

SOURCE: Institute for Research on Poverty, "A Grant Application submitted to the Assistant Secretary for Policy Evaluation at the Department of Health and Human Services" (Madison, Wis.: University of Wisconsin, February 1981).

out family responsibilities.[17] Nevertheless, a significant overlap remains between the long-term unemployed and the "pretransfer poor." Because of the earnings of other family members, long-term unemployed persons are not necessarily poor. Although there is evidence that the incidence of poverty, especially for heads of households, increases with the duration of unemployment, it is surprising to note that, on average, from 1972 to 1977 nearly 75 percent of husbands and 90 percent of wives reporting unemployment of more than 6 months were not poor. The situation is distinctly different for female heads of households, since more than half of those unemployed for 6 months or more were classified as poor. In addition, approximately 2.5 percent of persons who worked full time all year in 1980 were poor.[18] Any attempt to link unemployment and income disadvantage encounters both conceptual and statistical difficulties. It is clear, however, that both long-term unemployed people and female heads of households encounter severe hardships in the current economic environment.

How might employment and training programs help equalize the distribution of the burden of unemployment and poverty? The answer to this question depends on whether being persistently poor and unemployed can be remedied by further education and training. The earlier discussion concluded that providing job skills to disadvantaged individuals will not by itself create new jobs. But to the extent that newly trained people can be given opportunities in higher paying, more stable labor markets, the burden of poverty and unemployment among the disadvantaged can be reduced. Whether this goal is less expensively met by programs such as jobs tax credits and Government-supported education programs or by direct transfer to the poorest segment of the population is an important issue. A proper assessment compares current training or tax credit costs and the discounted value of future transfer payments with the relative benefits of the two approaches. The outcome of such a comparison is quite sensitive to the rate at which future transfer payment costs are discounted to the present. Wage subsidies suffer from the drawback already mentioned that the newly hired may simply take the place of previously employed workers. This displacement may be desirable purely on distributional grounds if the people targeted in the wage subsidy program obtain training and are then subject to smaller chances of unemployment in the future.

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17. The discussion that follows draws on chapter 5 of the final report of the National Commission on Employment and Unemployment Statistics, entitled Counting the Labor Force (Washington, D.C.: U.S. Government Printing Office, 1979).

18. U.S. Department of Commerce, Bureau of the Census, "Money Income and Poverty Status of Families and Persons in the United States: 1980," Current Population Reports, series P-60, no. 127, p. 33.

Efforts to improve economic opportunity have relied increasingly on transfer programs over the past decade but there is evidence (see chapter 4) that well-designed employment and training programs can increase the long-term earnings of disadvantaged persons. To the extent that anti-inflation efforts are associated with high unemployment in the short run, the poor who consequently suffer the most will continue to need access to such employment and training opportunities.[19]

Facilitating Economic Adjustments

A healthy economy is constantly adjusting to changing internal and external circumstances. These adjustments are always costly to some people and industries and beneficial to others. However, unless human and physical resources are reallocated regularly to more productive uses, the potential output of the economy will decline. It is, of course, possible to delay such adjustments and many individuals and firms will have the incentive and ability to do so. However, there is a role for Government in facilitating desirable adjustments by providing incentives for those affected by dislocation to obtain alternative employment more quickly.

Workers in declining firms, industries, occupations, and--especially--regions bear the burden of this adjustment process and it is important to consider how employment and training policies can ease that burden and encourage the flow of such workers into more productive activities. Bendick and Devine[20] reported that workers who had been previously employed in a declining industry or occupation did not experience a significant increase in duration of unemployment; however, residing in a declining region did contribute adversely to time spent unemployed. These results suggest that an effective relocation assistance or regional economic development program might be an appropriate element of any policy for dislocated workers in declining regions. However, previous relocation programs have been ineffective and economic development policies often do not help the structurally unemployed.[21]

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19. For a discussion of the distribution of income losses associated with recessions, see Edward M. Gramlich, "Short and Long Run Income Losses from Recession," Final Report prepared for the National Commission for Employment Policy (July 1981).

20. See appendix B of this Report.

21. For a discussion of the latter, see part II, section C of the Commission's Sixth Annual Report.

Some adjustments result in an overall gain to the economy in which the benefits from the change are large enough to compensate the losers and still increase economy-wide well-being.[22] Increased international trade and competition benefit consumers with better or cheaper products and benefit some producers in trade-related industries but harm those in industries that face substantial import competition.[23] Hence, a compensatory employment and training policy may be required in order to develop a political consensus for free trade. The OPEC oil price increases of the last decade resulted in a large transfer of wealth overseas to oil producers and reduced permanent domestic per capita income in this country. Employment and training assistance may have been able to reduce the costs associated with the transition to the new economic situation.

The foregoing discussion focused on structural adjustments to new circumstances such as changing tastes, technology, resource availability, and Government policy. In addition, recurring cyclical adjustments result from periodic fluctuations in the demand for goods and services in the economy. Countercyclical monetary and fiscal policies have attempted (with mixed success) to dampen fluctuations of output and employment. However, recessions are a painful and expensive approach to reallocating resources among alternative uses. If employment and training policies can speed resource reallocation without prolonged periods of high unemployment, they can increase the capacity of the economy to produce more goods and to reach higher levels of employment without accelerating inflation.

Several questions arise concerning the role of employment and training policy in aiding adjustment: First, is it likely that the recent pace of economic adjustment will continue or even increase? Second, will this adjustment generate problems that suggest a role for Government intervention? Third, do policies exist that might contribute to more rapid adjustment? The remainder of this section will deal briefly with these questions.

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22. For a discussion of the desirability of compensating individuals affected adversely by Government policy changes, see Robert S. Goldfarb, "Compensating Victims of Policy Change" Regulation (September/October 1980), pp. 22-30.

23. See National Commission for Manpower Policy, Trade and Employment; Special Report no. 30 (Washington, D.C.: U.S. Government Printing Office, November 1978), for a more detailed discussion.

Two unexpected sources of dislocation during the 1970's were the increasing internationalization of the U.S. economy and the trebling of energy prices. (See table 5.) It is unlikely that such dramatic events will occur again soon but such matters are unpredictable. A strengthened dollar has induced further import growth but the high price of oil has encouraged both conservation and increased energy supplies.

To the extent that recent tax changes stimulate investment in physical capital, there are likely to be some beneficial consequences for employment.[24] How will the new structures, equipment, machines, and the technology they embody affect the quantity and quality of human resources? It has been argued that a more skilled work force will be needed in the future to use effectively the more capital-intensive techniques of production that may be employed in a "reindustrialized" economy. Other analysts, however, have argued that technological progress may actually reduce skill requirements by making the tasks performed on the job more simple and routine.[25]

Rumberger[26] has recently examined changes in the aggregate distribution of job skill requirements in the U.S. economy between 1960 and 1976. Rumberger's evidence suggests that the distribution of skill requirements across broad occupational categories narrowed considerably during this period. That

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24. For a discussion of the consequences of capital tax subsidies for employment, see Paul Courant and George Johnson, "The Effect of Capital Subsidies on Employment," Technical Paper T-81-2, 1981, National Commission for Employment Policy.

25. Harry Braverman, Labor and Monopoly Capital (New York: Monthly Review Press, 1974), pp. 251-6; James R. Bright, "The Relationship of Increasing Automation and Skill Requirements," in the National Commission on Technology, Automation, and Economic Progress, The Employment Impact of Technological Change (Washington, D.C.: U.S. Government Printing Office, 1966), vol. II, pp. 203-21.

26. Russell W. Rumberger, "The Changing Skill Requirements of Jobs in the U.S. Economy," Industrial and Labor Relations Review vol. 34 (July 1981), pp. 578-90.

Table 5

Trends in Import Penetration and Energy Prices

	Imports as a Percentage of GNP (Current Dollar)	Index of Energy Prices[a] (1972=100)	Ratio of Energy to All Prices[b] (1972=100)
1960	4.6	82.3	114.5
1970	5.9	94.0	101.6
1980	12.1	306.4	171.2

a. This index was constructed from the total energy component of the Personal Consumption Expenditure (PCE) deflator and includes gas and oil, fuel oil and coal, electricity, and natural gas.

b. This index is the ratio of the energy price index to the total PCE deflator, multiplied by 100.

SOURCES: Economic Report of the President, 1981, tables B-1 and B-57; Economic Indicators, June 1981, p. 1; and U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations.

in there was a decrease in both low-skill and high-skill jobs and an increase in jobs requiring middle-level skills. The important question is whether this compression of skills will be affected by the capital subsidies recently enacted.

Although workers in the U.S. economy are very mobile across industries and occupations, older workers are less mobile than average. Japan's system of lifetime employment (affecting perhaps a third of its work force) has been widely discussed in this country but a substantial number of Americans work under a similar system. Almost one-third of all civilian men aged 55 to 59 had in 1978 been with the same firm for more than 20 years.[27] To the extent that a substantial number of workers expect such a job tenure pattern, major dislocations would disappoint their expectations and create pressures for protection from change. Conversely, evidence presented in chapter 3 in this Report questions whether targeting resources on declining industries or occupations would reach people in trouble. This evidence suggests that a system designed to deal with dislocation at the level of the individual worker, regardless of industry or occupation, is likely to be the most appropriate.

If there are many workers who face the prospect of labor market dislocation, how can the employment and training system help? In considering the scope for fruitful Government assistance, it is important to remember that most workers who leave their jobs find new ones by themselves (often in different parts of the country) with only Unemployment Insurance payments to support their search. Some manage to avoid any unemployment at all between jobs. Hence, one danger of special adjustment assistance, as with almost any similar program, is that people who would adjust without Government help, rather than those people in long-run trouble, might receive scarce funds. The Trade Adjustment Assistance program provides a good example of this danger. Seventy-two percent of a sample of TAA recipients were back at their old jobs after an initial spell of unemployment.[28] This finding illustrates the difficulty of identifying the permanence of layoffs associated with trade-related

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27. Calculated from data in "Tenure of Current Job by Sex, January 1978," Special Labor Force Report 235 (Washington, D.C.: U.S. Department of Labor, Bureau of Labor Statistics, 1979).

28. Walter Corson, "Survey of Trade Adjustment Assistance Recipients," Final Report (Washington, D.C.: U.S. Department of Labor, International Labor Affairs Bureau, September 1979).

displacement. Few workers received relocation assistance and most who did returned to their former hometowns. As one might expect, older workers tended to be less willing to relocate. However, to the extent that older workers have greater seniority rights, their layoff problem becomes acute only when plants are shut down and entire communities are affected.

Furthermore, workers who have more general skills are more likely to find satisfactory reemployment.[29] In a study of the reemployment of engineers who designed vacuum tubes in the early 1950's, Mooney[30] found that those who had more training in mathematics and physics were likely to find good engineering jobs after the transistor replaced such tubes. When the average high school graduate can expect 50 productive years in the labor market, the best hope for a flexible labor market is to make sure graduates have the basic skills that complement the specific training they will get on the job.

A sound unemployment insurance system is one of the critical components of a program for displaced workers. By assuring a minimum income during job search, resistance to socially beneficial change may be lessened. The problem is that overly generous payments provide an incentive to continue potentially unproductive search. It may be desirable to devise programs other than extended benefits for workers who are unemployed for long periods of time. Retraining, relocation, and other programs, as well as a redesign of benefits along the lines of lump-sum payments to the unemployed or subsidies for more rapid reemployment, should all be considered.

A dynamic economy is always generating new winners and losers in the labor market. Since the Government cannot easily identify these individuals in advance, labor market policies in this regard may have to respond to hardship only after it is revealed. Nevertheless, a well-designed adjustment program can compensate the losers and facilitate their return to productive employment.

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29. The desirability of general education when the likelihood of job changing is high is examined by W.R. Johnson, "The Demand for General and Specific Education with Occupational Mobility," Review of Economic Studies vol. 46 (October 1979), pp. 695-705.

30. Joseph D. Mooney, "An Analysis of Unemployment Among Professional Engineers and Scientists," Industrial and Labor Relations Review vol. 19 (July 1966).

Conclusion

During the 1970's, the U.S. economy was beset simultaneously by rising energy prices, increased import penetration of key domestic industries, higher inflation, and a slowdown in productivity growth. At the same time, the labor market absorbed an unprecedented number of new entrants and unemployment rates rose. Against the backdrop of this painful historical experience, consideration has recently been given to the economic prospects for the coming decade and--in particular--to the role of the Government in devising strategies to cope with further dislocations.

Because of its limited size and purpose, the employment and training system is not a panacea for all of the current and prospective problems of the labor market. It can, however, be a useful adjunct to other policies by encouraging the development of human resources, providing equal opportunity to attain economic self-sufficiency, and minimizing the costs of adjustment. To accomplish these tasks requires continued development of a set of programs that responds to economic change and allocates resources to best attain social goals. Many elements of the present system are good but other parts are not. The recent budget cuts, as well as legislative requirements to reexamine CETA during the next year, make this a good time to consider how to refocus a system that has grown piecemeal under bipartisan support.

CHAPTER 3

GROUPS IN NEED OF EMPLOYMENT AND TRAINING ASSISTANCE

By

Ralph E. Smith

GROUPS IN NEED OF EMPLOYMENT AND TRAINING ASSISTANCE

The preceding chapter described three ways that employment and training activities could improve the performance of the economy: By increasing total output and employment, by lessening the inequality of economic opportunity, and by facilitating economic adjustments. The decision to emphasize one goal rather than another is closely linked to decisions about who is to be served. This chapter is intended to provide information to help policymakers with these decisions.

As the Comprehensive Employment and Training Act (CETA) and other parts of the federally supported system are considered for reauthorization and as the Administration and Congress make budget decisions that determine which parts of the system will be emphasized, the following issues arise:

- Who will need special employment and training assistance in the 1980's? Are the needs of different groups so diverse as to require separate programs and systems to serve them?

- How should program eligibility be defined? Who should define it?

Most of this chapter provides information relevant to the first set of issues. It summarizes our knowledge about three groups who are encountering problems in the labor market--young people who are having trouble getting a foothold in the market, adults who have never been well integrated into the labor market, and experienced workers who have been displaced.

The second section of the chapter discusses several eligibility issues that have arisen in CETA. This program is the largest of the federally supported employment and training programs, although it represents only a small part of the Nation's overall employment and training activities. As detailed in chapter 4, CETA is the part that most directly focuses on the employment and employability development needs of disadvantaged youth and adults. Government assistance to displaced workers has largely taken the form of temporary income support through the Unemployment Insurance system, and, more recently, trade adjustment assistance. The Administration and Congress will need to decide whether CETA (or its successor) should continue to focus on disadvantaged people and whether the needs of "mainstream" displaced workers should continue to be met by other parts of the publicly or privately supported employment and training system.

Who Is Failing in the Labor Market?

In 1980, 118 million people worked or looked for work, of whom 18 percent (21 million) experienced some unemployment.[1] Who experienced problems that warrant special employment and training assistance? There is a considerable body of data and research that establishes several clear patterns about who is failing in the U.S. labor market. Three groups can be pinpointed: (1) Youth who are not getting off to a good start in the labor market, (2) adults who have never been successful in the labor market, and (3) experienced workers who have been displaced from their jobs.

In the Commission's Fifth Annual Report and in supporting studies, we extensively assessed the labor market problems confronting disadvantaged youth.[2] This year, Richard Freeman reviewed the labor market problems of adults and Marc Bendick and Judith Radlinski Devine analyzed the third group, dislocated workers, for the Commission. Their reports appear in the appendixes. The discussion that follows draws heavily on these studies.

Youth

The majority of Federal support for employment and training assistance is used to provide employment opportunities for economically disadvantaged youth and to increase their employability. Should young people continue to receive such emphasis?

The analyses undertaken by the Commission and others strongly indicate that some youth face serious labor market problems that may not go away with age. The Commission was concerned especially with the prospect that some young people are not being adequately prepared for adult work roles. In particular, youths who are members of groups that have faced discrimination, including women and minorities, or who are from low-income families face the greatest risk of experiencing persistent joblessness and low wages.

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1. U.S. Bureau of Labor Statistics, "Over 21 Million Encountered Some Unemployment During 1980," U.S. Department of Labor Press Release 81-413 (August 28, 1981), table 1.

2. National Commission for Employment Policy, Fifth Annual Report: Expanding Employment Opportunities for Disadvantaged Youth, Report no. 9 (Washington, D.C.: U.S. Government Printing Office, 1979). See also, Daniel H. Saks and Ralph E. Smith, "Youth with Poor Job Prospects," Education and Urban Society, forthcoming.

Unemployment rates among teenagers and young adults have always been much higher than the rates of older labor force participants. For example, in 1980 the unemployment rate of teenagers was 17.7 percent; among labor force participants ages 20 to 24 the rate was 11.5 percent; and among participants age 25 and over it was 5.0 percent. Similarly, the wages of young people tend to be much lower than those of adults. In the second quarter of 1981, the median weekly earnings of young men (ages 16 to 24) who worked full time were $225, compared with $374 for men age 25 and over; the earnings differential among women was much narrower and the amounts much smaller ($181 vs. $234).[3]

These differentials by themselves may not be a serious problem. Unemployment is higher for young people in part because many are looking for their first jobs, summer jobs, and after-school jobs. Also, in the process of learning about the job market, some will move from one job to another. This mobility has benefits as well as costs. Moreover, it is reasonable for employers to prefer more experienced or mature workers for many kinds of jobs. They may exercise this preference either by not hiring young people or by hiring them at wages lower than those they would offer to experienced workers. Firms that hire youths and provide them with on-the-job training may, in effect, be paying the young workers with career preparation as well as cash.

A much more serious problem is the large differences in labor market success between groups of young people. Most dramatic are the differences by race and ethnic origin. In 1980, the unemployment rate among white teenagers was 15.5 percent; among Hispanic teenagers it was 22.5 percent; and among black teens it was 38.6 percent. Young people living in poverty areas, especially in cities, are even more likely to be unemployed. For example, in 1980, the unemployment rate among black teenagers in metropolitan poverty areas was 44.9 percent.[4] As will be discussed in the next section, these differences persist into adulthood.

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3. U.S. Bureau of Labor Statistics, "Weekly Earnings of Workers and Their Families: Second Quarter 1981," U.S. Department of Labor Press Release 81-412 (August 26, 1981), table 5.

4. U.S. Bureau of Labor Statistics, "Employment and Unemployment: A Report on 1980," Special Labor Force Report 244 (April 1981).

Young women, as a group, face the problem of frequently being prepared for stereotypically female occupations, jobs that generally have lower wages than other occupations and fewer opportunities for advancement. This contributes to the large differential in wages between adult women and men. As noted in the next section, adult women, especially those who head households, are much more likely than adult men to have chronic labor market problems.[5]

A related problem is the extent to which youth unemployment is concentrated among a small number of people. For example, one study estimated that about three-fourths of the total amount of unemployment experienced by youth in 1977 was incurred by the 8 percent of the young labor force participants with 15 or more weeks of unemployment.[6] For these youths the benign explanations of normal job search and job shopping before settling down simply do not hold.

Analyses of the causes and consequences of early labor market failures suggest the likelihood that, if the causes are not treated, the individual is at risk of facing serious labor market problems as an adult as well. The adults may be more mature, motivated, and ready to settle down, but if they dropped out of school or graduated without having mastered the basic skills needed to get and hold a job, the risk of failure will persist. Moreover, there is some evidence that experiencing a sustained lack of employment while young may "scar" people and cause them to have lower earnings later in life.[7] In effect, they may have missed opportunities for on-the-job training and the credentials associated with work experience.

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5. In 1980 our Commission conducted a major examination of the labor market problems of disadvantaged women and made a number of recommendations for improving the treatment of women in federally sponsored vocational education and employment and training programs. See National Commission for Employment Policy, Increasing the Earnings of Disadvantaged Women (Washington, D.C.: U.S. Government Printing Office, 1981).

6. Robert Lerman, "An Analysis of Youth Employment Problems," in Vice President's Task Force on Youth Employment, A Review of Youth Employment Problems, Programs and Policies, vol. (January 1980).

7. Mary Corcoran, "Estimating the Long Run Cost of Unemployment During a Recession," NCEP Technical Paper T-81-3, 1981.

In planning employment and training activities over the next decade, one of the few changes that can be predicted with confidence is the decline in the number of teenagers and young adults, as the members of the post-World War II baby boom mature. The size of the population ages 16 to 24 has already begun to decline and will continue to do so throughout this decade and the beginning of the next. The Bureau of Labor Statistics projects that, even with continued increases in the labor force participation rate of youth, their labor force should decline from 25 million in 1980 to about 23 million by 1990.[8] This drop would reduce the youth share of the total labor force from its current 23.5 percent to 18.4 percent.

The reduction in the size of the youth population and labor force should make it easier for the current generation of young people to find jobs and prepare for adult work roles. It is not clear, however, whether the changing demographics will be of much benefit to the youths who have been most at risk. In particular, the numbers of black and Hispanic youths in the population and in the labor force are not expected to decline significantly during this period. Minority youth experienced substantial labor market problems in the 1960's when there were relatively few youths and low overall unemployment. The reduction in cohort competition should help minority young people, but it is unlikely to be an adequate substitute for activities that make these people more employable.

Adults with Chronic Labor Market Problems

By the time most people are in their mid-twenties they have completed their formal education and are either working outside the home or are homemakers or both. At least for men, the majority are in jobs that offer opportunities for advancement in earnings or equip them to move to another, more rewarding, job. As discussed in the preceding section (and at length in the Commission's Fifth Annual Report), there are important exceptions to this generally smooth-functioning market process. Some youths are not prepared to assume normal adult work roles. Most Federal support for employment and training assistance is intended to provide work and learning opportunities for this group. This section summarizes our knowledge of the characteristics of the adults who are failing in the labor market. The emphasis here, as in the programs themselves, is on persons with chronic labor market problems, persons who are unlikely to be able to afford unsubsidized training.

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8. Howard Fullerton, "The 1995 Labor Force: A First Look," Monthly Labor Review (December 1980), pp. 11-21.

The statistics on the characteristics of unemployed people and workers with low wages are familiar. Month after month, the Current Population Survey shows that minorities have higher unemployment rates than whites; that women usually have higher unemployment rates than men; and that, in general, the likelihood of being unemployed is inversely related to a person's level of education and skills. Similar patterns are reflected in earnings statistics.

The study by Freeman (in appendix A) differs from the more familiar point-in-time analyses in that it examined what happened to the same individuals and their families over a period of approximately a decade. This is important for employment and training policy analysis because it provides insights into whether a person's immediate problems are permanent or transitory. If the problems will go away without the Government's spending any money on them, the case for special assistance is weaker.

Freeman's research, along with that of other labor market analysts, suggests that some people are experiencing problems in the labor market that are far more serious than even the conventional statistics indicate. For some people, low earnings and unemployment have proved extremely persistent. Specifically, Freeman found that among men who were heads of households and labor force participants throughout the 10-year period beginning in 1969, 70 percent were never in the lowest tenth of the earnings distribution for men. Another 18 percent had earnings that put them in the bottom decile once, twice, or three times during the decade; 3 percent were at the bottom four to six times; and 5 percent had earnings that put them at the bottom at least 7 of the 10 years. This last group could reasonably be counted as <u>permanently</u> disadvantaged in the labor market. Some of those who were in the bottom decile fewer years could also be counted, in that their "upward mobility" consisted of getting only one decile up from the bottom. But even restricting the group to the 5 percent who were at least seven times in the lowest decile, Freeman estimates that this hard core accounts for 44 percent of the person-years in the lowest decile during the decade.

His findings for female heads of households are even more disturbing. They, too, include a small group without any earnings mobility. Compounding this problem is that the earnings of women, as a group, are much lower than those of men. Hence, among women who headed their own households and were in the labor force for the entire decade, 21 percent had earnings <u>every year</u> that put them in the bottom earnings decile for men.

Analyses of the recurrence of unemployment reveal similar patterns of concentration and persistence. Research by Clark and Summers found that although most people do not remain unemployed for long periods, some do experience recurrent spells of

unemployment.[9] They estimate that a small portion of the labor force accounts for the majority of all unemployment.

Who are the adults with severe labor market problems? ot surprisingly, they appear to be the adult counterparts of the youths who were failing in the labor market. Indeed, they may often be the same people, although longitudinal studies have not yet followed people long enough to establish this. Freeman's statistical analysis confirms the associations between low earnings and lack of skills, lack of education, illiteracy, and membership in a demographic group that has faced discrimination. He also found these characteristics associated with the frequency of being in the lowest earnings decile.

A particularly striking finding is that the likelihood of being in the lowest decile can be predicted with greater accuracy by knowing if the person was previously in that decile than by knowing all of the measurable characteristics (such as age, race, and educational attainment) of the individual. If someone wants to predict whether an individual is likely to be a low earner next year, information about that person's earnings this year is a better guide than anything else.

Dislocated Experienced Workers

There is general agreement that economically disadvantaged unemployed persons are an appropriate group on which to focus employment and training assistance. A major issue in developing the next generation of employment and training legislation is whether "mainstream" workers who lose their jobs should also be eligible for assistance. If so, should they have their own programs or should they be eligible for the same activities as disadvantaged unemployed people? In other words, should federally supported employment and training activities remain focused on the disadvantaged or should they be opened up to nondisadvantaged dislocated workers?

Most of the assistance this group now receives from the Federal Government is temporary income support to offset part of lost earnings. Unemployment Insurance is the major program, providing a total of $15 billion in regular and extended benefits to over 10 million unemployed people in fiscal year 1980. In addition, some unemployed experienced workers are eligible under the Trade Readjustment Act (TRA), the Redwood Parks Act, and other ad hoc legislation. Eligibility and benefits under TRA were considerably tightened recently after total benefits

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9. See chapter 2.

had multiplied several-fold to $1.6 billion in fiscal year 1980. Also, under the recent amendments, TRA recipients must be willing to participate in retraining to be eligible for the benefits.[10]

The United States has had very little recent experience with retraining displaced workers. Few workers have taken advantage of the retraining provisions of the old TRA and many of those who did are reported to have been motivated by the additional income support associated with the training.[11] The upgrading and retraining part of CETA (title II(C)) also could be used for dislocated workers who are not disadvantaged. Available information on the characteristics of program participants, however, indicates that very few use this provision.[12]

As background for the expected policy debate on whether "mainstream" dislocated workers should become a priority group for federally supported employment and training assistance, the Commission sponsored research on the number and characteristics of dislocated workers, using various definitions of dislocation. That study, by Marc Bendick and Judith Radlinski Devine, is included in appendix B of this report. Their findings, along with those of other studies, raise serious questions about the equity and the efficiency of providing substantial Federal support for retraining dislocated workers in general.

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10. The Omnibus Budget Reconciliation Act of 1981 narrows the grounds for being eligible for adjustment assistance, limits the maximum amount of allowances payable, and authorizes the Secretary of Labor to approve training when it is determined that there is no suitable employment available to the worker, there is a reasonable expectation of employment following completion of training, the training is available, and the worker is qualified.

11. Harry Gilman, "Adjustment Assistance to Displaced Workers: Summary of Findings," prepared for NCEP Conference on the Future Direction of Federal Employment and Training Policies, September 1981. The actual and potential role of CETA in dealing with dislocated workers is currently being examined for the Commission by Michael Barth and others at ICF Incorporated; see ICF, "The Role of CETA in Providing Services to Nondisadvantaged, Displaced Workers," forthcoming.

12. 1981 Employment and Training Report of the President, table F-10, forthcoming.

One way of distinguishing dislocated workers from other unemployed people is in terms of their past industrial or occupational attachment or location. One operational definition used by Bendick and Devine is that the person has been unemployed more than 8 weeks, is between the ages of 22 and 64, and had been working in a declining industry. Using this definition, they estimate the number of dislocated workers in early 1980 at 400,000.[13]

The characteristics of the dislocated workers identified by Bendick and Devine differ substantially from those of the disadvantaged workers described earlier. Dislocated workers are, on average, more affluent than disadvantaged people. For example, among the 400,000 persons who were unemployed at least 8 weeks and had been working in a declining industry, nearly half were in families with incomes above $10,000 in the previous year (1979). This figure reflects not only these people's wages during the portion of the years that they worked, but also their Unemployment Insurance and the earnings of other family members. In comparison with unemployed individuals from low-income families, dislocated workers are much more likely to be recipients of Unemployment Insurance benefits and to have other workers in the family; dislocated workers are less likely to be receiving AFDC or other welfare payments.

In the sense that dislocated workers have characteristics that are usually associated with job-finding success, these people are also more employable than are unemployed people from low-income families. Among the workers dislocated from declining industries, for example, 66 percent were high school graduates, compared with 56 percent of the adults from low-income families who had been unemployed at least 8 weeks in the same period. Moreover, 31 percent of the dislocated workers were black, Hispanic, or members of another minority group, compared with 43 percent of the low-income unemployed. A statistical analysis conducted by Bendick and Devine found no significant association between being from a declining industry (or occupation) and the duration of unemployment.

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13. The exact count is, of course, sensitive to the duration of unemployment and criteria used to determine whether the person's past employment was in a declining industry, occupation, or region. Using alternative definitions, Bendick and Devine estimated the number of dislocated workers in early 1980 to range from 90,000 to 900,000. The numbers are also sensitive to the period of observation. In March 1980, the Nation's unemployment rate was 6.3 percent and had been rising. Presumably their estimates would have been lower if they had used a period of lower overall unemployment or turbulence.

These findings do not mean that dislocated workers are experiencing no problems. Bendick and Devine found, for example, that one-quarter of the workers from declining industries who had been unemployed for at least 8 weeks in early 1980 were from the motor vehicle industry. Many of them had already been unemployed for 6 months. Also, dislocated workers from declining regions did experience above-average durations of unemployment; it appears to be easier to change industries and occupations than to change locations.

The issue is whether dislocated workers, as a group, are an appropriate target for Federal employment and training assistance. These people are not so poor as current CETA participants. But they are experiencing substantial income losses. Unemployment Insurance and related programs recognize the importance of helping a family maintain its standard of living during periods of temporary unemployment. To the extent that some of these dislocated workers will not be able to return to their previous jobs, employment and training assistance is a logical extension of Unemployment Insurance.

Freeman's study indicates that some workers who experience a sudden decline in earnings (an alternative indicator of dislocation) do not recover their previous economic position. Studies of trade-displaced workers, for example, find that many of the one-quarter to one-third of the workers who did not return to their old jobs incurred substantial earnings losses.

The major efficiency issue here is whether retraining or other labor market assistance (in addition to, or instead of, income transfers) can be effective in helping displaced workers to adjust more quickly or to become more productive than they otherwise would. At a minimum, for the assistance to be effective would require the ability to identify the dislocated workers who are least likely to be recalled and are least likely to be able to make the necessary adjustments on their own. Otherwise, the Federal Government is likely to pay for services that are either not needed or would have been obtained by the participants without the program.

Program Eligibility

Few issues that will be considered in redesigning the federally supported employment and training system are more complex or controversial than those involving who should be served. Federal money for employment and training assistance is limited and there are many legitimate claimants. Who should decide among them and how? The legislation authorizing most current Federal support specifies eligibility criteria. Should eligibility decisions, instead, be left to the program operators? If the Federal Government is going to continue to target its help to specific groups, are the existing criteria the best ones to use?

CETA replaced the Manpower Development and Training Act (MDTA) of 1962. The earlier legislation was enacted at a time when the Administration and Congress were especially concerned with the need to retrain experienced workers who had become unemployed as a result of shifts in the Nation's skill requirements. However, the focus quickly shifted to the needs of competitively disadvantaged people. By 1966, MDTA was explicitly part of the War on Poverty and 65 percent of the training positions had to be filled by the disadvantaged. That term was defined as a person having two or more of the following characteristics: Nonwhite, less than twelfth-grade education, unemployed at least 15 weeks, under age 22 or over age 44, handicapped, or receiving public assistance.[14]

When CETA was enacted in 1973, the emphasis on serving the disadvantaged was retained and--especially in the 1978 CETA amendments--strengthened. The legislation in effect today states its purpose to be "to provide job training and employment opportunities for economically disadvantaged, unemployed, or underemployed persons which will result in an increase in their earned income...."

The State and local prime sponsors who operate most of the programs authorized by CETA are provided detailed criteria for determining who can be admitted into the programs. To be eligible for the comprehensive services authorized by title II(B) (the largest component of CETA under the 1981 Omnibus Budget Reconciliation Act), an individual must be both economically disadvantaged and unemployed, underemployed, or in school.

The main basis for determining whether someone is economically disadvantaged is whether he or she is in a family whose income during the previous 6 months (excluding Unemployment Insurance, welfare payments, and certain other unearned income) was less than 70 percent of the "lower living standard," as defined by the Bureau of Labor Statistics (BLS), or whose income qualified the family for cash welfare payments.[15] The same income cutoff is used to determine eligibility for the

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14. For a history of the MDTA program and its evolution, see Garth Mangum, MDTA: Foundation of Federal Manpower Policy (Baltimore: Johns Hopkins University Press, 1968).

15. The levels of income that correspond to 70 percent of the lower family budget issued by the Bureau of Labor Statistics are adjusted annually to reflect changes in living costs. The Department of Labor calculates these levels for each of the prime sponsors. For a family of four in most parts of the country, the income cutoff is currently between $8,800 and $11,000. Where the poverty line is higher than this level, it may be used instead. In addition, "economically disadvantaged" is defined in the law to include certain foster children, handicapped persons, and persons who are institutionalized or are receiving institutional services.

Job Corps and the summer youth program, while a slightly higher cutoff (85 percent of the lower living standard) is used for the youth programs authorized under title IV(A).

The latest data on CETA participant characteristics clearly show that prime sponsors are serving the disadvantaged population as mandated by the legislation. For example, at least 95 percent of the participants in title II(B) activities in fiscal year 1980 were in families with incomes at or below the poverty line or 70 percent of the lower living standard; nearly half were members of minority groups; 27 percent received public assistance; 29 percent were school dropouts; 9 percent were handicapped; and 9 percent were ex-offenders.[16] The majority were female and nearly half were under age 22. Most were either unemployed or in school when they entered the program. Of those who reported wages prior to program participation, half had been earning less than $3.11 per hour.

In one sense, the recent termination of the public service employment (PSE) activities that had been authorized by titles II(D) and VI simplifies the CETA eligibility debate. In recent years, it was PSE more than other components of CETA that was the battleground for fights over who should control program participation. State and local governments were interested in the services produced by the PSE participants, as well as in helping low-income people. Sometimes these goals conflicted.[17] Prior to the 1978 CETA amendments, participation in some PSE activities was open to unemployed people regardless of family

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16. All data on participant characteristics reported in this section are from the forthcoming 1981 Employment and Training Report of the President, table F. The administrative data on participants in title II(B) also includes II(C), which is not income conditioned; the latter is a much smaller program and also appears to be enrolling mostly low-income participants. The 49 percent of the participants who were minority group members included blacks (33 percent), Hispanics (12 percent), Asian or Pacific Islanders (3 percent), and American Indians (1 percent).

17. A discussion of the conflict and of the policy bargains that developed is provided in a Commission-sponsored study by Richard Nathan et al., Public Service Employment: A Field Evaluation (Washington, D.C.: Brookings Institution, 1981). The 1978 amendments also restricted eligibility by imposing PSE wage and duration limits, thereby limiting the attractiveness of the program to potential participants.

income. The 1978 amendments established an income criterion for both PSE titles.[18]

By the time the PSE titles ended in 1981, the program was serving a population that was not very different from the participants in other parts of CETA. For example, in fiscal year 1980, 91 percent of title II(D) participants and 80 percent of title VI participants were in families with income at or below the poverty line or 70 percent of the lower living standard. Compared with title II(B) participants, PSE participants were somewhat better educated, older, and they had slightly higher preprogram wages (the median hourly wage was $3.11 for title II(B) participants, $3.17 for title II(D), and $3.36 for title VI).

Prior to the 1978 CETA reauthorization, our Commission carefully examined the program eligibility criteria and found several serious problems: First, the number of people eligible for CETA activities was many times the number of employment and training opportunities, allowing program operators to "cream" and, possibly, facilitating abuses in the PSE program. Second, unemployment, by itself, was not a particularly good indicator of whether a person was likely to have difficulty finding a job and was a bad indicator of whether a person was poor. Third, there was little, if any, benefit to having so many different eligibility criteria, and the administration of separate criteria for each program was time consuming. The Commission recommended that a single set of basic eligibility criteria should be used throughout CETA, that eligibility should be based on being both long-term unemployed (15 of the preceding 20 weeks) and in a low-income family (70 percent of the lower living standard), and that public assistance recipients should automatically be eligible.[19]

The 1978 CETA amendments drastically reduced the number of eligibles, but the number remained many times that of the pro-

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18. To be eligible for a job under title II(D), a person had to be either a member of a family receiving cash welfare assistance or be an economically disadvantaged person who had been unemployed for at least 15 of the previous 20 weeks. To be eligible for a job under title VI, one had to be either in a family receiving cash welfare assistance, or have a family income no greater than 100 percent of the lower living standard and be unemployed for at least 10 of the previous 12 weeks.

19. National Commission for Manpower Policy, Third Annual Report, Report no. 7 (Washington, D.C.: U.S. Government Printing Office, 1978).

gram slots.[20] The amendments also imposed slightly more uniformity across titles. The recent elimination of titles II(D) and VI PSE activities and overall CETA budget cuts will result in both an increase in the number of eligibles per position and much more uniformity, since the 70 percent of lower living standard income criterion now applies to most of the program.

As the reauthorization of CETA is considered, an important issue is whether to continue to impose a family income test. Such a test allocates employment and training assistance according to economic need. The lower the income cutoff, the more needy will be the program eligibles and the less discretion program operators will have. The income criterion now used in CETA also results in the program serving persons with very low earnings.[21] An alternative type of eligibility criterion could be based on efficiency considerations--allocating the assistance according to where it is likely to have the largest impacts ("creaming"). It may be that the Federal Government can best help the most needy through income transfers rather than through employment and employability development. A third type of criterion could provide appropriate incentives to potential participants. For example, program eligibility for students could be based, in part, on satisfactory school attendance.[22]

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20. An analysis by Mathematica Policy Research, Inc., for the Commission in 1979 estimated that 70 million persons were eligible for CETA activities in 1978 and that under the 1979 regulations issued as a result of the amendments the number of eligibles would decrease to 32 million. In fiscal year 1978 there were 3 million program positions. See NCEP, "Report on Single Heads of Households," Briefing Paper 2-4-79 (June 1979).

21. Since public assistance and Unemployment Insurance are excluded, the CETA income test is similar to a family earnings test. The main difference between it and a test based on individual earnings is that the former excludes some low earners who are in multiple-earner families.

22. At our September 1981 conference, one panelist suggested reducing or eliminating the training stipend so that potential participants would not be motivated to use the program for income support. This would also increase the number of people who could be served with a given budget or provide resources for more expensive services. One problem with this proposal is that it would also make it more difficult for many low-income persons to participate.

It may be that, de facto, the existing CETA eligibility rules already combine these three types of criteria: The Federal Government imposes an income test that is high enough to provide considerable flexibility to the prime sponsors, who in turn can judge for themselves which people they can best serve and which people are most motivated. If the Administration and Congress decide to continue to provide the program operators with the same or more discretion, then it will be even more important that the legislation clearly specify the program goals and performance standards that are expected to be achieved.

Conclusions

Although it is convenient to disaggregate the population that may need employment and training assistance into the three groups discussed here--youths, adults with chronic labor market problems, and dislocated workers--certain important policy issues cut across groups.

First, the problems of disadvantaged youths and disadvantaged adults are closely linked. The data do not exist to test the theory that solving the youth problem would prevent development of the adult problem, but it looks like a good working hypothesis. This does not mean that policies can or should be directed only at young people. It may take some time for some youths to be ready for serious assistance, and, in any event, the needs of adults who experience repeated failure in the labor market are no less urgent.

Second, the concentration and persistence of low earnings and lack of employment suggest the need for intensive training or other kinds of employability development, not just a job or income transfer. Just as failure in the labor market can be a recurrent event, so can success. The long-term earnings and productivity benefits of breaking the pattern could be enormous, but are likely to be costly. For some "permanently disadvantaged" people, the Government may find it more cost effective to provide income maintenance only.

Third, women and minorities account for a disproportionate amount of the group with chronic problems. The Commission's earlier examinations pointed to the need for the Federal Government to assure that these groups are served equitably by federally supported programs and are not discriminated against by educational institutions and employers.

Fourth, the needs of long-term disadvantaged people are, in general, quite different from those of workers who have been displaced. The former group includes large numbers of people who, if they are not helped, will continue to have low incomes. The latter group consists of people who, for the most

part, are neither poor nor likely to become poor. Many have, however, suffered a substantial drop in income from which they may not recover. The nature and extent of the Federal Government's obligation to this group is a pressing but unresolved issue.

Fifth, the distinction between disadvantaged and dislocated workers begins to blur when one examines the characteristics and experience of dislocated workers in declining regions. The likelihood of finding a job quickly is significantly diminished if displacement occurs in a labor market with high unemployment. It might be useful for the Federal Government to concentrate program funds in declining regions or permit program operators more discretion to serve dislocated workers in such places, or both. Even so, the effectiveness of training may be slight if few jobs are available.

CHAPTER 4

THE NATIONAL EMPLOYMENT AND TRAINING "SYSTEM"

By

Janet W. Johnston

THE NATIONAL EMPLOYMENT AND TRAINING "SYSTEM"

The Commission's Sixth Annual Report (December 1980) contained an "Overview of Federal Employment and Training Programs" outlining the strengths and weaknesses of the various components of the existing Federal employment and training system.[1] If a comprehensive, national labor market strategy is to be developed, however, policymakers must look beyond federally authorized employment and training programs and encompass all activities that influence the operation of the labor market--including a multitude of public and private modes of skill acquisition and labor market assistance, job creation efforts, and income maintenance programs (see chart A).

This chapter reviews these various activities in an effort to produce a "map" of the education, training, and employment system that now exists in the United States. Such a map may help put into perspective the activities of the Federal Government in helping disadvantaged, underemployed, and unemployed persons acquire the job skills necessary to compete successfully in the job market and may suggest possible future directions for these activities under conditions of financial restraint.

A system is defined by Webster's New World Dictionary of the American Language (Second College Edition) as "a set or arrangement of things so related or connected as to form a unity or organic whole." Any review of employment and training programs, however, immediately reveals a lack of any such deliberate pattern or arrangement to labor market activities. Instead, a multitude of public and private programs sometimes overlap and sometimes leave gaps in services. The average adult who has moved successfully through the elementary and secondary educational system will find numerous additional training and education opportunities available to augment earlier experiences. A person who has failed to acquire the basic skills necessary for the first job, however, will find far fewer opportunities for learning, aside from the Federal employment and training programs, which represent only a small proportion of all such opportunities.

With funds for Federal training diminishing and with some programs (e.g., public service employment) eliminated completely, persons who formerly would have obtained help through employment and training programs now must look elsewhere. The education system, private business and industry, and the military services have all been suggested as candidates to assume more responsibility for training workers. The following review, which focuses on these and other sources of education, training,

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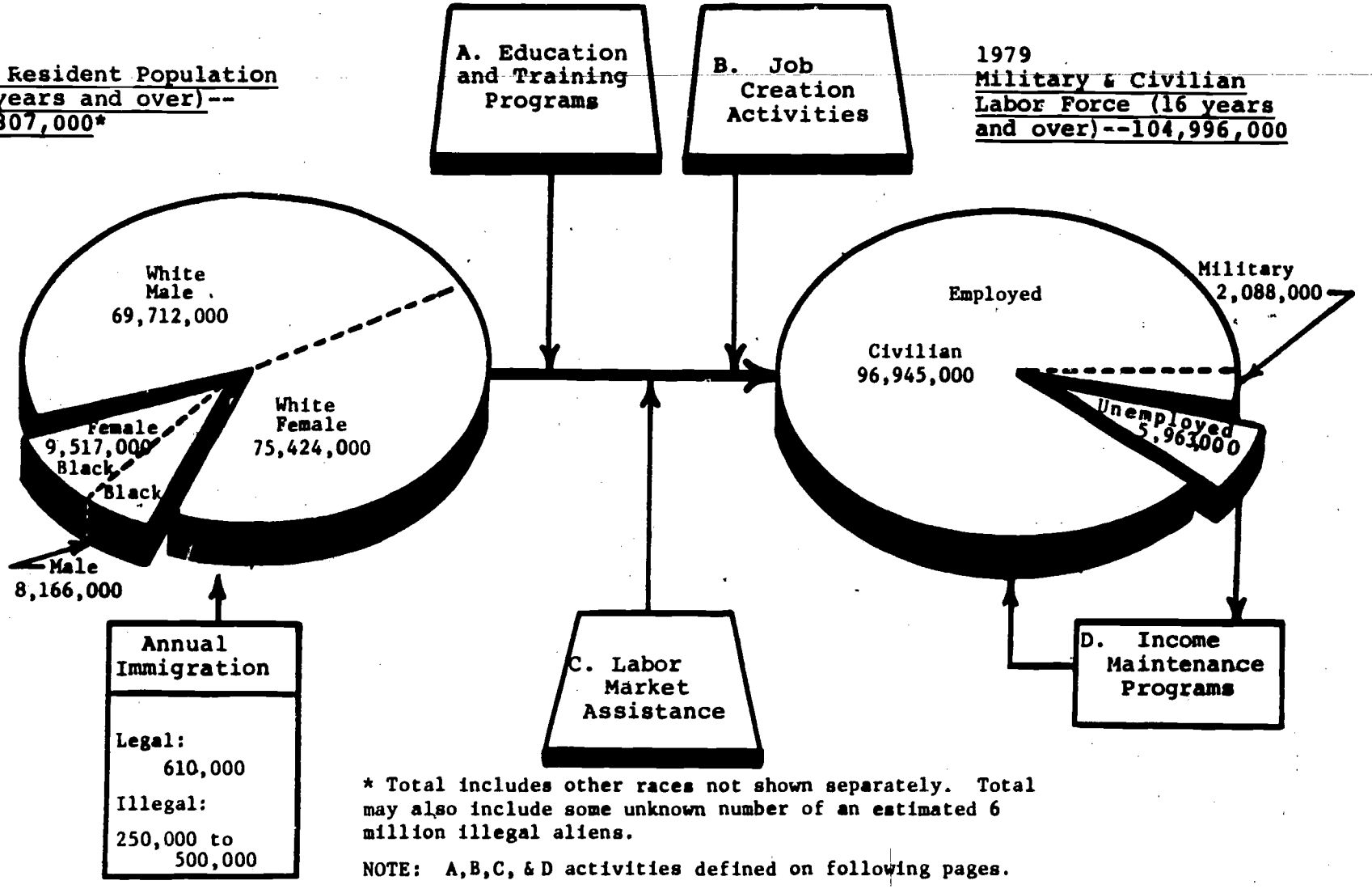
1. See pp. 49-139 of the report.

Chart A. Programs and Activities That Influence Participation in the Labor Force



* Total includes other races not shown separately. Total may also include some unknown number of an estimated 6 million illegal aliens.

NOTE: A,B,C, & D activities defined on following pages.

Sources: U.S. Bureau of the Census, Current Population Reports, series P-25, No. 870; 1980 Employment and Training Report of the President, Table A-1, p. 217. Chart by Michael J. Landini, Jr.

KEY TO CHART A

	Persons Served (est.) (in thousands)
A. Education and Training Programs	
1. Elementary and secondary schools, grades 9 - 12	15,500 (1978)
- Occupational training	5,500 (1978)
2. Adult basic and secondary education	1,600 (1976)
3. Postsecondary schools:	
- Vocational, trade, and business schools	1,500 (1978)
- 2-year colleges and vocational/technical institutes	4,000 (1977)
- 4-year colleges and universities	7,200 (1978)
4. Private industry and business	6,300 (1977)
5. Labor organizations	600 (1977)
6. Government employees:	
- Civilian	3,000 - 4,000 (1979)
- Military	*226 (1980)
7. Federal employment and training programs	*3,600 (1980)
8. Federal correctional institutions	10 (1981)
9. Cooperative extension service programs	11,000 - 14,000 (1976)
10. Professional associations	31 (1977)
11. Community organizations	2,000 (1975) - 11,000 (1974)
12. Free universities	200 (1978)
13. Correspondence instruction	606 (1975) - 4,000 (1973)
14. Private instruction	1,200 (1975)
B. Labor Market Assistance	
1. Employment agencies	
- Public	
- Private	
2. Job clubs	
3. Occupational and career information programs	
4. Special programs for youth and displaced workers	
5. Job search and relocation assistance pilot project	
6. Removal of labor market barriers--EEOC and contract compliance	
7. Developing alternative work schedules	
8. Unemployment insurance (UI) programs	

*Service years.

KEY TO CHART A
(Continued)

C. Job Creation Activities

1. Public service employment (PSE)
2. Public works and economic development programs
3. Job development and hiring incentives for the private sector (TJTC; Enterprise Zones)

D. Income Maintenance Programs

1. AFDC
2. Food stamps
3. Welfare reform proposals

and labor market assistance, is intended to contribute basic information for a discussion about the respective roles of the private and public sectors in future employment and training policy. The paper explores the Federal role in relation to non-Federal institutions in each of four areas that influence labor market outcomes: (1) education and training, (2) labor market assistance, (3) job creation, and (4) income maintenance. A concluding section discusses some of the implications of a reduced Federal role in each of these areas.

Education and Training

Many public and private sources of education and training operate in the United States today. Depending upon how restrictively "education" is defined, estimates of the number of persons 17 years of age and older who participate in educational activities annually range from 38 to 84 million. The inclusion of students below the age of 17 enrolled in high school grades 9 through 12 and in federally funded youth programs would add more than 15 million more persons to the base figure for adults. Federal employment and training programs like CETA represent only a small proportion of the total number of learning opportunities available, but they focus on a client group that has not been able to benefit from other resources. A description of the main sources of education and training follows:[2]

Elementary and Secondary Schools

Nearly 48 million youths between the ages of 5 and 17 were enrolled in public and private schools in 1979, including some

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2. Although the material in this section was drawn from many sources, two monographs commissioned by the Worker Education and Training Policies Project of the National Institute for Work and Learning (formerly the National Manpower Institute) proved especially helpful. They were Bryna Shore Fraser's The Structure of Adult Learning, Education, and Training Opportunity in the United States (Washington, D.C.: National Institute for Work and Learning, 1980) and Harold Goldstein's Training and Education by Industry (Washington, D.C.: National Institute for Work and Learning, 1980). Worklife Transitions: The Adult Learning Connection, a forthcoming book by Paul E. Barton, Vice President for Planning and Policy Development at the Institute, will synthesize the material developed from the Worker Education and Training Policies Project, which has been funded by the National Institute for Education, U.S. Department of Education.

15.7 million youth in grades 9 through 12. Over 3 million persons graduated from high school in that same year.[3]

The Federal role in what is entirely a State- and locally administered system has been confined to certain specific areas: Ensuring equal educational opportunities for all, regardless of race or sex; providing financial aid to schools in areas with high concentrations of low-income families and in areas affected by Federal activity; promoting the national defense by strengthening instruction in specific subject areas such as science, math, or foreign languages; and contributing to the support of vocational, career, and adult education programs. There are Federal contributions for other activities as well, but when all these are added together, the Federal share of the total funding for all elementary and secondary schools, public and private, is under 10 percent--that is, $7.9 billion of a total $97 billion expended (or $87 billion, if only public schools are counted).[4]

Some 75 percent of the Nation's 17-year-olds now graduate from high school (compared with about 60 percent in 1950) and nearly half these graduates, including large numbers of blacks and Hispanics, go on to college. Nevertheless, Scholastic Aptitude Test (SAT) score averages for college-bound seniors have shown a steady decline since 1962. Reflecting public concern about the caliber of education offered in most public high schools, a Newsweek poll, conducted by The Gallup Organization in the spring of 1981, found that nearly half the respondents rated the job that public schools are doing as poor or only

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3. U.S. Department of Commerce, Bureau of the Census, 1980 Statistical Abstract of the United States, National Data Book and Guide to Sources, 101st ed. (Washington, D.C.: U.S. Government Printing Office, 1980), "No. 220. School Enrollments, by Type of School: 1960 to 1979," p. 140, and data from the National Center for Education Statistics. Totals include residential schools for exceptional children, Federal schools for American Indians, and federally operated schools on military posts.

4. 1980 Statistical Abstract of the United States, "No. 222, School Expenditures, by Source of Funds: 1960 to 1980," p. 141.

fair, and almost 70 percent called for more stress on academic basics.[5]

Vocational Education

In the 1978-79 school year, about 5.5 million students in grades 11 and 12 were enrolled in occupational training courses authorized by the Vocational Education Act of 1963 and amendments; 3 million of these were enrolled in programs leading to specific occupations.[6] Compared with the $5.9 billion in State and local expenditures for vocational education programs in both secondary and postsecondary institutions, direct Federal outlays were only $551 million in 1979, or about 9 percent of the total. Approximately $347 million of the Federal support was directed to high school programs. In addition to direct Federal grants for Vocational Education Act programs, Federal funds are indirectly provided for these activities through the Comprehensive Employment and Training Act (CETA). One recent study found, for example, that prime sponsors estimated they were providing to public vocational education an average of 27 percent of their title II(A,B, and C) funds beyond the 6 percent already set aside for this purpose under that title (or approximately one-third of $2.1 billion in fiscal year 1980). In addition, the act requires that 22 percent of title IV(A) funds for Youth Employment and Training Programs (YETP) be spent for programs developed jointly by CETA administrators and local educators. Department of Labor data for fiscal year 1980 indicate that about 31 percent of title IV funds (or approximately

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5. National Center for Education Statistics (NCES), Digest of Education Statistics, 1977-78 (Washington, D.C.: U.S. Government Printing Office, 1978), table 61, "Number of high school graduates compared with population 17 years of age: United States, 1869-70 to 1975-76," pp. 60 and 61, and 1980 Statistical Abstract of the United States, "No. 270. Scholastic Aptitude Test (SAT) Averages for College-Bound Seniors: 1967 to 1979," p. 164. See also, Dennis A. Williams et al., "Why Public Schools Fail," Newsweek (April 20, 1981), p. 62.

6. A Statistical Overview of Vocational Education, September 17, 1980, Testimony of Rolf M. Wulfsberg, Assistant Administrator for Research and Analysis, National Center for Education Statistics, Before the Subcommittee on Elementary, Secondary, and Vocational Education of the Committee on Education and Labor of the House of Representatives (Washington, D.C.: National Center for Education Statistics, 1980), tables 5 and 6, pp. 19 and 22.

$215.6 million) was actually used for this purpose. Thus, together, titles II and IV of CETA are estimated to have provided over $900 million for public vocational education in 1980.[7]

Despite the popularity of vocational training courses at the high school level, studies based on nationally representative samples of students have not found evidence that males who enroll in vocational training programs do better in the labor market or are less likely to drop out of high school than comparable students enrolled in a general curriculum. The labor market experience of black male youths following such training has been found to be particularly poor. In contrast, female students who take business and office courses in high school tend to be more likely to graduate and secure higher paying jobs than women in the general curriculum, although the apparent advantage disappears within 10 years.[8]

Adult Education

Persons 16 years of age and older without a high school diploma can receive basic literacy training, preparation for taking the General Education and Development (GED) tests required for a high school equivalency diploma, instruction in English as a second language, and occupational training in pro-

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7. Ibid., p. 75; 1980 Statistical Abstract of the United States, "No. 224. Federal Outlays for Education and Related Activities: 1970 to 1980," p. 142. For a discussion of indirect funding through CETA, see U.S. Conference of Mayors (USCM), "The CETA/Vocational Education Working Relationship, A Status Report Based on the Perceptions of CETA and Vocational Education Administrators" (Washington, D.C.: USCM, for the National Commission for Employment Policy, June 30, 1981), pp. 8-9.

8. For a more detailed discussion of the effectiveness of vocational training at all levels, see Patricia Brenner, "Vocational, Career, and Compensatory Education Programs--A Review of the Experience," in the Commission's Fifth Annual Report, Report no. 9 (Washington, D.C.: U.S. Government Printing Office, December 1979), pp. 112-17, and Patricia Brenner, "The Federal Interest in Vocational Education: Theory and Experience," in NCEP, The Federal Role in Vocational Education, Report no. 12 (Washington, D.C.: U.S. Government Printing Office, September 1981), pp. 10-38.

grams authorized by the Adult Education Act of 1966.[9] Approximately 3.4 million adults participated in these programs in 1976 (latest data available), at a cost of $260 million. Federal outlays for the program exceeded $70 million, slightly more than one-fourth of the total.

Of persons who participated in federally supported programs in 1976, 118,071 received eighth-grade diplomas; 70,405 entered high school; 128,886 passed the GED; 24,665 graduated from high school; and 114,222 enrolled in other education.[10]

Postsecondary Institutions

There are three principal types of postsecondary institutions: (1) Noncollegiate vocational, trade, and business schools (enrolling nearly 1.5 million persons in 1978); (2) 2-year colleges and degree-granting vocational-technical institutes (with 4 million enrollments in 1979); and (3) 4-year colleges and universities (with enrollments of around 7 million annually).

Noncollegiate Vocational, Trade, and Business Schools

Institutions of this type offer training in vocational/technical, business/office, cosmetology/barber, trade, flight, arts/design, hospital, and allied health fields. While enrollments have been increasing generally, the largest growth has occurred at private schools.[11]

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9. National Advisory Council on Adult Education, An Assessment of the Federal Adult Education Act Program (Washington, D.C.: U.S. Government Printing Office, October 1978), pp. 26 and 30. See also the discussion in Fraser, The Structure of Adult Learning, pp. 13-15.

10. Ibid., pp. 27-31; National Center for Education Statistics, The Condition of Education, 1979 (Washington, D.C.: U.S. Government Printing Office, 1979), table 5.12, "Participants in adult basic and secondary programs, by recognized educational, economic, and personal achievements resulting from participation: Fiscal year 1976," p. 198.

11. NCES, The Condition of Education, 1980, table 6.12, "Enrollments in noncollegiate postsecondary schools with occupational programs, by type of school and program area, and by control: Aggregate United States, 1974 to 1978," p. 260. See also Fraser, The Structure of Adult Learning, pp. 16-19.

It is harder to determine the impact of postsecondary vocational training than the impact of secondary vocational education because the range of schools offering postsecondary training is very broad and the effect of self-selection on program outcomes is not known. A study by Grasso and Shea has found higher rates of pay for people who had taken postsecondary training than for those who had not, an effect that was consistent for both men and women, regardless of whether they were high school dropouts or graduates. These findings have led to the conclusion that postsecondary training could be helpful to persons who had not been able to succeed in regular high schools.[12]

Another study, by Duane Leigh, examined the effects of five kinds of postsecondary training on occupational advancement for blacks and whites. Leigh found a positive impact on occupational advancement for both blacks and whites from company-sponsored training, with blacks appearing to benefit more than whites. Business college/technical institute training also had a positive effect on occupational mobility for blacks, but not for whites. Other kinds of postsecondary vocational education examined appeared to have no significant effect on advancement.[13]

Two-Year Colleges and Vocational/Technical Institutes

Between 1967 and 1977, enrollments in all 2-year, degree-granting institutions of higher education (including junior colleges, branch campuses, and vocational/technical institutes) increased by one-third to a total of 4 million adults. Most of this growth occurred in publicly supported community and junior colleges, which nearly doubled their share of enrollments, to a total of 3.9 million students in the fall of 1977; this figure was 34.3 percent of all higher education students enrolled that year.[14]

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12. John T. Grasso and John R. Shea, Vocational Education and Training: Impact on Youth (Berkeley, Calif.: The Carnegie Foundation, 1979), p. 161.

13. Duane E. Leigh, An Analysis of the Determinants of Occupational Upgrading (New York: Academic Press, 1978), p. 95.

14. NCES, The Condition of Education, 1979, table 3.8, "Distribution of enrollment in institutions of higher education, by type of control of institution: Aggregate United States, fall 1967 and fall 1977," p. 110; Fraser, The Structure of Adult Learning, p. 21.

The appeal of these institutions to adult learners derives from a variety of factors including affordable tuition and fees, liberal admissions policies, accessibility, a wide range of course offerings, and flexibility of class scheduling. Flexibility is especially important since, as one study found, almost 75 percent of the male students and more than 50 percent of the female students, both full-time and part-time, were employed while attending classes.[15] For all these reasons, persons seeking retraining or updating of their career skills, as well as persons seeking to enter or reenter the labor market, find community and junior colleges an attractive source of training.

Four-Year Colleges and Universities

Enrollments in 4-year institutions of higher education amounted to around 7.2 million annually from 1975 through 1978 (latest data) and are expected to remain at about that level through 1984. The number of earned baccalaureate degrees more than doubled from 1950 to 1978, reflecting both the record enrollments of the post-World War II baby boom cohort in institutions of higher education during the late 1960's and 1970's and an increased likelihood of attending college generally. Although a college education has long been accepted as a means to good jobs and high lifetime earnings potential, there is evidence to suggest that the wages of college-educated new job market entrants have been falling relative to the wages of less well educated job entrants and that the rate of return to be expected from an investment in higher education is, therefore, declining. The growth in size of the college-educated cohort has been suggested as a principal factor in this decline.[16]

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15. Eleanor P. Godfrey and Engin I. Holmstrom, Study of Community Colleges and Vocational-Technical Centers, Phase I (Washington, D.C.: Bureau of Social Science Research, 1970); see also Fraser, The Structure of Adult Learning, pp. 20-21.

16. NCES, The Condition of Education, 1980, table 3.1, "Total enrollment in institutions of higher education, by type and control of institution, with alternative projections: Fall 1970 to fall 1988," p. 102; 1980 Statistical Abstract of the United States, "No. 292. Earned Degrees Conferred, By Level of Degree: 1950 to 1978," p. 174. The decline in entry-level wages for college-educated persons relative to persons with less education is discussed in Finis Welch, "Effects of Cohort Size on Earnings: The Baby Boom Babies' Financial Bust," Journal of Political Economy (October 1979), pp. S65-S97. See also Richard B. Freeman, "The Decline in Economic Rewards to College Education," Review of Economics and Statistics (February 1977), pp. 18-29.

Increasing college enrollments reflect not only the large numbers of young people of college age but also a sizable proportion of older students. Between 1972 and 1976, the proportion of students age 25 and older in 4-year institutions rose from 28 to 33 percent of the total college population. Much of the increase is attributable to the growing number of women over age 35 who are enrolling in college. Their actual number climbed from 418,000 in 1972 to 700,000 in 1976, a 67.5 percent increase. Enrollments for all persons age 25 and over increased 44.6 percent during this same period.[17]

Although colleges and universities have long been involved in the education of adults through their continuing education and extension departments, the shift to an older student population has led to (or perhaps been partially caused by) the development of new options to accommodate their needs. Admissions requirements and formal entry qualifications have been eased; classes have been scheduled at times and places more convenient to working adults; the media have been used to transmit course material; and independent study has been encouraged. A few colleges and universities also have begun to provide credit for nontraditional learning experiences in various external degree programs.[18] As the U.S. population continues to age in the next decades, colleges and universities will undoubtedly face an even greater challenge in adapting to the differing needs and expectations of an older clientele.

Private Business and Industry

Probably the next largest source of training in the United States after the educational system is private business and industry, although estimates of both participation in and cost of training provided by this sector vary greatly. The uncertainties about participation rates are compounded by the fact that informal learning under the direction of a supervisor or experienced coworker--the most prevalent form of training--is not included in any known employer survey.[19]

Formal training may range from individual or group instruction at the plant during working hours to attendance at a college or university with tuition all or partly paid by the employer. Some firms even administer their own "colleges." An

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17. NCES, Digest of Education Statistics, 1977-78, "Age Structure of College Enrollment," p. 91; Fraser, The Structure of Adult Learning, pp. 21-22.

18. Ibid., pp. 24-32.

19. Ibid., pp. 32-33.

older formal training device is apprenticeship, which combines both on-the-job learning and classroom instruction. It is estimated that only 1 percent of new workers complete formal apprenticeships registered with official bodies, however, and about half again as many persons complete apprenticeships that are not officially registered.[20]

One study, based on a survey of large firms in the period 1974-75, estimated that the number of employee participants engaged in formal training was roughly 6.3 million, including 4.4 million persons enrolled in company courses during and after working hours, 1.3 million in tuition-aid programs, and 600,000 in "other outside courses" offered by professional or trade organizations or corporate trainers during working hours.[21] But this study, commissioned by The Conference Board, reported only on firms with 500 or more employees that had formal training opportunities. The number of workers involved in formal and informal training in all firms, large and small, is thought to be considerably higher. Another researcher, after reviewing several surveys of employers' training activity, including the Lusterman study, and without trying to establish a specific number of participants, concluded that:

> ...formal training is provided by a good deal less than half of all firms but by more than 8 out of 10 larger firms (500 employees or more); and the number of workers involved in training in any one year amounts to about one in five in large firms, and a smaller proportion in all industry. Training is mostly given in company-sponsored courses during working hours. Training for skill development (as distinct from orientation, the firm's organization, safety, etc.) is

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20. Goldstein, Training and Education by Industry, pp. 14-15.

21. Seymour Lusterman, Education in Industry (New York: The Conference Board, 1977). The Lusterman study reported only on responses received from 22 percent of all firms with 500 or more employees engaged in training and education activities for the period 1974-75. Firms of this size employed 32 million persons at that time, or about half the wage and salary workers in nonfarm establishments. See also Goldstein, Training and Education by Industry, pp. 27-29, and Fraser, The Structure of Adult Learning, pp. 33-35.

only a part of the total. Much of the formal skill training is for management or other white collar skills; manual workers get a disproportionately small share of formal training.[22]

Figures on employer expenditures for training vary even more widely than estimates of participation; determining the indirect costs of training such as overhead and trainees' salaries is very difficult and records are lacking. Reflecting these uncertainties, estimates of annual training costs for private firms range from around $2 billion (Lusterman) to $30 billion and upwards.[23] The latter figure, originated with the American Society for Training and Development, has been accepted by the U.S. Chamber of Commerce as at least a general measure of the amount spent by private business and industry on training.[24] If correct (and the estimate is probably conservative), it represents over three times both what the Federal Government spent on CETA and what the military services budgeted for training in fiscal year 1980--a sizable contribution to the Nation's skill bank.

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22. Goldstein, Training and Education by Industry. p. 34.

23. Fraser, The Structure of Adult Learning, pp. 37-38; Goldstein, Training and Education by Industry, pp. 38-39, uses the Lusterman figure as a base, adds to it estimates of direct costs for the rest of the private sector, overhead costs, and salary costs for the trainees, and calculates total training expenditures to be around $10 billion.

24. Testimony of Carnie Ives Lincoln, Assistant Secretary, Connecticut General Life Insurance, and President, American Society for Training and Development, and James Campbell, President of the Mississippi School Supply Company, and Chairman of the Committee on Education, Employment, and Training of the Chamber of Commerce of the United States, before the Subcommittee on Employment and Productivity of the Senate Committee on Labor and Human Resources, June 15, 1981.

Labor Organizations

Nearly 20 million workers are covered by union bargaining agreements and could seek education and training with the support of their unions. Yet, it is estimated that only about 3 percent of the total union membership, or 600,000 workers, are involved in training or education programs each year. About 500,000 of these are enrolled in jointly operated labor-management apprenticeship programs, both registered and unregistered. The rest take advantage of training offered by union education departments (shop steward training, contract analysis, etc.), postsecondary labor studies programs, or various company-sponsored courses. About 1.6 million workers are covered annually under tuition-aid programs negotiated as part of union contracts, but only 3 to 5 percent of those eligible for such programs take advantage of the opportunity. The rates for blue-collar workers are significantly lower than for other occupational groups.[25]

Government

Government is involved in training in two ways--as an employer and as the sponsor of CETA and other Federal employment and training programs.

As Employer

Out of about 19 million employees in the public sector--including Federal, State, and local civilian agencies, as well as the armed services--between 3 and 4 million persons each year participate in Government-subsidized training at a cost of $9 billion to $10 billion annually.[26]

Military training accounts for the largest share of Government training expenditures. In 1980, $8 billion was allotted to support 226,000 service years of activity, which could accommodate about 1,250,000 trainees. The types of instruction offered included basic recruit training, as well as more specia-

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25. Fraser, The Structure of Adult Learning, pp. 52-56.

26. Ibid., pp. 38-44; see also David A. Smith, An Overview of Training in the Public Sector (Arlington, Va.: The Analytic Systems Corporation, June 6, 1979).

lized skill training, flight training, officer preparation (ROTC, military academies, OCS, etc.), medical training, professional development, and reserve training.[27]

In addition to the basic and specialized training offered by the military, each service branch has developed cooperative arrangements with civilian schools to enable service personnel to earn high school diplomas or work toward college degrees. Several credit-by-examination and correspondence programs are also offered.[28] Finally, the Army, Navy, and Marine Corps have developed registered apprenticeship programs, which enable the 16,000 persons now enrolled in them to receive credit for their service experience in civilian apprenticeship programs.[29]

A study of vocational training received as part of military service concluded that the value of military vocational training is job specific. Persons who use their training subsequently in civilian jobs receive long-term earnings gains, while those who do not use it receive no such income gains.[30]

While most military training is designed to impart new skills, Government-sponsored education and training for civilian workers are aimed at improving the skills, knowledge, and capabilities of employees in the performance of their jobs. At the Federal level, studies show that most courses are short, averaging just over a week in length, and are provided in-house. Instruction taken at colleges and universities tends to be through standard academic curricula. Significantly, most Federal civilian employees who receive training (86 percent) are in the top-level general schedule (GS) ranks. Blue-collar Federal employees, who constitute 24 percent of all Federal civilian employees, receive only 8.7 percent of the training.[31] Little is known about the amount or kind of training at State and local levels of government.

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27. Military Manpower Training Report for FY 1982 (Washington, D.C.: U.S. Department of Defense, March 1981), pp. 5 and C-2.

28. Fraser, The Structure of Adult Learning, p. 42.

29. 1981 Employment and Training Report of the President, forthcoming.

30. John Fredland and Roger Little, "Longterm Returns of Vocational Training: Evidence from Military Sources," Journal of Human Resources (Winter 1980), pp. 49-57.

31. Fraser, The Structure of Adult Learning, p. 41.

As Sponsor

In addition to the training provided to its own employees and the military, the Federal Government supports a variety of programs that serve disadvantaged, unemployed, and underemployed persons, persons who suffer from a disability and need vocational rehabilitation, and others who require special assistance in the labor market. Federal outlays for employment and training activities by all agencies totaled about $14 billion in fiscal year 1980, three times what was spent in fiscal year 1974 (a 92-percent increase in outlays after adjustment for inflation), but still far less than the amount spent by the educational system or by private industry. Almost $9 billion of the total was expended under CETA, which, in fiscal year 1980, served approximately 4.8 million persons in all programs.[32]

Five major categories of service are offered in Federal programs: (1) On-the-job training (OJT) reimburses employers for the additional costs of hiring disadvantaged persons for regular private sector job openings, with the expectation that the employers will retain the workers beyond the period of reimbursement; (2) institutional training provides classroom instruction in vocational skills and job-related remedial education; (3) work experience offers subsidized, temporary employment, often part time, to persons with little or no work history, usually youths and older workers; (4) vocational rehabilitation provides skill training, counseling, allowances, and support services to individuals who need help to overcome physical and mental handicaps to employment; and (5) public service employment (PSE) supplies transitional jobs in the public sector for persons who need to acquire work habits and skills to compete for regular jobs or who have trouble obtaining jobs because of unusually high rates of national unemployment.[33] Programs

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32. U.S., Executive Office of the President, Office of Management and Budget, Budget of the United States Government, Fiscal year 1982 (Washington, D.C.: U.S. Government Printing Office, 1981), p. 221, and OMB unpublished data; U.S. Department of Labor, Employment and Training Administration, Office of Administration and Management, unpublished data.

33. Fraser, The Structure of Adult Learning, p. 45. For further description and discussion of the effectiveness of these programs, see Janet W. Johnston, "An Overview of Federal Employment and Training Programs," in NCEP, Sixth Annual Report, Report no. 10 (Washington, D.C.: U.S. Government Printing Office, December 1980), pp. 49-139.

such as CETA and the Work Incentive (WIN) program for recipients of AFDC offer a range of these services to participants, although the new Federal budget eliminated PSE as an option for CETA at the end of fiscal year 1981.

In terms of effectiveness, most studies of the various forms of Federal employment and training assistance indicate that OJT has the greatest and most lasting impact on the posttraining earnings of participants. Nevertheless, because of a general reluctance to hire disadvantaged persons and a suspicion of government "red tape," many employers are reluctant to hire workers through Federal OJT programs, except during periods of serious labor shortages. Institutional training is not so effective as OJT, but does apparently result in some gains in annual earnings, especially for women. Moreover, it is superior to work experience, which has almost no positive impact on the future earnings of participants. Work experience programs aimed primarily at youths (CETA summer youth program) and older workers (the Senior Community Service Employment Program), however, may have certain noneconomic benefits, especially among the elderly by lessening dependence on other public aid programs, building a more positive self-image, and improving both mental and physical health.[34]

The Job Corps is a Federal program that is unique, combining remedial education and vocational skills preparation with a range of social services in a residential setting for young people who are poor, out of school, and out of work. Though expensive (costing as much as $13,000 a year per enrollee), the Corps has a positive placement rate (in jobs, school, or the Armed Forces) of over 90 percent. Enrollees also have a lower

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34. Johnston, "An Overview," pp. 79, 90-97. A report on the NCEP analysis of posttraining outcomes from OJT and institutional training by Howard Bloom is in progress. A preliminary report by Bloom, "The Postprogram Earnings Impacts of Participation in CETA" (September 1981), is available from the Commission. Another paper by Bloom, "Long-Term Earnings Gains From Participation in Employment and Training Programs," is included in NCEP, The Experience of Women in Federally Sponsored Employment and Training Programs, forthcoming. For a more general discussion of the value of training programs for participants, see Michael E. Borus, "Assessing the Impact of Training Programs," in Employing the Unemployed, ed. Eli Ginzberg (New York: Basic Books, 1980), pp. 25-40.

arrest rate and are less likely to receive income transfer payments following participation than are nonparticipants.[35]

The vocational rehabilitation program, like vocational education but unlike most other Federal employment and training activities, is State administered. Its purpose is to help handicapped persons enter gainful employment through an individually tailored plan for training, counseling, and other job-related services. More than $817 million in Federal funds supported the program in fiscal year 1980, serving just over 1 million persons. Approximately 430,000 cases were closed during the year, with 277,000 persons rehabilitated.[36]

Public service employment programs which, until recently, represented the Federal Government's major employment effort on behalf of the disadvantaged as well as those affected by cyclical economic downturns, are discussed in a following section.

In addition to CETA, WIN, and the Senior Community Service Employment Program, all administered by the Department of Labor, other Federal programs that provide employment and training services include the Job Opportunities Program (Department of Commerce) and several on-the-job and institutional training programs for American Indians (Department of the Interior), veterans (Veterans Administration), and prison inmates (Department of Justice). While none of these is as large as CETA, all reflect the Federal concern for helping people who have not acquired the skills necessary to compete effectively in the labor market.

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35. See Job Corps Expansion and Enrichment: A Report on Progress, Problems, and Prospects, vols. 1 and 2 (Washington, D.C.: U.S. Department of Labor, Employment and Training Administration, Office of Youth Programs, February 1979). This report, number 21 in a series by the Youth Office, contains material from an Evaluation of the Economic Impact of the Job Corps Program, First Followup Report, by Mathematica Policy Research, Inc., Princeton, New Jersey, for the U.S. Department of Labor.

36. Data are from the Department of Health and Human Services, Rehabilitation Services Administration. See also 1980 Employment and Training Report of the President, pp. 145-36.

Other Sources

Although the traditional education system, business, labor organizations, and government represent the major sources of education and training in the United States, there is a variety of other ways to acquire skills including correspondence courses and instruction provided by professional associations, community organizations, free universities, and the like. Several million persons a year take advantage of these learning opportunities.[37]

The Federal Role in Education and Training

It is clear from the preceding review that the Federal role in education and training is that of a "junior partner" in relation to other non-Federal institutions, despite a sizable outlay for CETA and other similar programs in fiscal year 1980 and additional Federal contributions to elementary, secondary, and postsecondary education institutions. Not all the outlay figures discussed above are for the same period, and most are estimates. Nevertheless, they do offer some basis for comparing the general magnitude of Federal and non-Federal expenditures for education and training. A comparison of the proportion of an average training dollar ascribed to each of the major sources of education and training is illustrated in chart B.

Labor Market Assistance

Acquiring salable job skills is only part of a successful labor market experience. Locating a suitable employment opportunity and being hired are just as crucial to success. The Federal Government, in partnership with States and localities, is deeply involved in the effort to provide labor market assistance. Services to the individual range from provision of up-to-date labor market and career information to job development and placement. Temporary financial assistance in the form of unemployment benefits while people search for jobs, including various adjustment assistance programs, is another form of labor market assistance described below.[38]

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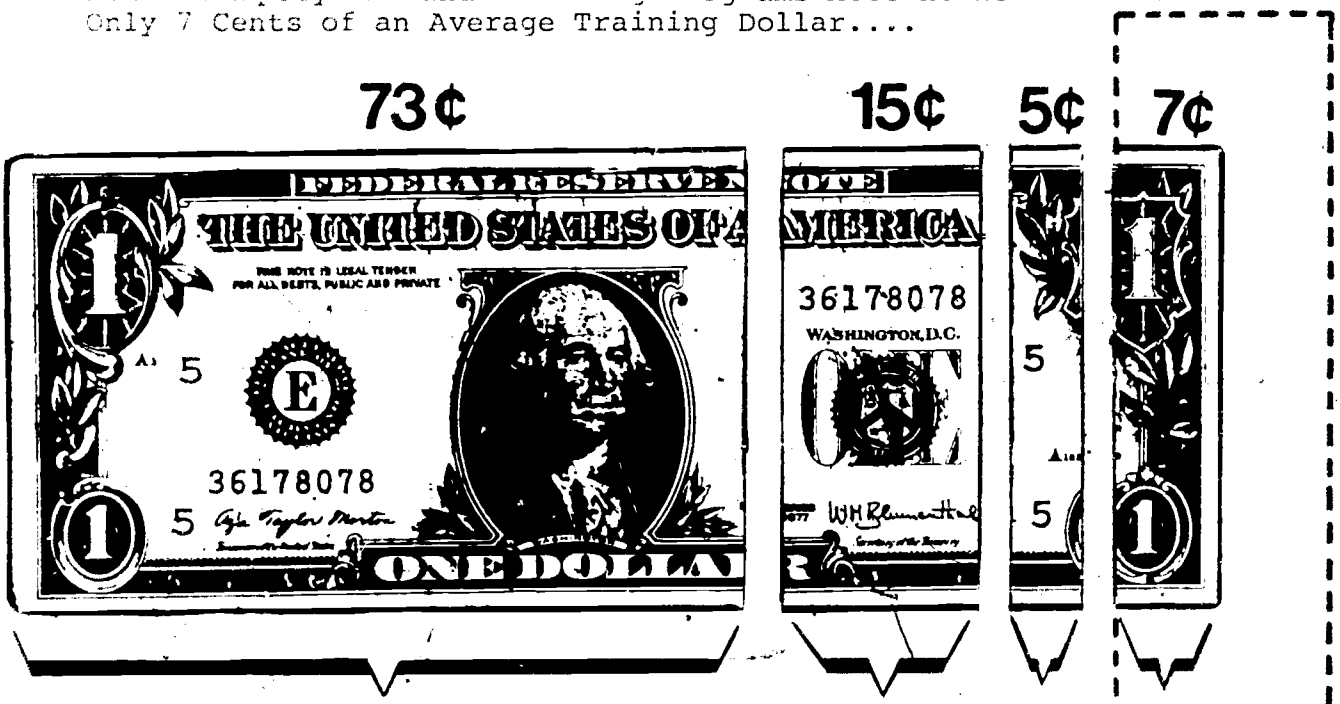
37. For a discussion of the training offered by these institutions, see Fraser, The Structure of Adult Learning, pp. 50-52, 56-64.

38. Efforts to remove labor market barriers and the development of alternative work schedules to make it easier for some people to participate in the labor market are further examples of programs of this nature. For more detail, see Johnston, "An Overview," pp. 108-10.

Chart B.

Federal Employment and Training Programs Account for Only 7 Cents of an Average Training Dollar....



...And Out of the 7 Cents Ascribed to Federal Employment and Training Programs, 4 Cents Were Spent for the CETA Program.

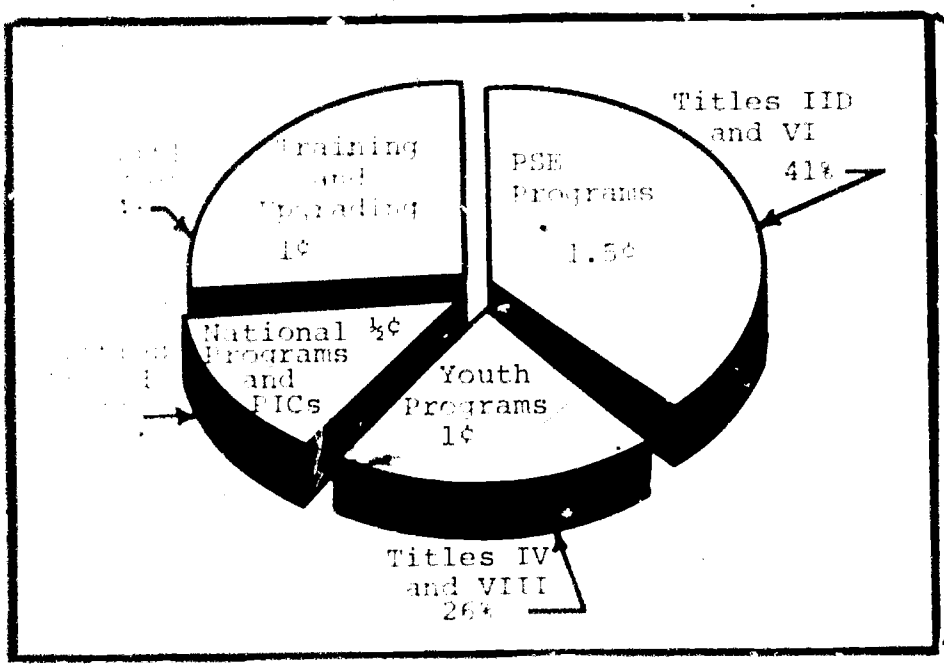


Chart by Richard S. [illegible]

Public and Private Employment Agencies

Since the 1930's, the principal provider of publicly supported job search assistance has been the U.S. Employment Service, or Job Service (JS) as it is now called in most States.[39] The Job Service is a federally funded, State-administered system, with offices operating throughout the Nation in about 2,600 localities.

Under the terms of the Wagner-Peyser Act of 1933, anyone who is legally qualified to work in the United States is entitled to receive, without charge, services that range from aptitude testing and vocational counseling to job development and placement. Additional services such as job analysis, studies of turnover and absenteeism, and assistance in job restructuring are offered to employers along with help in filling their job openings.

In fiscal year 1980, local Job Service offices had on file about 16.6 million applications (new and renewal) and 8.1 million job openings listed by employers. During that year, nearly 6 million job openings were filled, about one-third each in white-collar and blue-collar occupations and about one-fifth in service occupations.[40]

As part of its program mandate, the Job Service is required to provide special assistance to certain groups, among them, veterans (by law, given first priority in all referrals), youths, older workers, migrants and seasonal farmworkers, displaced workers, the handicapped, minorities, and women who are entering or reentering the labor force after an extended absence. To serve these groups, staff specialists use career counseling and aptitude testing, automated job banks and job matching systems, and a variety of published guidebooks for occupational and career exploration. The Job Service also operates 43 Apprenticeship Information Centers to provide information about apprenticeship training opportunities.[41]

In addition to its regular job-matching responsibilities, the Job Service has been assigned a major recruitment role for

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39. Ibid., pp. 100-04.

40. U.S. Department of Labor, Employment and Training Administration, U.S. Employment Service, unpublished data.

41. See 1980 Employment and Training Report of the President, pp. 97-98.

several Federal employment and training programs such as the Job Corps and other youth programs; and it has important responsibilities in the area of enforcement and compliance. The latter include application of work test provisions for food stamps, the Work Incentive program, and Unemployment Insurance; alien employment certification for both agricultural and non-agricultural jobs; migrant housing inspections; and even rural loan certification.

Very little evidence is available on the net effects of Job Service assistance (a net impact study now in progress is due for completion in the summer of 1982). Findings from an earlier pilot study indicate some positive effects for Job Service applicants: A reduction in the duration of unemployment by about 2 weeks for men and 4 weeks for women and an increase in the weekly earnings of women on their first job. For men, however, no statistically significant effect of JS services on weekly earnings was found.[42]

In the absence of better data, placement rates have become the chief indicator of successful performance by local employment offices. As a result, Job Service staff have a strong incentive to make the easiest placements first, to spend less time with people who require more assistance, and to give less attention to helping people find jobs that are not listed with the Job Service and consequently not counted in placement figures. To remedy this problem, attention is now being directed to the development of performance criteria that take into account the degree of difficulty in making placements, as well as the total numbers involved.

In contrast to the public employment service, which must accept all jobseekers regardless of skill or aptitude, private employment agencies may specialize in a particular field and prescribe the level of education or other applicant characteristics required. Private agencies, which encompass large, nationwide temporary help firms as well as exclusive executive search agencies, appear to have increased substantially in the past two decades. The exact number of agencies and applicants cannot be determined, however, since several States have no licensing requirements and almost half the States exempt firms that charge only employers or charge below a specified fee. One estimate suggests that there may be around 17,000 private employment agencies and 1,100 executive search firms located

42. Terry R. Johnson et al., A Pilot Evaluation of the Impact of the United States Employment Service, Final Report (Menlo Park, Calif.: SRI International, for the U.S. Department of Labor, January 1979), pp. 16-17.

throughout the country.[43] Most do not serve the same clientele who receive assistance from the Job Service.

Job Clubs

In the 1970's, people began joining together to look for employment through "job-finding clubs." In these groups, participants learn job development and jobseeking skills such as resume preparation and interviewing behavior; they also benefit from the encouragement and assistance of other club members. Some programs supplement their regular activities with courses in basic literacy skills.

Although the technique is too new for long-range evaluations to have been made, short-term results from the clubs, which may be either publicly or privately funded and administered, have generally been positive. For example, a test program begun in 1977 by the Anna Mental Health and Development Center of the State of Illinois with a grant from the Department of Labor enrolled welfare recipients from the Work Incentive program. The job clubs proved twice as effective as the regular WIN program (65 percent versus 33 percent) in placing welfare recipients. As a result, this form of group jobseeking has now been adopted in all 50 States as a regular component of the WIN program.[44]

Occupational and Career Information

Since occupational choices and career planning dictate a person's work history, the Federal Government has provided funding for several programs that help people make informed choices and plan their careers wisely. The National Occupational Information Coordinating Committee (NOICC) and its counterpart State committees (SOICC's) were authorized under the 1976 Vocational Education Act amendments, section 161(b)(1) and (2). NOICC, which comprises officials from both the Department of Labor and the Department of Education, is responsible for coordinating Federal, State, and local efforts to improve occupational and career information activities at all levels of government. An important aim is to provide an occupational information system that meets the common needs of vocational educators and employment and training administrators throughout the United States.

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43. Conversation with Richard Hill, National Association of Personnel Consultants, August 20, 1981.

44. Johnston, "An Overview," p. 103; U.S., Congress, Senate, Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations for Fiscal Year 1982, Hearings Before a Subcommittee of the Committee on Appropriations, Part 1, Department of Labor, 97th Cong., 1st Sess., 1981, p. 86.

NOICC has accepted the Career Information Systems (CIS) grants program, which was begun as a Department of Labor demonstration program in the 1970's and subsequently continued with State and local funding in nine States, as a prototype for occupational information systems generally. The CIS model offers a multimedia approach to the delivery of occupational data (computers, key sort decks, microfiche, and printed material) that is designed to give information immediately to users. In fiscal year 1979, the system was available at 5,000 sites serving up to 6 million persons, and NOICC had funded similar programs to begin in 14 more States.[45]

Career education programs of various types are another way of providing people with knowledge about potential careers. With only $10 million in Federal funds available in fiscal year 1982, the Federal role in these programs is limited largely to providing seed money for programs initiated by State and local school districts, institutions of higher education, and nonprofit agencies. One example, the Career Intern Program (CIP), grew out of the successful Occupational Industrialization Centers (OIC) operation. Under the CIP, high school dropouts and potential dropouts constitute the target group for a combination of experiential and classroom learning, coupled with individual vocational counseling and career planning. An evaluation of the program from January 1974 through February 1976 found that youths who received this kind of career counseling were more likely to stay in school and seek further education than were members of a control group.[46]

In addition to the CETA youth programs operating nationwide, which offer a combination of education, training, work experience, labor market information, and other related services, both the Job Service and the Bureau of Apprenticeship and Training (BAT) have special demonstration school-to-work transition programs for youths of high school age. The Job Service offers a combination of career information, counseling, job referral, and placement to economically disadvantaged juniors and seniors at six schools. BAT projects operating in 23

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45. 1980 Employment and Training Report of the President, p. 86.

46. See the discussion of CIP and other career education programs in Brenner, "Vocational, Career, and Compensatory Education Programs," pp. 117-20. See also Stephen E. Baldwin, "Occupational Information and Vocational Education," in NCEP, The Federal Role in Vocational Education, pp. 39-53.

States and the District of Columbia provide information about apprenticeship, employ high school seniors in part-time positions, and assure their transition to full-time apprenticeship training after graduation.[47]

Unemployment Insurance

The aim of Unemployment Insurance is to provide income support until a person who has lost a job can find another. Some labor economists believe, however, that the Unemployment Insurance (UI) program actually increases the rate of unemployment and the duration of any one spell of unemployment by reducing the incentive for claimants to look for another job until after benefit payments are exhausted. The combination of regular and extended benefits has made it possible for persons to remain unemployed for up to 39 weeks while receiving benefits nearly equivalent to their previous take-home pay.[48] Some $14 billion in regular benefits (payable up to 26 weeks in most States) and $1 billion in extended benefits (payable up to an additional 13 weeks) were paid to more than 10 million persons in fiscal year 1980.[49]

The Omnibus Budget Reconciliation Act of 1981 made several changes to the UI system. These changes included eliminating the national trigger for extended benefits; raising by 1 percent both the insured unemployment rate at which extended benefits would be payable in any State and the optional trigger rate; excluding claims for extended or additional benefits when cal-

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47. 1980 Employment and Training Report of the President, pp. 65-66.

48. See the discussion of this issue in the 1976 Employment and Training Report of the President, pp. 51-52. See also two opposing views of the labor market impact of UI found in Martin S. Feldstein, "Unemployment Insurance: Time for Reform," in Harvard Business Review (March-April 1975), pp. 51-61, and Stephen T. Marston, "The Impact of Unemployment Insurance on Job Search," Brookings Papers on Economic Activity (January 1975).

49. U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Services, unpublished data.

culating the insured unemployment rate for extended benefit trigger purposes; requiring claimants to have worked at least 20 weeks or have an equivalent amount of wages during the base period in order to receive extended benefits; eliminating benefits for ex-servicemembers who voluntarily leave the military or are discharged for cause; and requiring States to pay interest on Federal funds advanced to State UI accounts.[50]

Adjustment Assistance

Under the terms of the Trade Act of 1974, adjustment assistance benefits, including compensation, training, and related employment services, are due workers adversely affected by increased imports of articles similar to those produced by the workers' firms. On the basis of an individual employability plan developed by local Job Service staff, eligible workers may be referred to institutional or on-the-job training or both in occupations such as welding, secretarial work, electronics, and licensed practical nursing, when there is reasonable expectation of employment after training. Program statistics kept by the Department of Labor indicate, and General Accounting Office (GAO) studies confirm, however, that most eligible workers have not taken advantage of the available training opportunities but have relied instead on the income maintenance provisions of the act. The GAO also found that weekly cash payments helped few workers adjust to their changed economic conditions during their layoffs because the payments were received by most in the form of a lump sum after they had returned to work. Instead, most workers in the GAO survey indicated that they had experienced no severe economic hardship as a result of their layoffs and were able to rely on Unemployment Insurance benefits and other resources to meet their financial needs.[51]

More than 1 million persons had received unemployment benefits from the start of the program in April 1975 through the end of fiscal year 1980, at a cost of $2.4 billion. About half--530,000--of the recipients entered the program in fiscal

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50. U.S., Congress, House of Representatives, Omnibus Budget Reconciliation Act of 1981, Book 1, Conference Report No. 97-208, To Accompany H.R. 3982, 97th Cong., 1st Sess., 1981, pp. 552-58.

51. U.S., General Accounting Office, Restricting Trade Act Benefits To Import-Affected Workers Who Cannot Find A Job Can Save Millions (Washington, D.C.: U.S. Government Printing Office, January 15, 1980). See also the discussion in Walter Corson, Walter Nicholson et al., Final Report: Survey of Trade Adjustment Assistance Recipients (Princeton, N.J.: Mathematica Research, 1979).

year 1980, accounting for $1.6 billion of the total benefits paid. For the period April 1975 through September 1980, 363,016 eligible workers filed applications for employability services, but less than 8 percent (28,018) entered training, and only 12,760 actually completed their training.

Persons who are eligible for adjustment assistance also may receive grants to pay for job search activities and relocating to another community after receiving a bona fide job offer. In all, about 2,000 grants were offered for these purposes in fiscal year 1980.[52] Under the Omnibus Budget Reconciliation Act of 1981, eligibility for Trade Adjustment Assistance has been tightened, and recipients of benefits will now be required to accept training or to expand their job search beyond their home areas after the first 8 weeks of eligibility.[53]

There are other programs of this kind besides trade adjustment assistance. For example, under the Redwood Employee Protection Program, nearly $32 million in benefits has already been paid to workers displaced by the expansion of the Redwoods National Park in 1968, and another $38 million is expected to be needed to pay all monetary benefits for the future life of the program through September 30, 1984.[54] Still other programs have been authorized by the Airline Deregulation Act, the Public Works and Economic Development Act, the Urban Mass Transportation Act, and the Regional Rail Reorganization Act. The existence of these programs and the likelihood that other industries may be affected by trade competition or the need for modernization through increased automation raises again the issue of how the Federal Government should respond to the needs of displaced workers. (Chapter 3 of this volume, by Ralph Smith, discusses this subject.)

52. Data for TAA programs through September 1980 provided by the Department of Labor, Employment and Training Administration, Unemployment Insurance Services. See also the discussion in Johnston, "An Overview," pp. 105-107.

53. Omnibus Budget Reconciliation Act of 1981, Book 1, [illegible].

54. U.S. Department of Labor, Employment and Training Administration, Employment Service and Unemployment Insurance Services. See also Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations for Fiscal Year 1982, Part 1, Department of Labor, pp. 231-32.

Job Creation

To ensure that employment opportunities keep pace with an expanding civilian labor force, the Federal Government at various times has adopted job creation strategies that affect both the public and private sectors. In addition, some State and local governments, community-based organizations, and public-private ventures have been experimenting with economic development in recent years.[55]

Public Service Employment

Since the 1930's, the Federal Government has responded periodically to deep recessions by undertaking massive programs of public service employment (PSE) in order to help the unemployed find jobs. The 1970's saw the development of two major PSE programs--the 2-year Public Employment Program (PEP) launched under the Emergency Employment Act of 1971, followed by programs authorized under title II (now II(D)) and title VI of the Comprehensive Employment and Training Act of 1973 and amendments. In fiscal year 1980, around $3.8 billion, 41 percent, of the total $8.9 billion in CETA outlays financed public service employment programs (titles II(D) and VI).[56]

Although public service employment is usually discussed as a single program, it actually encompasses several program strategies: Countercyclical PSE, considered an "emergency" measure, designed to counter the effects of a sudden, unexpected downturn in the economy (PEP, CETA title VI); PSE as a "port of entry" into unsubsidized private or public sector jobs for persons who initially lack either the skills or work discipline required for private sector employment (CETA title II(D)); work experience for groups with special needs (CETA title IV summer youth programs and the Senior Community Service Employment Program); and "government as employer of last resort," which provides income for persons who, regardless of the state of the

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55. Johnston, "An Overview," pp. 66-88. See also Robert H. Haveman, "Direct Job Creation," in Employing the Unemployed, ed. Eli Ginzberg, pp. 142-59; and Everett Crawford and Carol Jusenius, "Economic Development Policies to Reduce Structural Unemployment," in NCEP, Sixth Annual Report, pp. 141-95.

56. U.S. Department of Labor, Employment and Training Administration, Office of Administration and Management, unpublished data.

economy, cannot find work on their own (Employment Opportunities Pilot Program and workfare proposals).[57] The Administration has eliminated countercyclical and port-of-entry PSE programs from CETA. Instead, it is shifting its emphasis to a policy of increasing job opportunities in the private sector, as discussed in a following section.

Public Works and Economic Development

Like PSE, public works and economic development programs are subject to arguments over whether the Federal Government should or could intervene effectively to provide job opportunities when the economy is at a low ebb. One attraction of public works derives from its production of tangible capital improvements in contrast to the "softer" human service outputs of public service employment. Public works projects are also considered to have a multiplier effect, with jobs indirectly created as the newly employed workers spend their income on goods and services and thereby increase local area demand for workers who produce them. There is, however, little empirical research on how many new jobs are actually created in this fashion or how many of them go to the structurally unemployed.[58]

Moreover, because economic conditions are rarely predictable and public works projects may require considerable lead time, the projects may not be ready when needed or, worse, may have to be mounted so hastily that waste and inefficiency result. Finally, these kinds of projects may not always be necessary in areas where unemployment is heaviest. Under the current budget, funding for programs authorized by the Public Works and Economic Development Act of 1965 have been sharply reduced, and no new programs will be authorized.[59]

Although the Federal Government has been the originator of most large-scale job creation strategies, some States and localities, private firms and community-based organizations, and mixed public-private groups have undertaken economic development activities of their own.[60] For example, several States

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57. For additional discussion of these various types of PSE, see Johnston, "An Overview," pp. 71-82.

58. Ibid., pp. 82-85. See also the discussion in Crawford and Jusenius, "Economic Development Policies," pp. 178-88.

59. Details contained in Omnibus Reconciliation Act of 1981, Book I, pp. 434-37.

60. For further discussion of these activities, see Crawford and Jusenius, "Economic Development Policies," pp. 166-68.

have developed strategies to make the tax climate attractive to firms willing to locate or expand there. Other States have offered industrial development bond programs, which provide a source of inexpensive credit to finance private development efforts, and have offered public services at little or no cost to firms that will agree to relocate or expand in certain areas.

During the 1970's, California, Michigan, and Massachusetts, among others, developed comprehensive economic development policies to help guide the direction of economic growth; South Carolina incorporated Federal employment and training assistance in its approach; and North Carolina became a demonstration model for rural development with both State-initiated projects (rebuilding railroads and modernizing harbors for seafood handling) and joint Federal-State programs (an agreement between the Farmers Home Administration and the North Carolina Rural Development Coordinating Committee).[61]

A variety of private and community-based development activities also are in operation. For example, Control Data Corporation, a leading computer firm, has undertaken a program to locate plants in inner cities. Similarly, community-based organizations such as OIC, SER, and the Urban League have been involved in local economic development projects, as have lesser known organizations such as the Woodlawn Organization in Chicago and the Harlem Commonwealth Council. Finally, some of the Private Industry Councils (PIC's) established under title VII of CETA have initiated community economic development ventures. While none of these private or quasi-public programs has reached the massive scale of recent Federal job creation efforts, economic development activities by non-Federal entities have helped to generate employment in a number of local areas.

Private Sector Job Development and Hiring Incentives

If the Federal Government is to remain in the job creation business, it seems likely to do so through the tax system, which can be used to offer private employers various incentives for offering jobs to disadvantaged people. One example of this kind of incentive is the Targeted Jobs Tax Credit (TJTC) program, authorized by the Revenue Act of 1978, which offers employers a tax credit equal to half the first $6,000 of wages paid to each eligible worker in the first year and up to one-quarter of the first $6,000 of wages paid to eligibles during the second year--a maximum of $4,500 over a 2-year period. As originally enacted, persons eligible for the program included recipients of Supplemental Security Income, handicapped persons

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61. See MDC, Inc., The North Carolina Rural Employment Laboratory: A Demonstration of Facilitator's Role in Collaborative Rural Development, First-Year Final Report (Chapel Hill, N.C.: MDC, Inc., for the U.S. Department of Labor, May 1980).

referred from vocational rehabilitation programs, youths between the ages of 18 and 24 from economically disadvantaged families, Vietnam-era veterans who are economically disadvantaged, people who have received general assistance for 30 or more days, youths between the ages of 16 and 18 who are participating in approved cooperative education programs, and ex-offenders convicted of a felony who are economically disadvantaged and hired within 5 years of release from prison or date of conviction, whichever is later.[62]

The Omnibus Budget Reconciliation Act of 1981 extended TJTC to January 1, 1983, and expanded the target groups to include AFDC recipients and WIN registrants (formerly covered under a separate WIN tax credit), as well as employees laid off as a result of the termination of CETA PSE. Under the amended act, cooperative education students must now be economically disadvantaged to qualify for the tax credit. Also, employers will no longer be able to claim the tax credit for people already employed by them; certifications of eligibility must be received or requested from the Job Service before a person begins work, with the exception of a 45-day grace period following the date of enactment.[63]

Despite the opportunity for tax savings, employer response to TJTC has been weak, with retroactive certifications predominating. An evaluation study by Ohio State University blames the weak performance on these factors: Inadequate funding for administrative services by the vouchering agencies, especially the Job Service; a reluctance on the part of eligible recipients to use the vouchers as a self-marketing tool; a relatively small tax savings to employers, which may cause them to feel program participation is not worthwhile; and employers' reluctance to have hiring decisions influenced by government programs.[64]

The recent alterations to the program just described may have the effect of making the program more directly targeted and more effective, but tax credits for persons hired may ultimately be superseded by broader economic development plans applied in "urban enterprise zones." The urban enterprise zone

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62. Johnston, "An Overview," pp. 87-88.

63. Omnibus Reconciliation Act of 1981, Book 2, pp. 1001-6.

64. Randall Ripley, The Implementation of the Targeted Jobs Tax Credit, Report No. 3 (Columbus: Ohio State University, for the U.S. Department of Labor, 1981).

concept, exemplified by the Kemp-Garcia proposal in the House and several similar plans introduced in the Senate, is designed to increase the number of jobs in urban areas with high concentrations of unemployment and poverty by providing tax incentives for firms both to relocate to these zones and to hire the disadvantaged persons who live there.[65]

Income Maintenance Programs

Income maintenance programs have been described as a "safety net" for persons who are unable to support themselves because of age, disability, or the absence of a wage earner.[66] Federal funds are currently directed to five State-Federal programs: Old age assistance (OAA), aid to families with dependent children (AFDC), aid to the blind (AB), aid to the permanently and totally disabled (APTD), and aid to the medically indigent (Medicaid). In addition, each State provides a separate general assistance program for the indigent that is financed entirely from State or local funds without Federal supervision.[67]

Until the 1960's, there was little relationship between public assistance programs and employment policy. With the swelling of the welfare rolls, particularly under AFDC during that decade, a strong public sentiment arose for reducing the tax burden by requiring able-bodied public assistance recipients to accept work or training unless exempted for a reasonable cause.

The Work Incentive program, created by the 1967 amendments to the Social Security Act, encourages AFDC recipients to work through a combination of incentives (job training, day care, income disregards in determining benefits) and sanctions (denial of further assistance to persons who are considered able but unwilling to work). Additional amendments in 1971 tightened registration requirements and shifted the emphasis of the program from institutional training to prompt job referral.

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65. Employment and Training Reporter, August 12, 1981, pp. 1387-8.

66. The last category was broadened somewhat in the early 1960's, when an unemployed parent provision was added to the aid to families with dependent children (AFDC) program to allow benefits to go to families where the father was unemployed and in the home (AFDC-UP, now operative in 27 States).

67. See the discussion in Theodore R. Marmor, "Income Maintenance Alternatives: Concepts, Griteria and Program Comparisons," in Poverty Policy, A Compendium of Cash Transfer Proposals, ed. Theodore R. Marmor (Chicago: Aldine Publishing Co., 1973), pp. 28-54.

The WIN program, which has been operating continuously since 1967, had over a million new registrants in fiscal year 1980; it provided subsidized work and training to 145,600 persons in that same year and placed 283,700 in unsubsidized jobs.[68] Funding and staff limitations have made it impossible to serve all WIN registrants on file. However, an experiment now underway at six "Total Registrant Involvement Projects" is measuring the costs of providing the full range of traditional WIN services to all registrants in an area to determine the feasibility and cost of expanding WIN activities.

In response to growing costs of the AFDC program, several work-oriented welfare reform demonstrations were conducted during the 1970's. For example, the Employment Opportunities Pilot Program (EOPP), phased out at the end of fiscal year 1981, operated at 12 sites administered by CETA prime sponsors. The program alternated intensive job search with subsidized public employment or training for a period of up to 1 year, with the ultimate objective of placing the recipients in unsubsidized jobs. A similar approach was tried in St. Paul and several CETA Balance-of-State areas in Minnesota for all employable AFDC, general assistance, and food stamp recipients. The Minnesota Work Equity Program also tested an integrated delivery system involving CETA, the Job Service, WIN, and State welfare agencies.[69]

Another approach to welfare reform is exemplified by the National Supported Work Demonstration, which was designed to test whether a structured program of work experience for groups of people who had not been able to get or keep jobs would help them make the transition to regular employment. The demonstration, operated in 15 locations across the country, concentrated on four population groups: Women who had received welfare payments for a long period of time, former drug addicts, former

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68. U.S. Department of Labor, Employment and Training Administration, Office of Work Incentive Programs, unpublished data.

69. See the discussion in Department of Labor, Health and Human Services, Education and Related Agencies Appropriations for Fiscal Year 1982, Part 1, Department of Labor, pp. 78-80.

offenders, and young school dropouts, many with histories of delinquency. It provided participants with 12 to 18 months of subsidized employment, after which they had to leave the program, whether or not they had found jobs elsewhere. An important feature of the program was the gradual increase in job responsibilities over time correlated with a gradual decrease in supportive services. Evaluations indicated that the AFDC mothers with older children who participated in the program had a more consistent and dependable work record than did the other three target groups; AFDC mothers also earned more money on the project and were more likely to obtain jobs and remain employed after they left. For this group, reductions in the cost of welfare and food stamps benefits were considerable.[70]

The "workfare" approach to welfare reform requires able-bodied welfare recipients to work at the minimum wage to cover the cost of their benefits. A current study that may provide more information about the feasibility of that approach is the Food Stamp Workfare Demonstration Project, operated at 14 sites by the Department of Labor in cooperation with the Department of Agriculture. All employable food stamp recipients at these sites are required to perform public service work in return for the food stamp benefits to which the household is entitled. A research contractor is evaluating the project on the basis of both operational feasibility and the economic impact on program participants, job sponsors, administering agencies, and taxpayers. Under the Omnibus Budget Reconciliation Act of 1981, all States are permitted to establish workfare programs for recipients of AFDC. In addition, the State of New York recently enacted a similar 3-year workfare demonstration program for its general assistance population (about 172,000 persons). This Temporary Employment Assistance Program allows public assistance grants (up to $2,000 for a maximum of 6 months) to be paid directly to private employers who agree to hire and train eligible welfare recipients.[71]

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70. The Board of Directors, Manpower Demonstration Research Corporation, Summary and Findings of the National Supported Work Demonstration (Cambridge, Mass.: Ballinger Publishing Co., 1980). See also Judy Gueron, "The Supported-Work Experiment," in Employing the Unemployed, ed. Eli Ginzberg, pp. 73-93.

71. 1981 Employment and Training Report of the President, forthcoming. For more detail on the New York State program, see Employment and Training Reporter, August 12, 1981, pp. 1384-85.

Activities of this kind may help determine whether the workfare concept is a viable program alternative, whether enough jobs can be generated to accommodate participants, and whether participation in these programs really helps public assistance recipients to move into unsubsidized jobs.

Implications of a Reduced Federal Role

The Federal Government has taken an active role in each of the four areas described above, but it now appears certain that there will be fewer Federal dollars available for programs in the future, and, in addition, the Federal Government will have a diminishing role in program administration. This section discusses some implications of this reduced Federal role.

Education and Training

The Federal Government began training disadvantaged workers because those persons had not benefited from the learning opportunities available from other institutions and seemed to need special help if they were ever to move into the mainstream labor market as productive workers. The question now is whether other institutions will be willing and able to take over the responsibility for training disadvantaged people.

Clearly, basic literacy skills are as important as specific vocational skills in the job market, and the educational system could be called upon to play a greater role in teaching these skills to the disadvantaged. One model that seems to have had some success in the past is the Youth Employment and Training Programs (YETP), authorized by title IV(A) of CETA, which mandates a 22-percent set-aside for in-school programs for young people, carried out pursuant to agreements between prime sponsors and local education agencies, but which has attracted more than the minimum funding (31 percent in fiscal year 1980). Joint programs like these may help to build the kinds of linkages necessary to improve the use of community resources in serving the disadvantaged.

Business and industry, with a very large training effort already in place, might make an important contribution to the Federal employment and training effort, but some uncertainties about the role of private enterprise still exist. First, businesses are necessarily concerned with profits. Small businesses, in particular, must show a profit to continue operating. Tax credits, accelerated depreciation allowances, and other incentives to hire certain hard-to-employ groups can be effective only if employers are prosperous enough to risk adding someone to their work force who might prove to be a problem and later need to be terminated. The possibility that employers will be subject to auditing by the Internal Revenue Service and additional Government regulations only adds to their reluctance to become part of a program serving the disadvantaged.

This is one reason for the poor initial performance of the Targeted Jobs Tax Credit (TJTC) program and for the difficulties experienced with the HIRE program for veterans in the 1970's and the JOBS program in the 1960's. In both the JOBS and HIRE programs, employers were very reluctant to sign up for the reimbursable OJT component because it involved a commitment to hire. They preferred instead to make voluntary pledges for jobs, many of which were never fulfilled. In TJTC (as in JOBS previously), employers have shown a preference for retroactively certifying the eligibility of persons they already have on their payroll. The net effect of that practice, disallowed by the 1981 Budget Reconciliation Act, has been merely to subsidize the salaries of workers already employed, not to create new job opportunities.

Another problem involving the role of business and industry in the training of disadvantaged workers relates to the kinds of jobs that will be developed in the future. During the 1960's, the JOBS program generated employment opportunities in automobile manufacturing, heavy industry, and construction, all areas that could absorb large numbers of unskilled or semi-skilled workers. These programs flourished during periods of labor shortage, but when the economy slumped, these last-hired workers were quickly laid off.

All the industries that previously supplied thousands of jobs are now in difficulty. Even if the economy rebounds quickly, it is doubtful that these industries will reach the same employment levels as before, and most of the rehires would be expected to come from among people who had worked there previously. The use of robots and other advanced equipment may also mean fewer unskilled job openings in the future, although there is some debate among economists about the effect of technological advancement on skill requirements (see chapter 1). Retraining displaced workers could help supply some future needs, but, in most cases, the typical disadvantaged, unskilled worker would still be left without a place.

This does not mean that business and industry cannot become a full-fledged partner in assisting the disadvantaged; nevertheless, some very carefully considered incentives will be needed to attract their support. The experience of Private Industry Councils (PIC's) may be helpful in determining exactly what kinds of incentives are required.

The military services have been suggested as a third source of training for the disadvantaged. A major problem with this strategy is that the inservice training offered to recruits must be attuned to current service needs. People who are lucky enough to be assigned to training in occupations that are in demand in civilian life will probably do very well, provided

the jobs interest them, but people who are trained solely for infantry duty will obviously face greater difficulty moving back into the civilian job market. One solution might be to issue vouchers good for later civilian education or for vocational training in exchange for a certain length of service, a continuation of the GI Bill concept. Whatever the final plan, careful thought is required before the military services can be counted on to contribute much to the training of the disadvantaged.

Unfortunately, there will always be some people who are not ready to be helped by traditional institutions. In such cases, the Federal Government must decide how much it is willing to spend for sometimes limited results. The National Supported Work Program and the Job Corps are examples of activities that have had good results with some especially disadvantaged clients, but these efforts are expensive and not uniformly effective.

Labor Market Assistance

Some observers have questioned whether a public employment service should continue to be funded. Many larger firms fill job openings from within or use private job-matching facilities. Both job applicants and employers have been critical of the Job Service, and the number of job openings listed with local offices has been steadily declining.

Any proposal to eliminate the Job Service, however, must contend with the fact that most of the poor do not have access to networks of friends and relatives or professional associates that are available to others. Newspaper advertisements are unreliable, and job-finding clubs are not available to everyone. Private employment agencies could not be expected to fill the void if the Job Service were eliminated. Most would not be interested in serving disadvantaged or unskilled workers, because they would be difficult to place and would not yield much in placement fees. A careful assessment of the Job Service as it now operates may help determine what its chief assignments should be and how it could be strengthened to carry out its responsibilities.

The implications for the non-Federal role with respect to adjustment assistance are unclear because of lack of experience with the program generally. The question is how many of the adjustment assistance program activities in the area of retraining could be absorbed by other institutions. Policymakers must decide the degree of assistance that displaced workers are due from the Federal Government.

Job Creation

The central issue of job creation is whether the overall economy will create enough jobs for the hard-to-employ. If enough jobs are created, there will be less need for the kinds of supplementary job creation strategies exemplified by the Targeted Jobs Tax Credit program, although some programs of this kind may still be needed to overcome employer resistance to hiring disadvantaged workers who lack basic skills.

In the short term, the effectiveness of TJTC and other private sector hiring incentives needs to be evaluated carefully. As already indicated, an evaluation of TJTC by Ohio State University found employers rather unenthusiastic about the tax credit opportunities available and eligible people equally reluctant to use their status as a self-marketing employment tool.

Income Maintenance

The question here is the extent to which States and localities will be able to assume welfare costs and to develop work-related programs. The Omnibus Budget Reconciliation Act of 1981 permits State governments to use their AFDC allotments to establish three different kinds of welfare reform programs. Providing enough jobs for persons in the workfare projects and paying for the necessary supervision for such projects will be expensive, however, and the future of these programs may well turn on whether their outcomes justify their costs. Experience with the national supported work experiment indicates that work experience that leads to better earnings prospects requires intensive and expensive types of programs.

Conclusion

Federal employment and training programs by themselves cannot serve the needs of all disadvantaged, unemployed, or underemployed persons who require assistance in the labor market. It is essential in this period of fiscal restraint to determine what other sources of assistance exist and how they can support the Federal employment and training effort. It is equally important to have some idea of the factors that affect the numbers of jobs (job creation strategies) and the number of jobseekers (income maintenance program work test requirements, labor market assistance efforts, and adjustment assistance).

This review has shown that Federal employment and training programs like CETA and WIN represent only a small proportion of the learning opportunities available in the United States.

Nevertheless, most of the opportunities available from other sources do not serve people who lack basic literacy skills. These people will continue to require special help if they are to function adequately in the labor market. Developing a rational system for serving the needs of disadvantaged, unemployed, or underemployed persons--a system that takes into account the resources available from both the public and private sectors--remains one of the major challenges of the 1980's.

APPENDIX A

TROUBLED WORKERS

IN

THE LABOR MARKET

By

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TROUBLED WORKERS IN THE LABOR MARKET

The Trade Assistance Act, the Area Redevelopment Act, the Comprehensive Employment and Training Act (CETA), various equal employment laws, and other Government programs have been developed to help people having trouble in the job market. These people include displaced workers from the shoe, automobile, and electronics industries; older persons who have lost their jobs; workers in declining communities; low-wage workers in the rural South; working women who are heads of households; and low-wage black and Hispanic workers. All these groups and others have been cited at various times by various observers as being likely to benefit from social programs to alleviate their problems in the labor market.

By what criteria are workers judged to be "troubled"? How serious are the economic problems facing "troubled" groups? Is the condition of these people relatively permanent or the result of transitory setbacks?

This paper seeks to answer these questions. It examines evidence on the dimensions and nature of the "troubled worker" problem and on the reasons for the problem. It reviews a variety of studies that focus on troubled groups in the job market and presents a new analysis of the Panel Survey of Income Dynamics, a longitudinal survey covering approximately 5,000 families from 1967 to 1979 (University of Michigan Survey Research Center). Because the problems of youth employment have been dealt with in detail elsewhere (Freeman and Wise, 1981) this paper addresses only the problems of adult earners, age 24 and above.

The literature on troubled workers differs in several respects from that on many other economic subjects, because evidence and hypotheses about behavior are derived from more diverse sources. Some of the most intriguing ideas--those relating to the "dual labor market" (Doeringer and Piore, 1971)--were obtained by direct observation rather than by theorizing about the operation of a competitive economy or by manipulating computer data files. Controlled experiments have also examined the nature of the problems facing troubled workers. At the same time, researchers have performed statistical analyses of cross-sectional data sets and, to a greater extent than is common in other areas of research, of longitudinal data sets as well.

This paper provides a broad overview of some of the literature on troubled groups in the labor market. It seeks, so far as possible, to avoid the interpretive debate between

the "dual labor market" and "human capital" analysis that runs through much of the literature, and tries instead to concentrate on empirical findings, regardless of their source. A first step in evaluating various theories is to "get the facts straight."

Section 1 explores alternative concepts of troubled workers and seeks to show how the resultant universe of need varies with definition. Section 2 considers the correlates and causes of the problems. Section 3, the most extensive part of the study, reviews evidence on five groups of workers often cited as having problems in the job market. Section 4 is a brief conclusion..

The principal results of the analysis can be summarized in 11 basic propositions about workers, and groups of workers, having trouble in the job market:

1. Many workers at the bottom of the income distribution are permanently plagued by problems of low earnings. If "permanently disadvantaged" is defined as being in the lowest decile of the male earnings distribution for 70 percent or more of the time over a decade, about 5 percent of working men who are heads of households are "permanently disadvantaged." And 60 percent of women household heads who are in the labor force in any given year are in the lowest earnings decile for men. The existence of this group reflects the predominance of a permanent rather than transitory earnings in the American earnings distribution.

2. Although many workers who lose their jobs (or otherwise suffer from sudden declines in amount of time worked or in wages earned) recover successfully, workers who drop substantially in the earnings distribution do not recover their previous economic positions. That is, large declines in earnings have a substantial permanent as well as transitory component.

3. Low wages and lack of work taking the form of few weeks worked both contribute to placing an individual at the bottom of the earnings distribution. Surprisingly, perhaps, low wages appear to be the more important cause of permanent economic disadvantage.

4. Low-earning workers have certain distinct characteristics. For the most part, they are black, poorly educated, relatively unskilled, female, and located in certain industries. Regression analysis designed to predict the composition of the troubled group based on the objective characteristics, however, is less accurate than simply taking a random selection of workers who were ever in the bottom decile. This fact highlights the importance of personal, unobserved factors in the labor market problems of individuals.

5. The classic labor market adjustments to economic difficulties--mobility of supply, growth of demand in response to availability of labor, and changes in wages--appear to be reasonably efficacious for displaced workers, for depressed communities, and for most older workers with job market troubles. Similarly, economic developments in the 1970's helped improve the positions of black and Hispanic workers. The situation for women heads of households, however, shows little evidence of change, and sluggish economic growth has meant that persons at the bottom have hardly improved their absolute earnings.

6. Economic growth raises the labor market earnings of all groups, including disadvantaged workers. It significantly improves the relative earnings and employment chances of blacks and, to a lesser extent, women. Although the absolute level of the earnings of all groups is raised by growth, the earnings distribution itself is only modestly affected; therefore, growth does little to improve their relative position.

With respect to specific groups of troubled workers, the evidence indicates the following:

7. Perhaps the group with the most serious labor market problem is working women who are heads of households. Their annual earnings place them in the bottom decile of the earnings distribution for men to a greater extent than any other defined group. Unlike blacks, whose median wage and salary earnings have risen rapidly in the past two decades, women have not fared well, although nonwhite women have closed the gap between themselves and white women.

8. Economic changes affecting the black community in recent years have substantively altered the nature of the labor market problem for blacks. A significant proportion of black men have made considerable economic advances; at the same time, however, the labor participation of black men has fallen, creating a disparity between those holding jobs in the mainstream economy and those outside the mainstream. Traditional equal employment activities do not seem to offer a route out of economic distress for many less skilled black workers. For Hispanics, lack of education and lack of skills appear to be the most important deterrents to economic progress.

9. While most displaced workers manage to recover their jobs or to obtain good jobs elsewhere, time worked and real wages fall noticeably for many workers as a result of displacement. In some cases, it appears that workers who lose jobs for reasons related to foreign competition suffer more serious earnings declines than do other job losers, perhaps because of

especially severe and permanent declines in their sectors. The losses in earnings are large enough to reduce the workers' position markedly in the earnings distribution.

10. Although the positive cross-sectional relationship between age and earnings may make claims that older workers are a troubled group seem incorrect, older job losers do appear to have significant problems, such as protracted unemployment, lower wages upon receipt of new jobs, and fewer hours worked. Health problems seriously impair the earnings of some older workers.

11. Areas with high rates of unemployment tend to experience these rates for long periods, a decade or more, making most regional differences in unemployment permanent rather than transitory. These differences appear to be at least partially compensated for by higher wage rates, although the extent to which persistent unemployment is in excess of that consistent with equilibrium compensating differentials is unknown. "An area of high unemployment and low wages" is a better definition of economically troubled areas than the current definition based solely on high unemployment rates.

1. The Problem: Concepts and Definitions

As already indicated, many groups of workers have been cited as facing serious troubles in the job market. Two basic criteria are used to label workers as troubled. The first focuses on levels of earnings, with workers having low earnings viewed as being troubled. Following common nomenclature, we call these workers disadvantaged. The second definition focuses on workers suffering significant earnings losses, even though their initial earnings may be relatively high. These are generally workers who lose their jobs. We call them distressed workers.

The two definitions yield different pictures of who is in trouble. Conceptually, since workers with very low earnings have little to lose, they are rarely likely to qualify as troubled by a loss criterion, whereas workers with high earnings are potentially vulnerable to large losses that still leave many of them with reasonably high earnings.

The extent to which one worries about workers with low earnings or with significant losses of earnings depends on two aspects of their economic position: Its permanent or transitory nature, and the extent to which the individuals or their families have other income in the relevant period.

The Permanent/Transitory Issue

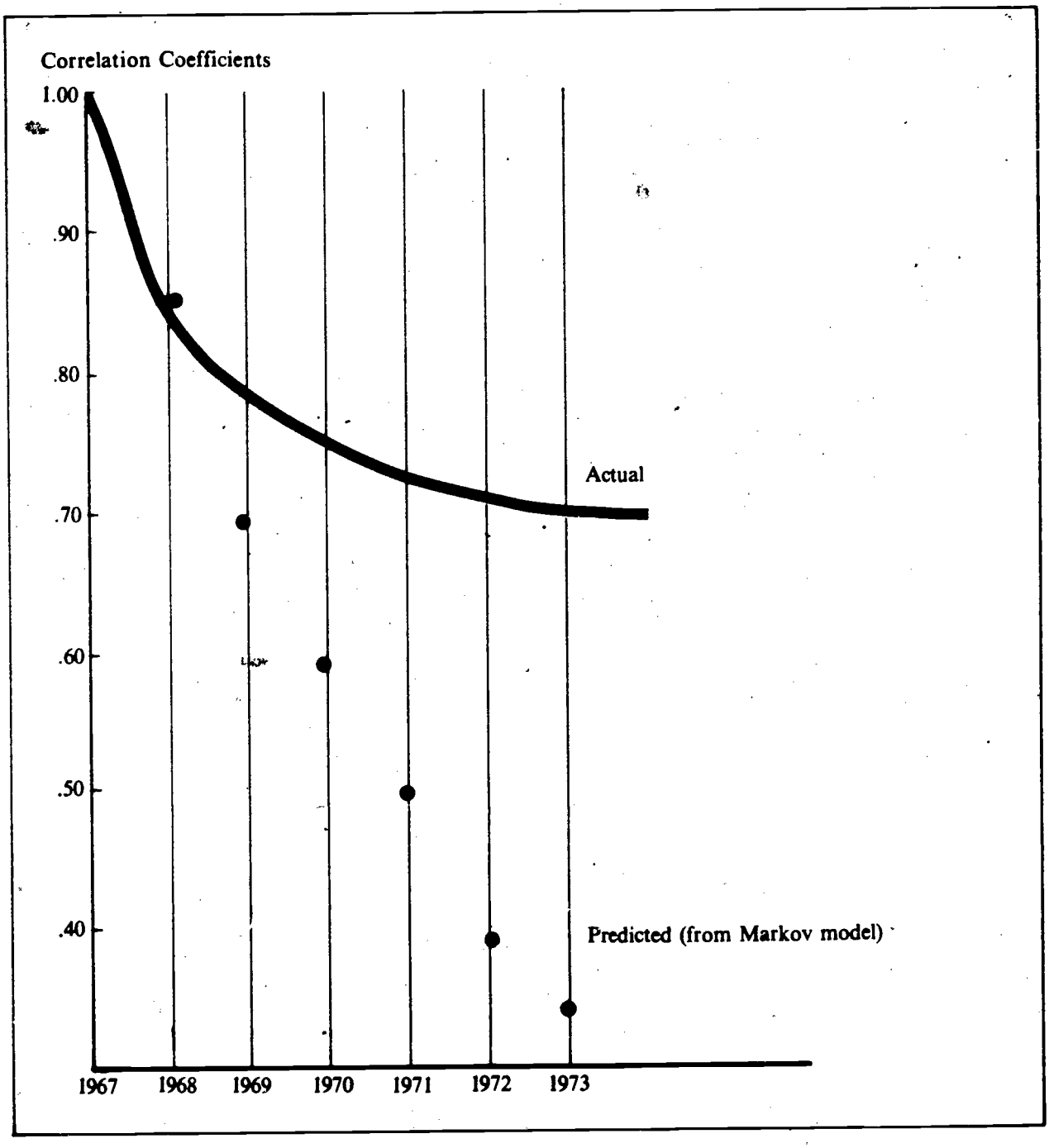
The distinction between permanent and transitory income, originally developed by Friedman and Kuznets (1954), is central to identification of real problems in the job market. Workers with low earnings because of transitory difficulties, who will receive large increases in the future, are not in the same category of economic trouble as workers with permanently low earnings.

How permanent or transitory is the earnings distribution, particularly at the lower end? The principal study investigating this question was done by Lillard and Willis (1978). They found the earnings distribution to be dominated by its permanent component to a degree that may surprise some readers. In particular, Lillard and Willis found that the correlation coefficients between earnings in one year and earnings in ensuing years was high initially (about 0.8) and declined only modestly (to about 0.7 after 6 years) among male heads of households (see figure 1). This persistence yields an estimate that 73 percent of income differences among individuals is permanent and 27 percent is transitory. Lillard and Willis further estimated that 65 percent to 73 percent of the permanent component of income differences was attributable to measured characteristics of individuals.

For poverty groups, their study showed that although only 15 percent of white and 35 percent of black workers expected to be below the poverty level in all 3 years of a given 3-year period, the chance of being in poverty was greatly affected by being in poverty during previous years. A white in poverty in one year has a 37 percent chance of being in poverty the following year, compared with a 1.7 percent chance if the worker had not been in poverty earlier. For blacks, the differences are 60 percent and 4.3 percent, respectively.

As part of this study, I have examined the Michigan Panel Survey of Income Dynamics (PSID) and obtained results consistent with Lillard and Willis. Table 1 provides a summary of my PSID results. It shows the number of appearances in the lowest deciles for male heads of households. The permanent nature of low earnings for a large number of workers is evident. During the decade covered, while only 1.3 percent of those at the bottom decile were at the bottom every year, 5.1 percent were at the bottom in all but 3 years. A definite group is located permanently at the bottom of the earnings distribution. In 1969, this group's earnings averaged $3,511 a year; in 1978, its average earnings were $5,679. Note that the 62 percent increase for the group is considerably below the 78 percent rate of inflation in the period.

Figure 1. Actual and Predicted (from Markov model) Correlation Coefficients for Log Earnings Between the Years 1967-73*



*Adapted form Lillard and Willis (1978), p. 993.

Although I stress the permanent nature of earnings, other analysts (Coe, 1978; Levy, 1976) looking at the same or similar data have stressed the substantial year-to-year changes in economic status. In part, this difference is a question of whether the water glass is half empty or half full. But it also is a question of whether one focuses on earnings of individuals or on family incomes. One of the most striking findings of the Michigan PSID analysis is that changes in family incomes, and thus poverty status, are affected more by changes in family organization than by changes in the earnings of family heads (Duncan and Morgan, 1981, p. 2). This result suggests greater instability in family incomes than in individual earnings, which is consistent with a relatively permanent earnings distribution.

The data underlying table 1 also permit us to examine the status of workers who suffer significant income losses. Table 2 shows how these workers fare several years later. Part 1 shows that almost 14 percent of male workers experienced declines of two or more deciles. Part 2 shows that for workers who are big losers, most do not readily recover their positions, while parts 3 and 4 show that for workers who maintained their decile position from 1969 to 1972 gains and losses in the ensuing period left them in roughly the same position from 1972 to 1977. On average, those who suffer large losses end up below their initial positions by about one decile after 5 years. This does not imply that job losers necessarily suffer permanent income losses, but rather that large changes in the position of workers in the distribution are partly permanent changes.

For purely transitory shocks, the speed with which workers recover can be estimated using the Lillard and Willis (1978) model. According to their calculations, earnings in one year have a serial correlation of 0.4 above and beyond the permanent income component. This implies that a transitory slip that reduces earnings by 10 percent in an initial year would reduce earnings by 4 percent in the following year and by less than 1 percent 3 years later. Hence, in this analysis the displaced workers essentially recover their full positions in 5 years, assuming all of the slip is transitory.

Thus far we have examined the economic status of male heads of households. What about female heads of households?

Because women earn strikingly less pay than men, and because women may change their status through marriage or by dropping out of the labor force, our analysis for women is different from our analysis for men. First, we use the male deciles as earnings categories and include "out of labor force"

Table 1

Distribution of The Number of Times in Lowest Annual Earnings Decile for Men, 1969-78[a]

Category	Percentage
Never in lowest decile	70.5
In lowest decile:	29.5
1 time	11.1
2 times	4.6
3 times	2.6
4 times	2.7
5 times	2.0
6 times	1.3
7 times or more	5.2
7 times	1.1
8 times	1.2
9 times	1.3
10 times	1.6

a. Weighted distribution using PSID 1979 individual weights, which are the inverse of sampling probability.

Note: The sample consisted of 1,395 men age 24 or over in 1969 and heads of household and labor force participants for the period 1969-78.

SOURCE: Data from all 12 waves of the Panel Study of Income Dynamics (1968-1979), Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, Michigan.

Table 2

Distribution of Male Workers Who Fell in The Earnings Distribution By Two or More Deciles

Category	Percentages
	1969-72
1. Men Who Fell at Least 2 Deciles in Earnings Distribution,	13.7
2 deciles	6.9
3 deciles	3.0
4 deciles	1.7
5 or more deciles	2.1
Average decile drop over covered period	3.1
2. Positions of Men Who Had Fallen 2 or More Deciles, 5 Years Later:	1969-72-77
1 or more deciles above 1969 decile	12.6
No change from 1969 decile	11.0
1 or more deciles below 1969 decile	76.4
1 decile	16.2
2 deciles	27.2
3 deciles	10.5
4 deciles	10.5
5 or more deciles	12.0
Average long-term decile change	1.9
3. Proportion of Men Who Stayed in Same Decile in Earnings Distribution, 1969-72	38.1

Table 2, continued

Category	Percentages
4. Positions of Men Who Stayed in Same Decile, 5 years later	1969-72
1 or more deciles above 1969 decile	31.5
No change from 1969 decile	47.0
1 or more deciles below 1969 decile	21.5

Note: The sample was 1,395 men age 24 or over in 1969 and heads of households and labor force participants for the period 1969-78.

SOURCE: Data from all 12 waves of the Panel Study of Income Dynamics (1968-1979), Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, Michigan.

or "no longer head" as special categories. Table 3 presents the results of our analysis. It shows a larger degree of permanence at the bottom of the distribution, because the lower absolute level of earnings of women more than counterbalances the enhanced opportunity for "escape" into other states. For women working in all the years, the pattern of correlation is similar to that for men; the fact that women are more permanently in the troubled group does not reflect anything special about their earnings determination process except the mean level of earnings. Because of the shape of earnings distributions, the differences in means between men and women translates into even larger differences in the fraction below a specified cutoff point. Consistent with the results in table 3, Duncan and Hoffman (1981) reported in their analysis of the PSID data that "in any given year, half of the white women and three-quarters of the black women fell into the bottom fifth of the male wage rate distribution..." (p. 86).

The Hard Core Hypothesis

The "half empty" or "half full" question of whether workers at the lower tail of the earnings distribution are there more or less permanently than we would expect can be examined in terms of the recent findings of Clark and Summers (1979). In a series of papers, they have demonstrated that much unemployment in the United States is generated by a small "hard core" of persons who lack work for extended periods. They show that "a large fraction of all unemployment is attributable to persons out of work a large part of the time" (p. 116). Their analysis effectively disproves the view of unemployment as a transitory, turnover problem.

To what extent does the "hard core" hypothesis fit the troubled workers on whom we have focused? Table 4 suggests that, as in unemployment, a small group of men facing permanent economic problems constitutes the bulk of the disadvantaged male worker problem. More than 44 percent of the person-years in the lowest decile are accounted for by 5 percent of the workers "permanently" in the decile. This is, of course, simply another way of documenting the basic finding of longitudinal studies of income distribution: The earnings structure is dominated by its permanent component. Jencks' (1973) conclusion that the income distribution is dominated by luck is simply wrong unless one means "luck" in gaining a permanent income.

Outside Income

Individual workers who are disadvantaged or distressed may have outside earnings or live in families with other earnings. To what extent do these other forms of income place the troubled workers in a higher position in the income distribution than one would otherwise expect?

Table 3

Labor Market Performance of Female Heads of Household[a]

Number of Years in Labor Force, 1969-78	Percentage of Sample in Group	Percentage of Years in Labor Force in Which Annual Earnings Were in Bottom Male Decile	Percentage of Group in Bottom Male Decile, All Labor Force Years
0	34.8	--	--
1	4.4	92.3	92.3
2	3.6	91.4	82.7
3	1.9	82.1	80.2
4	2.7	66.9	42.0
5	3.9	54.3	44.5
6	2.5	96.4	79.7
7	5.4	67.1	39.3
8	6.2	75.0	55.6
9	6.6	60.5	41.6
10	28.1	42.0	20.7
Average Years in in Labor Force	7.5		
Average Percentage in Lowest Decile	60.2		

a. All figures are based on weighted observations. The sample is limited to women who were household heads over the entire 10 year period. In the PSID, 80.8 percent of women who were heads in the initial year (1969) were heads for all of the years, whereas 19.2 percent were not heads for all 10 years.

SOURCE: Data from all 12 waves of the Panel Study of Income Dynamics (1968-1979), Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, Michigan.

Table 4

Contribution of the Hardcore Disadvantaged
To Male Household Heads in Lowest Decile

	Percentage
Proportion of Total Sample in Disadvantaged Group (7 or more times in lowest decile)	5.2
Proportion of Sample Ever in Lowest Decile Who Are in Disadvantaged Group	17.6
Proportion of Person-Years in Lowest Decile Contributed by Disadvantaged Group	44.2

SOURCE: Calculated from table 1.

To answer this question, I have made the tabulations of the PSID data contained in table 5. This table shows that the families of disadvantaged workers do not receive sufficient outside income to alter their relative position, although they do receive enough to improve their absolute income significantly. In part, this conclusion reflects the fact that the income transfer programs of the government reduce the absolute level of poverty of people at the bottom, as numerous analysts (see Danziger, Haveman, and Plotnick, 1981) have pointed out.

All told, the families of workers identified as disadvantaged by labor market earnings remain in the most serious economic trouble. They are not people who work for low wages because they have large outside incomes; nor are they persons subject to transitory declines in economic status. They are workers who are persistently at the bottom of the earnings distribution.

2. Correlates and Causes of Labor Market Problems

Diverse reasons have been proposed to explain why certain workers have permanent problems in the job market. Some researchers believe that workers at the bottom of the distribution have innately low productivity because of human capital factors. Others believe the problem stems from a lack of "good jobs," that low-wage workers could fill better jobs given the chance. Still others cite discriminatory barriers as a cause of low earnings. For displaced workers, changes in demand conditions due to foreign competition, automation, and similar factors are often cited as causes of problems. Because groups and individuals having market problems differ greatly, different factors are likely to operate on the various groups. In this section, I present an overview of some elements that must be considered in any assessment of causality.

Low Wages Versus Few Weeks Worked

One of the more surprising findings of the poverty research of the past decade was the discovery that a large proportion of families in poverty had household heads working full time year-round. According to this finding, low wages are a major factor determining poverty status.

How many of the permanently disadvantaged persons on the PSID are in that state because of low wages, rather than be cause of few hours worked? Table 6 presents calculations designed to answer this question. It shows the mean wages and hours worked of disadvantaged, distressed, and other male workers in our samples. Perhaps the most surprising finding in

Table 5

Outside Income for Subgroups of The Sample[a]

Category	Mean No.of People in Family	Mean No. of Earners in Family	Total Family Income ($)	Family Income Minus Head's Labor Income ($)	Family Income Minus Head's and Wife's Labor Income ($)
Distressed	4.2	2.2	15,059	5,753	3,212
Disadvantaged	4.0	2.1	7,670	3,560	2,320
Bottom Decile	4.0	2.0	8,200	3,960	2,270
Total Male Sample	4.0	2.1	20,650	5,530	3,130
Female Household Heads in Bottom Decile of Male Earnings Distribution	2.5	--	8,067	4,057	--

a. Weighted distribution using PSID 1979 individual weights, which are the inverse of sampling probability.

SOURCE: Data from all 12 waves of the panel Study of Income Dynamics (1968-1979), Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, Michigan.

Table 6

Breakdown of Annual Income By Annual Hours Worked and Hourly Wages[a]

Category	Average Hourly Wages ($)	Annual Hours	Annual Earnings[b]	Hypothetical Full-time, Year-round Earnings[c]
Disadvantaged	2.31	2,226	4,114	5,304
Bottom Decile	2.51	2,056	4,235	5,763
Displaced	4.89	2,078	9,323	11,227
All Men	6.80	2,296	15,125	15,613

a. Weighted distribution using PSID 1979 individual weights, which are the inverse of sampling probability.

b. Although each individual's annual earnings are the product of his average hourly earnings and his annual hours, it is not necessarily true that the mean value of annual earnings for any group is exactly equal to the product of the mean average hourly earnings and the mean annual hours. This accounts for the slight difference between the actual and hypothetical earnings for all men.

c. The hypothetical earnings figure for each group is the product of the group's own mean level of average hourly earnings (as shown in the first column) and the mean level of annual hours for the sample as a whole (2,296 hours).

SOURCE: Data from all 12 waves of the Panel Study of Income Dynamics (1968-1979), Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, Michigan.

the table is the extensive hours worked by disadvantaged and displaced workers and by workers in the bottom decile. The column on the far right shows that even if the disadvantaged workers worked as many hours over the year as other men, their year-round earnings would still be quite low, around $5,300. Only a small proportion would rise out of the bottom decile if they worked full time at their current wages.

The importance of low wages in keeping workers at the bottom of the income distribution can also be analyzed by comparing the correlation coefficients for hourly pay with those for time worked. Correlation coefficients for hourly wages and hours worked yield higher correlations for wages, though even time worked shows considerable persistence. A positive correlation also exists in the data between hourly pay and time worked.

Figures for distressed workers tell a different story about the importance of wages and time worked in reducing a worker's position in the earnings distribution. Tabulating the annual earnings, annual hours, and average hourly earnings of workers who fell two or more deciles from 1969 to 1978 (or in any subperiod), we estimated that the average drop in the logarithm of annual earnings between 1969 and the year of their biggest decline in decile position was -0.38. Of this drop, 0.28 points were due to declines in hours worked and 0.10 points were due to declines in wages. This result indicates that for distressed workers much of the problem is due to lack of work rather than low wages.

Characteristics of the Disadvantaged and Distressed

Who are the disadvantaged workers? Who drops in the earnings distribution? Any assessment of the factors causing some workers to end up at the bottom of the distribution and others to experience substantial drops in income requires knowledge of the distinguishing characteristics of the workers.

Although most studies of low income focus on family incomes rather than on individual earnings, analyses of earnings functions and of the determinants of poverty-level wages by Bluestone, Murphy, and Stevenson (1973) and Muller (1977) show results roughly similar to those found in poverty studies. Workers with low earnings tend to be those for whom standard earnings equations would predict to have low earnings, i.e., relatively unskilled workers, blacks, women, and so forth. Table 7 documents this fact with the 1971 Michigan PSID data. The first columns present the coefficients on selected variables in earnings equations (columns 2 and 3) and hours equations (column 4); the last three equations explain who faces serious economic trouble, due to the distress of falling

Table 7

Regressions Coefficients and Standard Errors for Earnings, Hours, and Measures of Economic Trouble, Male Heads of Households, Michigan PSID, 1971 Sample

	Mean [S.D.] of Independent Variables (1)	Dependent Variable = Log of 1971 Labor Income (2)	Dependent Variable = Log of 1971 Average Hourly Earnings (3)	Dependent Variable = Log of 1971 Annual Hours (4)	Dependent Variable = Whether Ever Displaced (5)	Dependent Variable = Whether in Disadvantaged Group (6)	Dependent Variable = Number of Times in Bottom Decile (7)
Mean [S.D.] of Dependent Variable	--	9.208 (0.661)	1.501 (0.589)	7.714 (0.333)	0.637 (0.481)	0.052 (0.222)	1.031 (2.210)
Independent Variables							
Industry dummies (food & kindred deleted)							
Agriculture	.053(.225)	-.567(.027)	-.586(.022)	.025(.016)	-.095(.023)	.304(.010)	2.97 (.088)
Personal Service	.019(.136)	-.224(.025)	-.303(.020)	.041(.014)	.052(.020)	.052(.009)	1.60 (.080)
Retail Trade	.093(.152)	-.157(.018)	-.208(.015)	.037(.010)	.162(.015)	.043(.007)	.595(.059)
Textiles	.016(.125)	-.211(.026)	-.122(.021)	-.087(.015)	.058(.022)	.022(.009)	1.067(.084)
28 Others	--	Yes	Yes	Yes	Yes	Yes	Yes
Occupation dummies (service workers deleted)							
Professional and Technical	.176(.381)	.169(.024)	.273(.019)	-.096(.014)	-.159(.020)	-.006(.009)	-.579(.077)
Managers and Officials	.152(.359)	.289(.024)	.298(.019)	.000(.014)	-.162(.020)	-.007(.008)	-.563(.076)
Self-Employed Businessmen	.074(.261)	-.301(.025)	-.266(.020)	.074(.014)	-.018(.021)	.140(.009)	1.279(.081)
Clerical and Sales	.095(.293)	-.003(.024)	.047(.019)	-.050(.014)	-.043(.020)	.002(.008)	-.263(.077)

Table 7, continued

	Mean (S.D.) of Independent Variables (1)	Dependent Variable = Log of 1971 Labor Income (2)	Dependent Variable = Log of 1971 Average Hourly Earnings (3)	Dependent Variable = Log of 1971 Annual Hours (4)	Dependent Variable = Whether Ever Displaced (5)	Dependent Variable = Whether in Disadvantaged Group (6)	Dependent Variable = Number of Times in Bottom Decile (7)
Craftsmen and Foremen	.213(.410)	.011(.024)	.083(.019)	-.077(.014)	-.080(.020)	.002(.008)	-.263(.077)
Operatives	.161(.367)	-.099(.024)	-.043(.020)	-.080(.014)	-.034(.020)	.061(.009)	.297(.078)
Unskilled laborers, service workers	.074(.262)	-.173(.025)	-.037(.020)	-.143(.014)	-.125(.021)	.071(.009)	.488(.081)
Farmers and Farm Managers	.038(.190)	-.174(.034)	-.355(.029)	.182(.020)	.233(.029)	-.003(.012)	.331(.112)
Age dummies (ages 30-34 deleted)							
24-29 years	.138(.345)	-.097(.009)	-.095(.008)	-.040(.005)	-.031(.008)	.034(.003)	.211(.031)
35-39 years	.156(.363)	.063(.009)	.063(.007)	-.040(.005)	.022(.008)	.017(.003)	.169(.030)
40-44 years	.213(.409)	.200(.009)	.174(.007)	-.172(.005)	-.021(.007)	.021(.003)	-.008(.028)
45-49 years	.159(.366)	.116(.009)	.123(.008)	-.052(.005)	-.031(.008)	.041(.003)	.094(.030)
50-54 years	.109(.312)	.116(.010)	.197(.008)	-.131(.006)	-.083(.008)	.043(.004)	.091(.033)
55-59 years	.045(.208)	.188(.014)	.216(.008)	-.069(.008)	.069(.012)	.127(.005)	.745(.045)
60-68 years	.019(.137)	.137(.020)	.124(.016)	-.041(.012)	.190(.016)	.048(.007)	.583(.065)
Region dummies (West deleted)							
Northeast	.252(.434)	-.036(.008)	-.035(.007)	.030(.005)	-.037(.007)	.013(.003)	.375(.027)
North Central	.316(.465)	.011(.008)	-.031(.007)	.044(.005)	-.014(.007)	.014(.003)	.164(.026)

Table 7, continued

	Mean (S.D.) of Independent Variables (1)	Dependent Variable = Log of 1971 Labor Income (2)	Dependent Variable = Log of 1971 Average Hourly Earnings (3)	Dependent Variable = Log of 1971 Annual Hours (4)	Dependent Variable = Whether Ever Displaced (5)	Dependent Variable = Whether in Disadvantaged Group (6)	Dependent Variable = Number of Times in Bottom Decile (7)
South	.267(.443)	-.081(.008)	-.145(.007)	.067(.005)	.028(.007)	.031(.003)	.482(.027)
Race (nonwhite = 1)	.110(.313)	-.086(.009)	-.081(.007)	-.006(.005)	-.011(.008)	.040(.003)	.619(.029)
Union (member = 1)	.327(.469)	.075(.007)	.150(.005)	-.042(.004)	.160(.006)	-.070(.002)	-.767(.021)
Education dummies (12 years deleted)							
Illiterate	.014(.116)	-.439(.024)	-.464(.019)	.029(.014)	-.334(.020)	.135(.008)	2.44 (.076)
Grades 0-5	.021(.144)	-.260(.020)	-.260(.016)	-.005(.011)	-.097(.017)	.282(.007)	2.57 (.064)
Grades 6-8	.117(.321)	-.204(.010)	-.193(.008)	-.033(.006)	-.028(.008)	.066(.003)	1.05 (.031)
Grades 9-11	.171(.376)	-.100(.009)	-.113(.007)	-.011(.005)	.049(.007)	.048(.003)	.711(.028)
Nonacademic training beyond grade 12	.110(.312)	.055(.010)	-.008(.008)	.035(.006)	.054(.008)	.035(.003)	.151(.031)
College, no degree	.154(.361)	.128(.009)	.058(.007)	.042(.005)	.047(.008)	.022(.003)	.094(.029)
College, no advanced degree	.124(.329)	.328(.011)	.265(.009)	.034(.006)	.002(.009)	.007(.003)	-.010(.034)
College, advanced or professional degree	.074(.262)	.580(.014)	.435(.011)	.119(.008)	-.096(.012)	-.000(.005)	-.265(.045)
R^2	--	.333	.449	.129	.118	.242	.372

two or more deciles in the distribution (column 5); being in our disadvantaged group (column 6); and in terms of the number of times an individual appears in the bottom decile (column 7). It is not surprising that in general the same characteristics that affect average earnings also influence the likelihood of falling at the bottom of the distribution. So long as the distributions of persons in the various groups being compared are reasonably shaped (for example, they have a standard single hump and nonnegligible tails), factors that alter average levels of earnings will necessarily also alter the frequency of falling below a certain cutoff point. Indeed, if distributions had specified shapes (for instance, lognormal), we could estimate the impact of factors on the chance of being below a cutoff point from estimates of the effect of that factor on earnings.

It is significant to note the importance of industry in determining the earnings and disadvantaged status of workers in the table 7 calculations. In a detailed analysis of the determinants of poverty status among families of workers employed 40 weeks or more, Muller (1977) found industry to be as important as education in some calculations and important in virtually all. In hourly wage regressions, industry was second to education as an explanatory factor while in determination of poverty-level wages, industry was the major factor. At one level, evidence of an important industry component in the wage determination process can and has been taken as indicative of support for the dual market hypothesis that workers with the same personal attributes obtain very different economic outcomes in different parts of the economy. The evidence can also be interpreted, however, as reflecting unobserved personal attributes: Low-wage industries may simply be the "employers of last resort" for the less productive. Whatever the reason, industry, as well as standard demographic and human capital factors, is an important determinant of earnings and disadvantaged status.

Another interesting aspect of table 7 is found in the coefficients for older workers, who, despite having incomes above those of the deleted (30- to 34-year-old) group, have greater chances of being in the disadvantaged and displaced sets. This fact highlights the problems, to be discussed later, of troubled older workers.

Although definite characteristics can be associated with being disadvantaged, it is important to recognize that models that predict a person's disadvantaged status from these characteristics are not as reliable as knowledge of a person's previous placement in the lowest decile in predicting permanent placement in the lowest decile. We documented this point by

comparing the fraction of persons correctly and incorrectly predicted, based on their 1971 characteristics, to be in the lowest decile seven or more times with the fraction predicted by previous placement in the lowest decile. We used linear probability models to predict disadvantaged status from an individual's position in the earnings distribution in 1971 and selected demographic characteristics. The results of these regressions were a set of predicted probabilities on whether or not a given individual would be in the disadvantaged group. These predicted values were used with a set of cutoff criteria such that for each model the percentage of the sample predicted to be in the disadvantaged group was equal to the actual proportion (5.2 percent). Under these criteria, using demographic characteristics provided relatively little gain in predictive power.

When the only datum used was the individual's poverty status in 1971 (whether or not he was in the bottom decile), the results were: 3.0 percent predicted disadvantaged and actually disadvantaged; 2.2 percent predicted disadvantaged and not actually disadvantaged; 2.2 percent not predicted disadvantaged and actually disadvantaged. When the individual's 1971 poverty status was used along with simple demographic characteristics (education, age, race, region), the accuracy increased only slightly: 3.5 percent predicted disadvantaged actually disadvantaged; 1.7 percent predicted disadvantaged not actually disadvantaged; 1.7 percent not predicted disadvantaged actually disadvantaged. Moreover, adding more complex controls (industry, occupation) did not improve the results any further.

Family Background

To what extent does family background influence a person's chances of being a distressed or disadvantaged worker?

Since most studies of the economic impact of family background have examined the link between background factors and average economic success, we rely on that relation to infer the effects of background on the chances of being in one of our troubled categories. Using background measures such as parental occupation and education, most studies find that background operates largely through education. Bowles (1972) criticized the conclusion on measurement error grounds and showed that background could have a larger independent effect than was obtained in regressions that did not correct for measurement error. Although studies that correct for measurement error have failed to substantiate Bowles's specific argument (see Corcoran and Datcher, 1981, pp. 175-76), work with other measures of family income has supported the thrust of his point.

Family income and at least one other measure of family background, religion, are also important factors in earnings (Jencks, 1979; Corcoran and Datcher, 1981) even with education held fixed. A different set of studies has sought to estimate background effect using data on brothers and twins on the hypothesis that similarity between brothers and twins reflects similarity of background. These studies suggest a support role for unmeasured background factors (genetic or environmental) in determining earnings (Taubman, 1976; Behrman and Taubman, 1976; Behrman, Taubman, and Wales, 1977). The new work indicates that "the families into which men are born have a considerable impact upon their chances of economic success" (Corcoran and Datcher, 1981, p. 203). From this we can reasonably assume that family background is an important determinant of whether a worker is permanently in trouble in the job market.

The Dual Market Hypothesis

Two basic views attempt to explain why some individuals become permanently disadvantaged in the job market. Standard economic analysis seeks to explain the lower tail of the earnings distribution in terms of the same economic factors that operate elsewhere. From the supply side, this makes the determination of poverty-level wages a question of personal productivity, of human capital. On the demand side, the theory of compensating differentials is used, in conjunction with posited prejudiced tastes, to explain the particularly low earnings of minority and women workers. The principal alternative to the standard theory is the dual or segmented market hypothesis, which seeks to offer a more focused explanation of the lower tail in terms of the characteristics of low-wage labor markets and the theory of noncompeting groups.

The dual market hypothesis has three basic components: (1) The job people hold is an important determinant of their productivity, so that two workers with the same human capital could have different levels of productivity and wages in different parts of the economy; (2) there is limited mobility between the part of the labor market where wages are high, jobs are stable, and learning opportunities are significant (the so-called primary sector) and the part of the market where jobs are "bad" (the secondary sector); and (3) in the "secondary sector," personal attributes such as education and age are relatively modest determinants of earnings, so that persons stuck in those sectors cannot improve their status through better education or on-the-job training.

Judging the empirical validity of the dual market theory is difficult because neither proponents nor critics have carefully specified the alternative hypothesis against which the theory

should be run. Obviously, to some extent earnings and productivity differ by job as well as by personal competence. And mobility across sectors is not instantaneous and perfect. The question is, how much divergence from a perfect competitive market is needed to establish the dual market hypothesis? Alternatively, how much mobility and determination of wages on human capital criteria are needed to reject it? In the critiques and debates about the dual market theory (Cain, 1976; Wachter, 1974; Ryan, 1981), no one has specified the proper empirical magnitudes that could resolve the issue.

Instead of trying to determine the validity of the theory, let us try to evaluate what has been learned about the three points. Can we take disadvantaged workers and readily improve their earnings capacity, getting them in better jobs?

A human capital adherent might answer "yes," but only through skill augmentation. A dual market adherent might answer "yes," but possibly through other methods as well, such as the Supported Work Experiment (Manpower Demonstration Research Corporation, 1980-81) or provision of better labor market information. The question cannot be answered with cross-section regression analysis comparing the earnings of persons with the same measured attributes in different sectors, because such comparisons involve <u>different</u> persons, one of whom may have superior unobserved attributes. Longitudinal studies of earnings provide some evidence but are subject to alternative interpretations, also because of questions about the unmeasured characteristics of persons who shift sectors. Although more can probably be done with longitudinal data, perhaps the best evidence comes from manpower training efforts to improve the earnings power of the poor and from recent Supported Work Experiments. Some studies suggest that some training programs have been successful in improving earnings power (see Ashenfelter, 1978; Perry, Rowan, Anderson, and Northrup, 1975), but no one claims this to be the case overall, and no study has resolved the question of whether even successful programs do more than give some of the disadvantaged a "leg up" on others (see Johnson [1978] for discussion). As for the Supported Work, the experiment with women receiving Aid to Families with Dependent Children (AFDC) was judged by the Manpower Demonstration Research Corporation as a success, but experiments with ex-addicts and ex-offenders were not judged successful in their impact on the labor market. The question of how much resources and effort are needed to move the disadvantaged to better jobs is unresolved.

Does the wage determination process reward personal attributes, education, and age less in the secondary sector than in the primary sector? Although subject to criticism, the empirical results here appear to be fairly strong: Wage

equations for low-skill occupations and industries generally yield much smaller coefficients for years of schooling and age than do identical equations for high-skill groups or workers as a whole (see Buchele, 1976; Osterman, 1975; Wachtel and Betsey, 1972; Harrison, 1972). Although this result has been criticized by Cain (1976) as possibly due to truncation bias (the fact that educated workers employed in bad jobs are likely to have negative unobserved characteristics), no one has demonstrated that the bias explains the results. Because truncation should reduce the slope of the earnings equation in both low- and high-skill (secondary and primary) sectors, whereas returns are lower in the former only, it is doubtful that truncation is the main force explaining the results. At present, our best conclusion is that the wage determination process differs between markets in which few workers are low paid and those in which many workers are disadvantaged.

Is mobility limited between the secondary and primary sectors? Most dual market studies find substantial movement across industry and occupation lines (see Ryan [1981] for a summary of studies), but in the absence of a measuring rod as to how much is needed for a reasonably well-functioning market and how little is needed to judge markets as segmented, a firm conclusion is not possible. The dual labor studies of mobility do, however, indicate that having a "dead end" job in the secondary sector, while obviously undesirable, is far from being a permanent barrier to economic advancement.

In short, the dual market claim regarding wage determination processes appears to be valid, but its other assertions have yet to be shown empirically correct. And subtle claims regarding the impact of bad secondary sector jobs on individuals' work behavior have also not received sufficient empirical support to be judged correct.

Interpreting Stable Permanent Earnings Distribution

The most depressing piece of evidence regarding the problem of workers at the bottom of the earnings distribution is that, notwithstanding diverse training efforts to aid the disadvantaged, the distribution of earnings appears to be relatively unchanged in recent years. As table 8 shows, the ratio of the earnings of male workers of the lowest decile to the median earnings of male workers (unadjusted for age and numerous other factors) has not declined in the past decade. Coupled with sluggish real economic growth in the 1970's, the stable earnings distribution has meant little improvement in both the real and relative positions of workers in trouble in the market, as indicated by the number of persons in poverty in official government counts.

Table 8

U.S. Male Workers: Mean and Median Earnings, All Workers and Bottom Decile, 1968-78

Year	Mean ($)	Median ($)	Cutoff Earnings, Bottom 10% ($)	Cutoff Earnings, Bottom 10% Overall Median
1978				
All Year-round Full time	13,514	12,133	1,335	.11
	17,526	15,730	7,236	.46
1977				
All Year-round Full time	12,280	11,037	1,104	.10
	16,149	14,626	6,582	.45
1976				
All Year-round Full time	11,365	10,301	1,030	.10
	15,004	13,455	6,324	.47
1975				
All Year-round Full time	10,579	9,674	967	.10
	14,029	12,758	5,996	.47
1974				
All Year-round Full time	9,853	9,064	906	.10
	12,762	11,835	5,207	.44
1973				
All Year-round Full time	9,420	8,682	868	.10
	12,104	11,186	5,034	.45

Table 8, continued

Year	Mean ($)	Median ($)	Cutoff Earnings, Bottom 10% ($)	Cutoff Earnings, Bottom 10%, Overall Median
1972				
All	8,791	7,991	879	.11
Year-round Full time	10,202	11,304	5,200	.46
1971				
All	8,023	7,388	739	.10
Year-round Full time	10,395	9,399	4,418	.47
1970				
All	7,685	7,152	715	.10
Year-round Full time	9,918	8,966	4,214	.47
1969				
All	7,340	6,899	759	.11
Year-round Full time	9,346	8,455	4,058	.48
1968				
All	6,811	6,442	773	.12
Year-round Full time	8,437	7,664	3,449	.45

SOURCES: U.S. Bureau of the Census, Current Population Reports, Consumer Income Series P-60 (Washingon, D.C.: U.S. Government Printing Office, 1969-1979), no. 123, table 56; no. 118, table 52; no. 114, table 52; no. 105, table 52; no. 101, table 64; no. 97, table 64; no. 90, table 57; no. 85, table 55; no. 80, table 55; no. 75, table 49; no. 65, table 45.

The conjunction of a permanent distribution of earnings among individuals and a stable distribution of earnings over time does not augur well for low-earning workers. It suggests that the only reliable solution to the problem of troubled workers is a resurgence of productivity growth and accompanying real earnings growth. This does not mean that efforts to improve the positions of particular groups or of individuals may not have value, nor that poverty cannot be ameliorated with transfer programs; however, it does cast a pall over efforts to raise the labor market earnings of the disadvantaged in the absence of real growth.

3. Specific Groups Having Trouble in the Labor Market

The analyses of the PSID data in this and other studies and of other data sets, together with a variety of case investigations and related experiments, have identified certain groups of workers as overrepresented among workers having trouble in the job market. This section reviews some evidence of the economic problems facing specified groups. No effort is made to provide a complete literature summary for all groups with job problems. Some groups--including rural and migrant workers, workers who are injured or otherwise handicapped, and self-employed workers--are not discussed here.

Female Heads of Households

One of the most striking socioeconomic developments in the United States in recent years has been the substantial growth in the number of families headed by women. In 1970, women were heads of households in 11 percent of all families; in 1978, women headed 14 percent of all families. Among blacks, for whom the rise in women-headed homes to 23 percent in 1964 motivated the controversial "Moynihan Report," (U.S. Department of Labor, 1965) the proportion of homes headed by women reached 40 percent in 1979. The increase in both groups is fueled by rising divorce rates and a large proportion of never-married women in their twenties.

Table 9, which summarizes some of the data on women-headed homes, shows the dimensions of the economic problem for these women. First, lines 1 and 2 in table 9 show that homes headed by women had incomes far below those of homes headed by men. As a result, the percentage of female-headed homes with incomes below the poverty level was six times the percentage of male-headed homes in poverty. Despite the predominance of male-headed homes, female-headed families constituted slightly more than half of poverty-level families in 1978.

Second, and of particular relevance to the job market, is that although a large proportion of women household heads were out of the labor force and dependent on welfare, a growing proportion of those with children are in the work force (66 percent of mothers in 1979 compared with 59 percent in 1970) and dependent on labor market earnings for their family incomes. In total, 68 percent of income in female-headed homes was attributed to labor market earnings; among those in poverty, however, the figure was 32 percent. Both black and white female-headed homes are similar in this respect.

Third, an extraordinarily large proportion of American children are brought up in homes headed by women and thus in relatively low-income homes. In 1978, 18 percent of all children and 48 percent of black children were in families maintained by women. Moreover, a disproportionate number of those children were in families where the mother neither earned an adequate income nor obtained it elsewhere.

In addition, the income of female-headed homes relative to male-headed homes has not risen over time. Indeed, the income of female-headed homes was higher relative to that of male-headed homes in 1969 than in 1978 (U.S. Bureau of the Census, 1980). This, of course, reflects the fact that there has been little, if any, rise in the female-male wage ratio in recent decades.

Longitudinal studies of the economic position of women when their families break up show the extent of the decline of income. In the National Longitudinal Survey of Women, Mott (1979) found that the breakup of the husband-wife family reduced family incomes in the female-headed homes by about 50 percent. In the PSID data, the comparable figure is about 53 percent (Duncan and Morgan, 1981, estimated from table 1.5) whereas "female heads who married enjoyed family income increases averaging $16,000" (Duncan and Morgan, 1981, p. 18). What is less clear is whether these figures represent a relatively permanent or transitory problem. Current Population Survey data on remarriage of divorced women show that the majority remarry within a few years. Women divorcing before age 30 (of whom at least three-fourths remarry) do so within 3 years, on the average. This fact suggests that the problem of women who head households may be more properly categorized as in a depressed economic state, not as permanently disadvantaged. PSID data, however, show that 80 percent of women-headed homes in 1972 remained so 6 years later, suggesting a more permanent economic problem (Duncan and Morgan, 1981, table 1.5). In any case, the economic difficulties that women face in the labor market create extreme economic problems for families that depend permanently on women.

Table 9

Economic Status of Female-Headed Homes, 1978

	Median	Mean
1. Income of Year-Round, Full-Time Worker-Headed Families ($)		
Female-Headed Homes	13,203	14,933
Male-Headed Homes	22,479	22,461
Ratio	.59	.59
2. Income of All Families ($)		
Female-Headed Homes	8,537	10,689
Male-Headed Homes	19,229	21,703
Ratio	.44	.49
3. Percentage of Homes with Incomes Below the Poverty Level		
Female-Headed Homes	31.4	
Male-Headed Homes	5.3	
4. Fraction of Income in Female-Headed Homes from Different Sources[a]		
All Female-Headed Homes		
Labor-Market Earnings	.68	
Transfer Income	.28	
Property	.04	
Black Female-Headed Homes		
Labor-Market Earnings	.67	
Transfer Income	.32	
Property	.01	
5. Fraction of Income in Female-Headed Homes Below the Poverty Level[a]		
White		
Labor-Market Earnings	.32	
Transfer Income and Other	.68	
Black		
Labor-Market Earnings	.34	
Transfer Income and Other	.66	

Table 9, continued

6. Proportion of Children under Age 18 in Female-Headed Homes[b]	
All Children	.18
Black Children	.48

a. Calculated by multiplying the mean income times the number of families in each group (wage or salary earners; self-employed, farm; self-employed, nonfarm; property income; and transfer payments) to get a total income earned by female-headed families, and then taking percentages of this total using the same subtotals.

b. Calculated by multiplying the mean number of children per family times the relevant number of families.

SOURCES: U.S. Bureau of the Census, Current Population Reports, Series P-60. Lines 1, 2: no. 123, table 20. Lines 3, 6: no. 124, table 19. Lines 4, 5: no. 123, table 33.

In examining the gap in wages between men and women, several studies have separated the reasons for the gap into two groups: Those due to sex differences in control variables and in work patterns, which may be linked to productivity; and those due to differences based on sex alone, which may be due to discrimination. The most interesting factor studied is the intermittent work experience of women (Mincer and Polachek, 1974). According to the intermittent work hypothesis, some of the male-female differential is due to the failure of female workers to invest in work skills to the same extent as men do and to their withdrawal from the labor market for childbearing and childrearing during a critical part of the lifecycle. As initially formulated by Mincer and Polachek, the intermittent work hypothesis appeared to explain a substantial proportion of male-female wage gaps in the NLS survey. Later studies probed the finding further. Sandell and Shapiro (1977) pointed out an error in the Mincer-Polachek statistics, and obtained much weaker results. Corcoran (1978) examined the hypothesis in the PSID data set and also obtained a smaller estimate of the contribution of interrupted work patterns to the female-male gap than did Mincer and Polachek (1974), finding stronger effects of withdrawal for the age group they studied (30 to 44) than for any other age group.

Regarding the potential role of discrimination in the male-female earnings gap, perhaps the most important empirical finding has been the significance of occupational segmentation in differentials. Every study in the area has revealed major differences, controlling for other factors, in the jobs held by men and women. In one of the earliest studies, Fuchs (1971) noted "how few occupations employ large numbers from both sexes," a result on which all other analysts concur. Blau (1979) found even more surprising evidence of segregation in the workplace. Within the same specific occupation in the same local labor market, men and women tended to congregate in different firms, with the men in the high-wage firms and women in the low-wage firms.

There is some question about the extent to which occupational differences account for the observed earnings differentials. In one early study, Sanborn (1964) obtained results suggesting that the bulk of male-female differences is purely occupational. Most recent studies, however, have obtained weaker results in this respect, although their level of occupational detail is less fine. Chiswick et al. (1974), for instance, attributed only 28 percent of the male-female wage gap to occupational factors. Whatever its precise role in accounting for wage differences, however, occupational segregation undoubtedly is a key aspect of male-female economic differences.

Minority Workers: Blacks

Despite the widely heralded economic progress of black Americans in the post-1964 era, blacks continue to constitute a disproportionate number of the disadvantaged workers. Indeed, as analysts have looked more carefully at the dimensions of the economic progress of blacks, most have noted that despite overall gains in the 1970's, the economic positions of many disadvantaged black workers has, if anything, grown worse in recent decades. In a recent article, Kilson (1981) said, "Out of these transformations is evolving a distinctly new kind of social stratification among Afro-Americans, one of haves and have-nots" (p. 63).

Table 10 shows the type of evidence that leads most analysts to conclude that (1) blacks have made substantial gains since 1964, but that (2) a large proportion of the black community faces a significant and worsening economic problem.

The earnings and occupation data in table 10, lines 1 through 5, reveal large gains relative to whites, with no indication of retrogression in the sluggish 1970's economy. The decline in the white earnings advantage has been confirmed in numerous studies using diverse data sets: For example, the 1960 and 1970 Census of Population (Smith and Welch, 1977), the 1962 and 1973 Occupational Change in a Generation (OCG) Survey (Hauser and Featherman, 1977), the National Longitudinal Survey (Daymont, 1980), and the PSID (Duncan and Hoffman, 1981).

Whether the economic gains of blacks are permanent or whether they are transitory, dissipating as persons age, has been raised by Lazear (1977). On the face of it, the data in table 10 appear to reject his argument because the ratios rise even in a no-growth economy; however, the correct test of Lazear's proposition is to examine longitudinal experiences. Several recent studies have done this, and as the list of studies in table 11 shows, all the analysts rejected Lazear's conclusion. The data do not indicate a decline in black-white earnings ratios as cohorts age except for the very youngest cohort, for whom ratios may have been artificially close due to minimum wage legislation. The decline among the youngest group, moreover, still leaves the ratio far closer to unity than was true of earlier cohorts, and it is smaller than declines found in earlier decades (Freeman, 1981).

With respect to the locus of black gains, most analysts agree that the largest economic advances have been achieved by black women (who have attained virtual economic parity with white women in earnings) and more educated and skilled blacks.

Table 10

Evidence of Economic Changes for Black Americans

	Males	Year				
1.	Median Wages and Salaries[a]	1949	1964	1969	1979	Change, 1969-79
	All Workers	.50	.59	.67	.72	.05
	Year-Round and Full-Time Workers	.64 (1955)	.66	.69	.76	.07
2.	Median Usual Weekly Earnings[b]	--	.69 (1967)	.71	.78	.07
3.	Median Income, by Age (1949) and Year-Round Full-Time Workers (Other Years)[c]	1949	1959	1969	1979	Change, 1969-79
	20-24	.66	.64	.82	.77	-.05
	25-34	.60	.61	.72	.74	.02
	35-44	.55	.59	.68	.78	.10
	45-54	.54	.55	.68	.59	-.09
4.	Median Income or Mean Earnings for Young Men 25-29 Years Old, by Education[c]	1949	1959	1969	1978	Change 1969-78
	High School Graduates	.73	.70	.77	.81	.04
	College Graduates	.67	.70	.83	1.06	.23
5.	Ratio of Percentage of All Nonwhites Employed in Occupations to Percentage of All Whites in Occupations	1950	1964	1969	1979	Change 1969-79
	Professionals	.39	.45	.48	.54	.06
	Managers	.22	.22	.28	.37	.09
	Craftsmen	.41	.58	.68	.81	.13
	Managers, College Graduates Only	.42	.41	.49	.75	.26

Table 10, continued

6. Ratio of Employment to Population[d]	1950	1964	1969	1979	Change 1950-79
Black	.76	.73	.73	.64	-.12
White	.81	.78	.78	.75	-.06
7. Labor Force Participation Rates					
Black	85.2	80.0	76.9	71.9	-13.3
White	85.6	81.1	80.2	78.6	-7.0
8. Percentage 14 Years and Older Without Labor Market Earnings[e]					Change 1969-79
Black	--	--	.19	.29	.10
White	--	--	.12	.15	.03

a. Ratio of black and other races' earnings to whites.

b. The May Current Population Survey asks a question regarding usual weekly earnings.

c. Ratio of blacks to all other workers.

d. Calculated as the (labor participation rate)(1-unemployment rate).

e. Calculated as (all persons-number with wage or salary income, farm income, or self-employment nonfarm income)/all persons.

SOURCES: Lines 1, 3, 4: U.S. Bureau of the Census. 1949: Census of Population 1950; Special Reports: Education, table 13. 1959: Census of Population 1960; Subject Reports: Educational Attainment, table 6. 1964: Current Population Reports, Consumer Income Series P-60, no. 47, table 33. 1969: Series P-60, no. 75, tables 45 and 59 (lines 1,3,6) and Census of Population 1970: Subject Reports: Educational Attainment, table 7 (line 4). 1978: Series P-60, no. 123, table 51. 1979: Series P-60, data from Census worksheets corresponding to tables 49, 51, and 60 of Series P-60, no. 123. Line 2: Monthly Labor Review, various issues. 1979 figure is for 1978. Line 5: U.S. Bureau of Labor Statistics, Educational Attainment of Workers, Special Labor Force Reports no. 240, table K, p. A-21; no. 125, table J, p. A-29, no. 53, table J, p. A-14. 1950 employment from Census of Population 1950, Education P-E, no. 5B, table 11, pp. 88-94 (figures for age 15 and over). Lines 6 and 7: Employment and Training Report of the President, 1980, tables A-48, A-21; 1950 figures are for 1954. Line 8: Series P-60, no. 123, table 52 (1979 figures are for 1978); no. 75, table 61.

Studies of the economic return to investments in school have found a sharp trend in favor of more educated blacks, a finding that contrasts with the trend against highly educated whites. Studies of the extent to which black families transmit their economic status to their children in the NLS, PSID, and OCG data sets show an increase in the impact of family background factors on the position of blacks, in sharp contrast to Duncan's (1968) initial result that black family background did not affect children's success prior to 1964. Finally, evidence of extensive upgrading in the occupational attainment of blacks provides further support for the proposition that blacks have made notable gains in managerial, professional, and skilled craft jobs.

An important dimension of these gains--the extent to which the new or growing black middle class is employed by government--has, however, not received adequate attention. With respect to professionals, 57 percent of black men college graduates in 1970 were employed by government, compared with 27 percent of white men college graduates; 72 percent of black women graduates and 56 percent of white women graduates were also employed by government (Freeman, 1976, table 54, p. 152). In a recent analysis, Brown and Erie (1981, table 1) estimated that 55 percent of the growth of nonagricultural employment for blacks from 1960 to 1976 was in the public sector, compared with 26 percent of that for whites, and that the rate of growth of blacks in professional and managerial positions was concentrated in the public sector in social welfare work. Although these figures may simply represent the normal pattern in which a rising group finds an exceptional proportion of employment in a growing sector, the danger is that the black middle class has become tied to a sector likely to contract in the future.

With respect to blue-collar jobs, perhaps the most positive fact about the current condition of black workers is that they are disproportionately represented in unions and hold a large number of stable high-wage blue-collar jobs.

What about Kilson's (1981) "have nots"? The first discouraging aspect is the sharp drop in labor participation rates and employment rates among older as well as younger black men. In 1969, 73 percent of black men age 16 and over were employed, compared with 78 percent of white men. In 1979, the figures dropped to 64 percent and 75 percent, respectively. A large portion of this decline occurred in the form of labor force withdrawals rather than unemployment. Although an increasing proportion of employed black men hold better jobs, an increasing proportion are also apparently out of the mainstream economy.

Table 11

Studies of Black Longitudinal Progress

Study	Data Set	Result
Raisian and Donovan, 1980	PSID, 1967-77	Wage gains of blacks exceed those of whites
Daymont, 1980	NLS Young Men, 1966-76	Wage gains of blacks exceed those of whites
Freeman, 1981	PSID, 1968-78	Wage gains of blacks smaller than for whites, ages 18-24; larger for ages 25-29
	CPS May, March tapes 1969-79	Wage gains of blacks smaller than for whites, ages 18-24; larger for ages 25-29
	NLS Young Men, 1966-76	Wage gains of blacks exceed those of whites
	National High School Class of 1972, 1972-76	Wage gains of blacks are smaller; black-white ratio drops from 0.99 to 0.94
Malveaux, 1977	CPS, 25- to 34-year-olds, 1968-77	Occupational gains of blacks exceed those of whites
Duncan and Hoffman, 1981	PSID	Black earnings gains about same as white earnings gains

The second discouraging aspect is the continued decline in the proportion of husband-wife families among blacks noted earlier. The impact of family composition on poverty can be seen in the fact that whereas the proportion of black families below the poverty level headed by men fell from 41 percent in 1969 to 25 percent in 1978, the overall proportion of blacks in poverty did not noticeably change in the period due to the rising number of families headed by black women.

Finally, the distribution of earnings among blacks may have worsened somewhat in the 1970's. Kilson (1981) pointed out a decline in the share of the lowest two-fifths of blacks in the black income distribution from 1969 to 1977 contrasted with a rise in the share of the upper two-fifths, upper one-fifth, or top 5 percent. This change exceeds directionally similar changes among whites. Over the same period, a rising fraction of black men in CPS surveys reported no labor market earnings (Kilson, 1981, table 8).

All told, the evidence suggests that although equal employment opportunity (EEO) and related antibias activities improved the position of some blacks in the period (see Brown [1981] for an assessment of the causes of change), a radically different approach is evidently needed to improve the position of the "have-nots."

Minority Workers: Hispanics

Hispanic workers appear to face economic problems that are different from those of black Americans. Differences in premarket resources rather than unexplained "residual" discrimination appear to be the prime cause of economic disadvantage among this group. Table 12 shows that the earnings of Hispanic workers have been below those of whites but above those of blacks, and rose more rapidly than the earnings of either blacks or whites in the 1970's. In contrast to blacks, the labor participation of Hispanic men exceeds that of whites, whereas the percentage of families headed by women has changed only slightly.

A principal problem for Hispanic workers appears to be low levels of schooling. Although research results are not uniform, some studies explain virtually all white-Hispanic earnings differentials in terms of education and related differences in background. Briggs, Fogel, and Schmidt (1977) reported tabulations showing income ratios of Mexican-American men relative to all males within education groups that exceed unity for workers with 8 or fewer years of education, that are in the 0.93 to 0.94 ratio for workers with a high school education, and that are below unity only for those with college

Table 12

Selected Characteristics of Hispanics

	Year			Percent Change 1972-79
1. Mean Household Income	1972	1975	1979	
Hispanic	8,824	10,524	16,161	83
White	11,725	14,288	20,393	74
Black	7,501	9,247	13,088	74
2. Percentage Female-Headed Hispanic Households		1975 19	1980 19	
3. Labor Force Participation Rates, Males, Age 20 and Over	1973		1979	
Hispanic	.86		.85	
White	.82		.80	
Black	.78		.76	
4. Hispanic Educational Distribution by Householder	1973	1975	1979	
Less than 8 Years Elementary	--	.37	.29	
8 Years Elementary	--	.09	.08	
1-3 Years High School	--	.16	.16	
4 Years High School	--	.22	.26	
1-3 Years College	--	.08	.12	
4 or More Years College	--	.07	.09	
Expected Family Income Ratio, Given White Educational Distribution	.99	.90		
Actual Family Income Ratio	.75	.74	.79	
5. Mean Earnings, Males ($)		1975	1978	
Hispanic		8,162	10,473	
White		11,448	14,627	
Black		7,541	9,651	
Expected Earnings Ratio, Given White Education Distribution		.83	.84	
Actual Earnings Ratio		.71	.72	

SOURCES: Line 1: U.S. Bureau of the Census, Current Population Reports (CPR), Series P-60; no. 126, table 1. Line 2: CPR Series P-20; no. 363, table 32; no. 295, table 25. Line 3: Employment and Training Report of the President 1980, table A-8; 1975, table A-7. Line 4: CPR Series P-60; no. 126, table 3; no. 105, table 2. Line 5: Calculated from CPR Series P-60; no. 123, table 51, no. 105, table 48.

and cite findings that indicate that controlling for schooling, training, and age, Hispanics obtain earnings 14 percent above those predicted for the average worker. Reimers' (1980 a, b) analysis attributes nearly all of the white-Hispanic differences to background factors, although she finds different results for different Hispanic groups. The income data from the 1979 March Current Population in table 13, line 4, support the thrust of these results for family incomes, showing that nearly all of the white-Hispanic family income gap is attributable to education attainment. Earnings data for individuals (line 5), however, yield the more moderate conclusion that about 40 percent of the gap is due to education. Although there are differences among studies and data in the proportion of the white-Hispanic income gap attributed to schooling, the evidence to date suggests that limited schooling is a serious problem. Language difficulties, which have been thought to be a major independent deterrent to economic success, were found by Reimers to have only a modest impact on earnings.

With respect to the education problem, the low percentage of Hispanics of voting age registered to vote (44.4 percent compared with 73.4 percent for Anglos) reported by Briggs, Fogel, and Schmidt (1977, p. 25) may make schools less responsive to their needs. The relatively flat education-earnings profile for Hispanic men implicit in the Briggs et al. (1977) and other studies may further provide less incentive for Hispanic young persons to invest in schooling.

Industrial Dislocation

In a dynamic economy, demand for labor in some sectors grows while in others it declines over time. The reasons for growth and decline vary; they may include technological change, shifts in consumer preferences, foreign competition, and domestic competition. Concern is often expressed for workers who lose their jobs as a result of declines in their industries. In the 1960's, there was general concern for declines in labor demand due to technological change; in the 1970's, the focus has been on declines due to foreign competition.

To what extent are adjustments in the work force attributable to changes in trade patterns, technological change, or other factors costly to specific groups of workers? Are these losses permanent or transitory? Viewed broadly, the cost of declines in demand depends on the nature of the adjustment in employment, the length of time it takes workers to find new jobs, and the possible reductions in their earnings.

Table 13

Summary of Studies of Displaced Workers

Study	Sample	Nature of Study	Results	Possible Problems
Corson, Nicholson, and Skidmore (1976)	1,721 UI recipients from 4 Standard Metropolitan Statistical Areas (SMSA's) who exhausted their standard benefits in October 1974 (includes recipients of supplemental benefits).	Interviews conducted at the time of exhaustion, 4 months later, and 1 year later to investigate the impact of exhaustion of benefits on exhaustees and their families, including labor market experiences.	Exhaustees were older, between poverty and median family income levels, and had fairly strong labor force attachment. Reemployment: 4 months after exhaustion (24%-25%); 1 year after exhaustion (36%). Reemployment wages: $19 less per week than pre-layoff because of fewer hours.	Does not separate results by industry.
Kingston and Burgess (1979)	240 UI recipients, members of Arizona Benefit Adequacy Study, who exhausted all benefits available to them between May 1976 and August 1977 and who responded to three mail surveys.	Three mail questionnaires: distributed 2, 4, and 6 months following benefit exhaustion to study consumption adjustments and labor market experiences of benefit exhaustees.	More exhaustees were over 55, women, and in clerical, sales, or services jobs with relatively low weekly earnings. Older workers had the most difficulty securing employment for each week. Large percentage reductions in hourly rates were reported in post-layoff jobs. 60%-70% obtained employment of the same type as they left.	Respondent sample was more female and over age 55 than original sample. Study took place only in Arizona.
Corson et al. (1979)	963 TAA recipients (53 petitions, 7 States) from manufacturing; 260 UI recipients from manufacturing; 278 UI recipients from other industries; all laid off between October 1974 and December 1976.	Interviewed once between November 1978 and February 1979 to determine the characteristics of TAA recipients and analyze the effects of the program.	TAA recipients were older, less educated, longer tenured, more unionized, and not poor. TAA recipients expected their layoffs to be temporary, and they were: 72% returned to previous employer after a shorter spell than did the UI recipients who returned. TAA recipients who found new jobs had longer layoffs and significantly lower post-layoff pay than did rehired workers or UI recipients with new jobs.	Does not identify other declining industries.

Table 13, continued

Study	Sample	Nature of Study	Results	Possible Problems
U.S. General Accounting Office (1980)	868 TAA recipients laid off from 200 plants from October 1974 through December 1977.	Single interview from July through November 1978 to determine the general need for TAA payments.	Most workers (67%) were not laid off permanently, 18% were working for a new employer, 9% were unemployed (4% expected recall), and 6% retired. 80% of the workers who hadn't returned to work and had exhausted their benefits were from 3 industries (leather, apparel, and electronics). Most workers indicated that they experienced no severe economic hardship as a result of their layoffs.	No comparison group. No standardized length of time from layoff to interview.
Bale and Mutti (1978)	76 nonrubber-shoe industry workers laid off in 1969-70 from 4 failed firms.	Survey in February 1972 to determine the pecuniary losses suffered by the workers.	Mean age, 45; 62% were female, all were white. Average education, 8th-9th grade; job tenure, 9 years. At interview, 52% were employed, 26% unemployed, 22% retired. Mean duration of unemployment was 38 weeks. Coverage hourly wage loss was $1.10 per hour. Total pecuniary losses per worker: $23,000-$24,000.	Small sample, single industry, no comparison group.
Neumann (1978a,b)	517 TAA recipients, 198 TAA qualified nonrecipients. 201 UI recipients laid off permanently from manufacturing firms in 1970-73 in 14 States.	Single interview in October 1975 to determine post-layoff labor force experiences.	TAA recipients were primarily female, union members, white, older, less educated, married, and had more tenure. 40% had not found new jobs by 1975. For those with jobs, unemployment had lasted almost 49 weeks.	Does not include temporary layoffs or people with jobs lined up before the layoff. Only trade displaced. Does not identify other declining industries in control group.

Table 13, continued

Study	Sample	Nature of Study	Results	Possible Problems
Jacobson (1978)	Social Security LEED file, 11 industries, 229 SMSA's, 1960-1970.	Analysis of LEED file job losers/stayers by industry and SMSA.	Persons who lost jobs in SMSA's with declining employment had earnings losses of 1%-4%, depending on industry, in first 2 years, and smaller losses over longer run. Persons who lost jobs in SMSA's with rising employment also suffered sizable losses. Losers were greater where attrition was small and where prime-age males were high percentage of employment.	Does not include other demographic groups.
Corson, Nicholson, and Skidmore (1976)	Longitudinal study of 2,000 workers who exhausted their regular UI benefits in October 1974.	Interviewed at time of exhaustion, 4 months later, and 1 year later.	Exhaustees had low reemployment rate in ensuing year (36%). On average, those getting work had a 29% drop in real earnings in new jobs, with far fewer hours worked.	No comparison with non-UI group.

Consider two possible worlds: One in which workers are permanently attached to enterprises and in which economic rewards are strongly dependent on years of tenure with an employer; and one in which voluntary attrition rates are high or in which economic rewards are only modestly linked to tenure. In the former world, changes in demand due to outside shocks are likely to be highly costly, with workers suffering significant capital losses. In the latter world, one would expect only moderate economic losses, for job changes are a normal and not especially costly part of life. As has been noted by research analysts, turnover rates are high in the United States (see Salant, 1978; Brechling, 1978), so that industries can adjust employment largely through attrition; however, some firms do, of course, go out of business and other permanently lay off workers as a result of normal economic change.

Industries experiencing significant technological change are less likely to experience declines in employment than those facing serious foreign or domestic competition. This is because technological advance lowers unit labor costs, and thus the price of output, thereby stimulating demand. Industry productivity growth rates are not negatively correlated with employment growth (see Salter, 1960; Kendrick, 1961), although one study found negative correlations at the plant level in the 1950's (National Commission on Technology, Automation, and Economic Progress, 1966). Industries subject to competition from other sectors or parts of the world are more likely to undergo serious employment losses and perhaps more significant and permanent economic distress as well.

Recent research on displaced workers has examined what happens to workers displaced for particular reasons, notably growth of foreign imports (as defined by the Trade Assistance Act [TAA]), or to workers on Unemployment Insurance (UI) rather than on the general topic of industries with declining demand. Jacobson's (1978) work, to be discussed shortly, is the major exception because it tries to differentiate between workers in declining and nondeclining sectors in general.

Table 13 summarizes some of the major studies. In general, the evidence suggests that although most workers displaced as a result of competition recover their initial jobs and earnings positions, a large proportion suffer major economic losses as a result of displacement; their wages and hours of work fall, and there is an extended period of time before reemployment.

The Corson et al. (1979) and Neumann (1978) studies, which compared the TAA and UI recipients, found that the TAA sample contained older workers with considerable job tenure who were more likely to be union members and to be less educated than

typical UI recipients. These characteristics support the view that layoffs due to import competition affect a group of workers that is different from the normal UI recipient population. It is not clear, however, whether these differences stem from the characteristics of the labor force in the trade-affected industries. In that case, the observed differences between the TAA and UI groups would change with changes in the industries affected by trade. Trade-affected layoffs, however, may cut deeper into an industry's labor force, releasing more senior or productive people than would a normal cyclical layoff. Then the differences would be relatively stable over time. Neither study attempted to distinguish between the two possible causes for sample group differences.

Both studies indicated that a small group of trade-displaced workers were hurt by their layoffs but that the majority did not suffer serious losses. As shown in table 14, from 66 percent to 75 percent of TAA recipients returned to their own jobs with larger wages than they had originally. Those who did not return to the same jobs, however, suffered substantial losses, with the TAA group experiencing larger percentage declines in earnings than did the UI group.

The other studies in table 14 also revealed large losses to workers who suffered job losses, with older workers and female workers apparently the most severely affected. In the Burgess and Kingston (1978) study, a sizable proportion of women and older workers withdrew from the labor force, exhausted their UI benefits, and had large percentage reductions in hourly wages and in time worked. Bale and Mutti (1978) estimated a large capital loss for workers displaced from the shoe industry. Jacobson's (1978) analysis of displaced workers in general found sizable losses in earnings for persons who lost their jobs in years of declining employment compared with persons who held their jobs. Jacobson obtained less clear results when he compared earnings loss of job losers in areas with declining employment with the earnings loss of job losers in areas with rising employment, because even in areas of rising employment, job losers suffered large income losses in his sample. The losses were greater for industries with low normal attrition rates and higher in industries with a high proportion of prime-age male workers. The most recent study, by the U.S. Government Accounting Office (GAO, 1980), yields results consistent with the others. In the GAO survey of 242,000 workers, two-thirds of those initially displaced had returned to work for their same employer at the time of the interview, and an additional 4 percent expected to be recalled. As a result of this pattern, most workers indicated that they had not experienced severe economic hardships as a result of their lay-

Table 14

Results of the Corson (1979) Study

	TAA				TAA			
	Male		Female		Male		Female	
	Different Job	Same Job	Different Job	Same Job	Different Job	Same Job	Different Job	Same Job
Percentage of Sample	14.2	74.8	26.0	65.9	31.7	59.1	29.8	56.0
Mean Weeks Unemployed	37.9	17.2	50.0	17.9	30.2	20.0	37.9	25.5
Sample Mean Wages (1975 dollars) Pre-UI/TAA	249	260	151	149	213	225	148	148
Mean Wages at First Job After Layoff	179	285	116	163	184	246	112	168
Ratio of First Job After Layoff to Pre-UI/TAA Wages:								
0 - .75	49.0	5.3	50.0	4.6	29.7	1.2	37.1	6.8
.75 - 1.0	26.5	16.8	26.9	19.7	29.7	24.7	34.3	20.5
1.0 - 1.25	18.4	54.8	9.0	48.7	23.4	52.9	22.9	40.9
1.25 - 1.50	4.1	13.6	51.	20.4	10.9	12.9	2.9	13.6
1.50 or more	2.0	9.4	9.0	6.6	6.3	8.2	2.9	13.6
Percentage Who Changed Industry	74.3	1.3	65.4	1.9	70.8	0.0	71.4	2.2
Percentage Who Changed Occupation	64.6	11.8	44.9	6.2	62.5	11.1	45.7	10.9
Mean Present Discounted Value of Earnings Lost Over 3 Years ($)	15,500	4,600	11,200	2,700	12,600	4,000	11,000	2,700

SOURCE: Corson et al., 1979, pp. 48, 54, 154.

offs. Most were able to rely on unemployment insurance benefits and other resources to meet their financial needs. Of the minority who did not return to the same employer, 10 percent found jobs elsewhere, 6 percent retired, and 5 percent were looking for work. It is among the last group that serious economic problems are likely.

Finally, the Corson, Nicholson, and Skidmore (1976) study of the experiences of Unemployment Insurance recipients the first year after exhausting their benefits provides additional support for the conclusion that some of the displaced suffer real earnings losses. In their sample, only 65 percent of 1,721 exhaustees found jobs 1 year after initial exhaustion of benefits, and they had a decline in real earnings of close to 30 percent (Corson et al., 1976, p. 18, obtained by adding decreases in earnings and increases in consumer prices).

In sum, the evidence supports the claim that although most workers who suffer initial job losses recover their positions, certain workers experience a substantial drop in the earnings distribution. Because our earlier results concerning persons who fall in the distribution suggest that sizable drops are partially permanent, there appears to be a hard core of persons who (for whatever reason) bear the brunt of economic distress.

Older Workers

It may seem odd to argue that older workers are a troubled group in the labor market. Cross-section age-earnings profiles peak at ages 45 to 54; vacation time, promotions, and layoffs usually depend on seniority; and older persons experience relatively low unemployment rates. Indeed, older workers in general are not a disadvantaged group. Nevertheless, a small number of workers over age 45 are in trouble for one important reason: loss of job. Institutional arrangements relating to seniority (not age) and firm-specific human capital make the loss of a job by older workers especially onerous. First, the loss often involves leaving a position with relatively high wages. Second, companies that offer defined benefit pension plans and related fringe benefits find that the cost of hiring older workers exceeds the cost of hiring younger workers by a greater amount than the wage differential. As a result, older workers are alleged to face serious adjustment difficulties: Longer unemployment than younger workers, lower wages on subsequent jobs, and lack of steady employment after layoffs. As a result, some older male workers drop out of the work force earlier than planned. In addition to problems caused by layoffs, older workers suffer from potential health problems, which also affect earnings and labor participation.

What is the evidence for these claims? With respect to unemployment, the rates published by the Bureau of Labor Statistics show clearly that older workers have longer incomplete spells than do younger workers. Virtually all the studies of industrial dislocations cited in table 15 found that older displaced workers have more problems obtaining work than do younger workers. Exceptions may exist, but the results of the studies seem unequivocal.

The evidence also seems to support the assertion that older job losers suffer more substantial declines in wages and time worked than do younger workers. The Bartel and Borjas (1977a, b; 1978) studies, which dealt specifically with this issue in the context of a specific human capital model, showed that layoffs of older men had a large, negative effect on the wages of men who had accumulated 3 or more years of tenure; also, the authors found that layoffs caused relatively larger wage losses and flatter wage profiles in the future for older than for younger workers. Parnes and King (1977) also showed much lower earnings and declines in occupational status for displaced older workers, although they stressed the variability of the outcomes. Finally, Mick's (1975) review of case studies on displaced workers concluded that those who lost the most from layoffs were older, less skilled, blue-collar workers.

Overall, the evidence seems to support the assertion that older job losers are a troubled group in the work force, at least in terms of the substantial drops in their position in the earnings distribution.

What factors explain the problem of older workers in the market? Several possible causes of labor market difficulties are discussed in the literature. First is the hypothesis that older workers show declines in productivity. Although the Employment and Training Report of the President, 1978 (U.S. Department of Labor, 1979) correctly cites extant productivity literature as contradicting this allegation (productivity levels off early in the work life and remains level with age), the possibility exists that firms displace those older workers whose productivity falls. Although I do not regard this as likely, it deserves some attention. A second reason, stressed by Barnow and Ehrenberg (1979), appears more reasonable: Because of defined benefit pension plans (and other fringe costs likely to rise with age), older workers are more expensive than younger workers at the same wage. To date, however, the importance of this factor has not been empirically estimated. A third reason relates to the advantages of older senior workers cited at the beginning of this section. Recent evidence (Medoff and Abraham, 1981) showing that a significant proportion of higher wages go to older workers because of seniority

Table 15

Selected Studies of Labor Market Problems of Older Workers

Study	Sample	Nature of Study	Results	Possible Problems
Mick (1975) (Review of Case Studies)	Workers unemployed after plant shutdowns. Studies done in 1930's through 1960's.	Examined impact of plant shutdowns on workers and communities.	Despite widespread negative effects, hardest hit were older, less skilled, blue-collar workers.	Studies are not comparable, making industry or regional analysis difficult.
Parnes et al. (1970)	NLS Mature Men Sample.	Provided descriptive statistics and cross-tabulations on the characteristics and labor market outcomes of the NLS Mature Men Sample.	Characteristics positively related to unemployment rate include being black, a manual or service worker, in the construction industry, uneducated, or single. Previous job tenure and the duration of unemployment are positively correlated.	
Parnes and King (1977)	99 permanently displaced workers with at least 5 years' tenure from NLS Mature Men Sample. Laid off between 1966 and 1971.	Compared 1973 status of the displaced workers with a matched control group that had not been laid off. Measured individual characteristics and outcome variables.	Characteristics similar, except displaced workers came disproportionately from trade and manufacturing industries. Displaced workers suffered more unemployment and lowered earnings and occupational status. Displaced workers were not less likely to be in the labor force. Overall, wide variability in outcomes.	Generalizability of results limited by selection criteria of minimum 5 years' tenure. Resulted in sample with 43% with 10-19 years' tenure; 34% had 20 years, or more.

Table 15, continued

Study	Sample	Nature of Study	Results	Possible Problems
Bartel and Borjas (1977a, b)	NLS Mature Men Sample.	Studied impact of quits and layoffs on immediate post-separation wage and on future wage growth. Analyzed serial correlation of separations.	Layoffs had ambiguous effect on immediate wage change for overall sample, and large negative effect for those with more than 3 years' tenure. Strong negative effect on future wage gains for whole sample. Strong serial correlation of layoffs.	Studied wage patterns and job mobility; did not examine post-termination employment.
Bartel and Borjas (1978)	NLS Young Men Sample; NLS Mature Men Sample.	Attempted to measure the impact of job mobility on wage gains across jobs and wage growth within jobs for young and mature men.	For Mature Men Sample, layoff caused immediate wage loss and flatter wage growth in future.	
Pursell and Torrence (1979)	2,190 persons from a UI applicant data file, October 1976.	Examined methods of job search and postemployment earnings. Compared the subset of the sample > 45 years with those ≤ 45 years.	Older workers used fewer job search methods. Duration of unemployment had a negative effect on postemployment earnings, especially for older workers. Reservation wage also had a negative effect on earnings, especially for older workers.	

wage policies, not productivity, suggests that loss of seniority due to job loss would force the wages of older workers to drop significantly. The Bartel and Borjas (1977a, b; 1978) evidence on declines in wages for laid-off older men with 3 or more years of seniority is consistent with this claim. Finally, the concentration of older workers in older, often declining, industries may also contribute to their difficulties.

The fact that some older men face serious labor market problems despite the high average earnings of the group is consistent with the distribution of earnings by age, because not only does the level of earnings rise with age, the level of dispersion also rises with age. Relatively more older men than younger men have earnings below (and above) the group average, thereby generating a definite tail of troubled workers, as shown in table 7.

Poor health, as reported by survey respondents, associated with economic problems has been reported in numerous studies (Luft, 1975; Fuchs, 1975; Parnes et al., 1970). The lower participation of older black men than of older white men has been attributed to the greater health problems of the former (Parnes et al., 1970). The decline in the participation of older black men has been attributed to poor health combined with increasingly more generous Social Security disability insurance (Parsons, 1980; Leonard, 1979). One possible problem with this interpretation relates to the self-reporting of health status: Perhaps men who wish to work fewer hours, to take easier jobs, or to withdraw from the labor force find it more socially acceptable to cite poor health as the reason. For older men at least, the evidence rejects this possibility. Andrisani (1977, table 1) found that older men reporting that their health affected their work had markedly higher mortality in ensuing years than did those who reported that health did not affect their work. In addition, a large fraction of older men who retire or leave the labor force do not cite health as a cause: It has become more acceptable to retire or retire early for personal non-health-related reasons. Hence, the studies that show that self-reported health problems are a major cause of labor market problems of older workers are likely to be true.

In sum, although a majority of workers over age 45 are relatively successful in the labor market, a hard core of job losers and workers with health limitations face serious economic troubles.

Workers in Depressed Communities

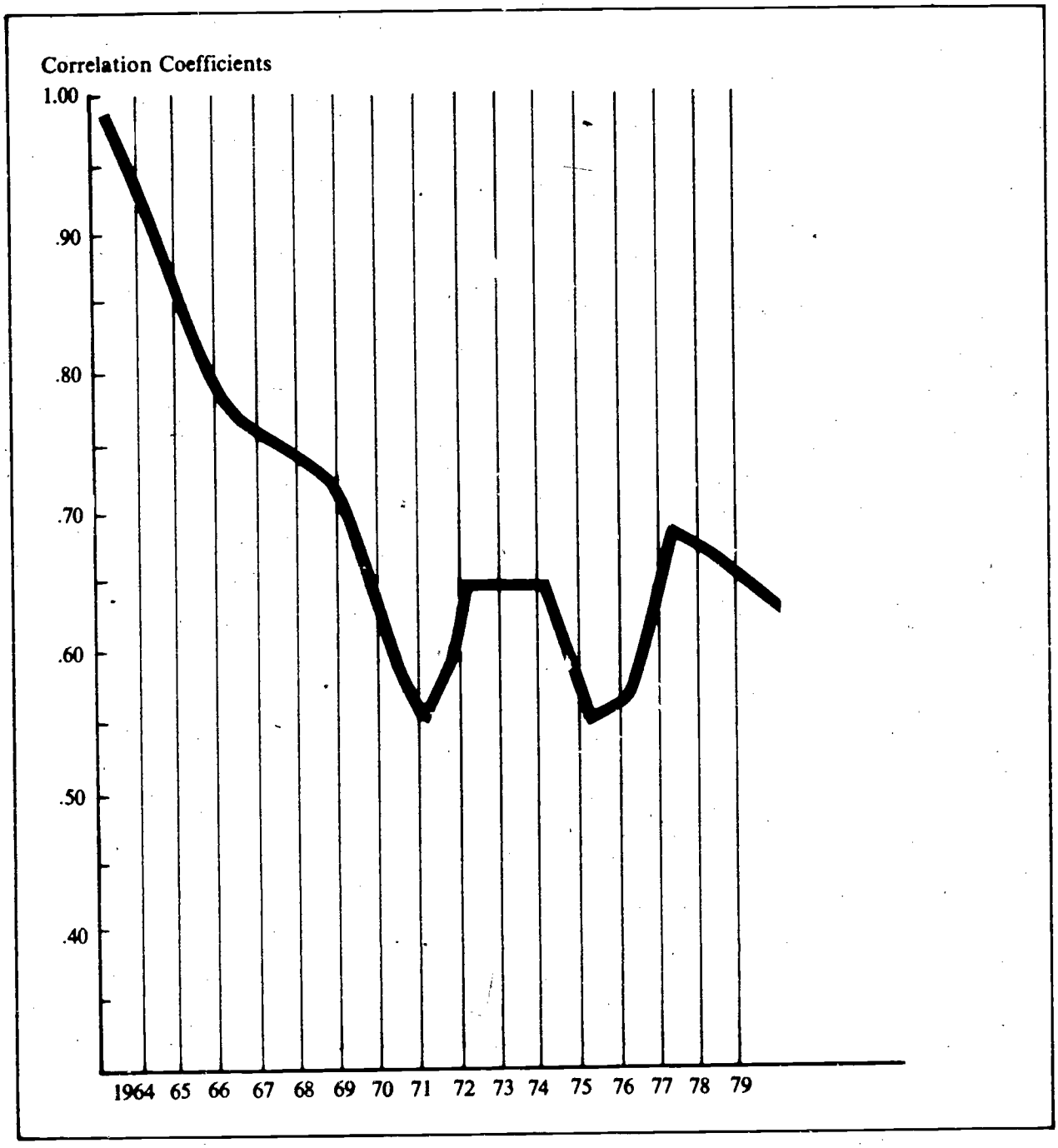
The problem of depressed areas has drawn serious concern for many years; this concern was most dramatically exemplified by President Kennedy's attention to Appalachia in the 1960's.

Recent economic analysis of the depressed area problem has focused on two questions: Whether unemployment in an area is permanent or transitory, and whether unemployment is compensated for by higher wages.

Studies of the relationship between area unemployment rates over time provide a clear answer to the question of persistence. They show unequivocally that unemployment across areas is a structural, relatively permanent problem rather than a transitory phenomenon. In a series of calculations, Marston (1980a, b) has documented this point effectively. In an analysis of variance of area unemployment comparable to decomposition of individual earnings described earlier, he found that 58 percent of the variance in rates across 30 SMSA's was due to area effect and another 30 percent was due to year effect, leaving only a modest 12 percent due to transitory factors. Using Census of Population data for 1950, 1960, and 1970, he not only obtained a higher estimate for the area effect (two-thirds of the variance was attributed to areas), but also a higher residual effect (28 percent). Browne's (1978) analysis of unemployment by census region divisions also revealed distinct patterns, with average unemployment higher in the West and lower in the North Central and South than in other regions throughout the 1960-76 period. As a check on these findings, I computed correlations between unemployment rates in more than 100 SMSA's using the crude data published in the Employment and Training Reports of the President, for the period 1963-79. Figure 2, which summarizes this analysis, shows initially high correlations exceeding 0.9 that fall and then stabilize at about 0.7, with no indication of further drops. Areas that had high unemployment in 1963 had a strong tendency to have high unemployment more than a decade later.

The hypothesis that area unemployment rates are at least partly compensated for by area wages was first suggested by Hall (1976). He showed that there was a positive correlation between the two variables in 12 cities. Since then, several studies have examined the relation in greater detail. As table 16 suggests, Hall's initial conjecture appears to be valid: High rates of unemployment are associated with high wages. Reza (1978) extended Hall's work to 18 cities for the period 1967-74 and found a large positive correlation, but he failed to allow for any other variables that might have affected the relation. Browne (1978) examined regional employment rates for the period 1960-75, including numerous demand-side variables,

Figure 2. Correlation Coefficients of the SMSA Unemployment Rates in the United States, 1963-79*



*Calculated from annual unemployment rates from U.S. Department of Labor, Manpower Administration, *Manpower Report of the President, 1974*, table D-8, pp. 335-337, for 1963-73; Department of Labor, *Employment and Training Report of the President, 1980*, table D-8, pp. 333-335, for 1974-79.

Table 16

Studies of the Compensatory Relation Between Area Wages and Unemployment

Study	Data Set	Finding
Hall (1976)	12 cities.	High unemployment cities have high wages.
Marston (1980 a, b)	1970 Census of Population, one-half million observations, 125 SMSA's.	Significant positive relation between individual's chances of unemployment and real area wage, with many other controls.
Reza (1978)	18 SMSA's, 1967-74.	Positive correlation between unemployment and income or earnings, no control variables.
Behman (1978)	27 States, 1970-75.	Insignificant but positive correlation between unemployment rate (instrumented) and real wage, numerous other controls.
Browne (1978)	9 census regions, 1960-75.	Employment ratio negatively correlated with wage and salary income per worker, implying positive correlation for unemployment ratio, other controls.

and obtained a significant negative relation between regional wages and employment rates, which implies a significant positive relation between wages and unemployment. In the most definitive work, Marston (1980a, b) used the 1970 Public Use Sample to analyze the unemployment of more than a half-million people in 125 metropolitan areas. With numerous other controls in his calculations, he found the real area wage rate to be significantly permanently correlated with the chances of an individual being unemployed. As seen in studies of developing countries, however, the extent to which wages and unemployment are related far exceeds that predicted by the usual expected income model, which suggests the need for a more complex analysis.

The fact that unemployment and wages are positively related by geographic area does not, of course, mean that unemployment and wage differences across regions are at equilibrium levels. To investigate this issue, it is necessary to examine how migration behavior responds to the difference. The results of the literature on determinants of migration yield the striking finding that local unemployment rates do not explain migration, whereas income and wage differences do (Greenwood, 1975, p. 411). This finding implies that greater attention should be given to regional income differences than to regional unemployment differences in defining depressed areas.

Overall, the finding that wages and unemployment rates are positively related does not mean that no high unemployment areas suffer serious economic problems; inner-city slums certainly are troubled. The literature findings do suggest, however, that areas that deviate adversely from the normal unemployment-wage relation (that is, that have both low wages and high unemployment) should be the focus of concern, rather than high unemployment areas.

4. Conclusion

This paper has reviewed some of the literature on groups of workers having trouble in the economy and analyzed the Michigan PSID to provide additional information relating to those groups. It has shown the existence of a relatively permanent hardcore group of troubled workers with distinctive characteristics. This study also found that workers in trouble are better distinguished by personal, unobserved characteristics than by any set of observables. This fact points to the need to define and aid workers in trouble on the basis of market outcomes, not on the basis of particular "causes" of problems. The permanence of the earnings distribution among persons, combined with the stability of the distribution over time, suggests that real economic growth is the key to aiding troubled workers, although special programs and efforts may help particular groups.

The most interesting aspect of the literature on troubled workers is the wide diversity of perspectives and forms of evidence examined. The most disappointing aspects are the inconclusive nature of the dual labor market/neoclassical debates and the failure to combine the diverse evidence and ideas into a unified perspective on the individual and institutional causes of troubled workers. This failure, of course, offers an opportunity for future research.

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APPENDIX B

WORKERS DISLOCATED BY ECONOMIC CHANGE: DO THEY NEED FEDERAL EMPLOYMENT AND TRAINING ASSISTANCE?

By

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The Urban Institute

WORKERS DISLOCATED BY ECONOMIC CHANGE: DO THEY NEED FEDERAL EMPLOYMENT AND TRAINING ASSISTANCE?

Summary

The American economy is experiencing rapid structural change, associated with causes such as increasing foreign competition, technological advances, energy price rises, and consumer demographic trends. One consequence of these shifts is that some "midcareer," "mainstream" American workers who had previously enjoyed relatively stable work histories, high skill levels, and high wages find themselves unemployed.

This paper provides empirical estimates of the number and characteristics of these workers, based on the nationwide Current Population Survey (CPS) of March 1980. This information provides background for deciding to what extent Federal employment and training activities should help these workers become productively reemployed.

The Number of Dislocated Workers

We examined three categories of structural economic change: Industries experiencing nationwide long-term employment decline, occupations experiencing nationwide long-term employment decline, and regions experiencing either very high unemployment or long-term population loss. A dislocated worker was defined as an able-bodied adult who had been unemployed more than 8 weeks and who was caught in one of these three types of changes.

For March 1980, we estimated the numbers of such workers and of workers whose unemployment had lasted more than 26 weeks.

	More than 8 weeks	More than 26 weeks
In a declining industry	412,000	90,000
In a declining occupation	642,000	90,000
In a declining region	895,000	269,000

The largest of these estimates--895,000--represents less than 1 percent of the entire U.S. labor force and less than 14 percent of all unemployed; the smallest of these estimates--90,000--represents 0.1 percent of the U.S. labor force and less than 2 percent of the unemployed. Dislocated workers unemployed more than 8 weeks averaged only 3 percent of the labor force in declining industries, occupations, or

regions. Thus, except in local areas immediately following mass layoffs, dislocated workers generally do not represent a problem of overwhelming scale.

Most dislocated workers are semiskilled operatives formerly employed in manufacturing industries in the Nation's "frostbelt" region. The motor vehicle industry alone accounted for 106,000 of the persons unemployed for more than 8 weeks. In fact, that industry represented the major exception to our generally optimistic picture. There, unemployment exceeding 8 weeks stood at more than 10 percent of the industry's nationwide labor force, and nearly 25 percent of all unemployed persons in the industry had been unemployed more than 26 weeks.

Is Dislocation a Good Predictor of Long Unemployment Duration?

A variety of evidence suggests that a worker's association with a declining industry or a declining occupation is not a strong indicator that the worker will experience particularly long unemployment. In fact, workers from declining industries account for 20 percent of the 8-week unemployed, but a lower proportion--only 13 percent--of the 26-week unemployed. Neither industrial decline nor occupational decline increased a worker's predicted duration of unemployment more than a few days, in populations where the duration of unemployment averaged 11 weeks.

While association with a declining industry or occupation generally had little effect on a worker's reemployment, association with a declining region seemed to make a major negative difference. A worker living in a region with very high total unemployment could expect the 11-week average duration of unemployment to increase by more than 2 weeks; if the region was experiencing long-term population loss, the average duration increased by 1.5 weeks. Correspondingly, while economically declining regions accounted for 43 percent of 8-week unemployment, they accounted for a higher proportion--more than 55 percent--of 26-week unemployment. These findings are consistent with the much-discussed geographical immobility of labor, even in the face of large differences in economic opportunities between, for example, Detroit and Houston.

The Characteristics of Dislocated Workers

This paper also compares the personal and employment characteristics of workers who have been dislocated for more than 8 weeks with characteristics of two other groups of the adult unemployed: The long-duration unemployed (defined as having been unemployed more than 26 weeks) and the unemployed

from low-income families (representing "disadvantaged" workers, toward whom most current Federal employment and training efforts are targeted).

These comparisons indicate that dislocated workers generally do not suffer from the labor market handicaps that disadvantaged workers encounter:

- In terms of education, dislocated workers are heavily concentrated at the level of high school graduates. The long-term unemployed include a higher proportion of college-educated workers, while the unemployed from low-income families encompass a higher proportion of persons who never completed high school.

- Both the long-term unemployed and the unemployed from low-income families include a higher proportion of minorities and women than does the category of dislocated worker.

- In terms of age, dislocated workers include only a slightly higher proportion of workers age 40 and older than do the other two groups.

- In terms of personal incomes in the year prior to their current unemployment, dislocated workers received both higher salaries and more generous fringe benefits than did disadvantaged workers.

Indeed, the major factors associated with long-duration unemployment among dislocated workers are those arising from their relative affluence:

- Dislocated workers are somewhat more geographically immobile because of a higher rate of home-ownership.

- The high wages and fringe benefits enjoyed on their previous jobs create an incentive for many dislocated workers to remain unemployed for long periods on even the remote possibility of being rehired.

- Family incomes of dislocated workers remain relatively high even while they are unemployed, reducing financial pressures on them to seek reemployment. More than 60 percent of dislocated workers have other earners in their families; and dislocated workers typically have generous unemployment insurance and other wage-replacement program coverage.

In light of these last findings, it is perhaps not surprising that dislocated workers exhibited substantially lower rates of job search activity than did disadvantaged workers experiencing similar unemployment.

Implications for the Use of Federal Employment and Training Resources

The facts just presented provide little support for the notion that dislocated workers per se should receive high priority in the use of scarce Federal employment and training resources. In particular, association with an industry or an occupation in nationwide long-term decline did not seem to (1) effectively predict workers who would experience unemployment of unusually long duration, (2) identify workers with serious labor market handicaps, or (3) isolate workers experiencing the highest degree of economic distress. Furthermore, in general, neither single declining industries or occupations nor all declining industries and occupations together accounted for a strikingly large number of long-term unemployed persons.

To the extent that any action is to be undertaken on the basis of economic dislocation, the criterion of a region's experiencing economic decline appears to be a more effective indicator of high-priority need than either a declining industry or a declining occupation. Short-term ad hoc intervention in local communities experiencing mass layoffs may be useful in facilitating worker reemployment. (The massive problems of the motor vehicle manufacturing industry probably are best addressed in this context.) Creation of a major ongoing Federal program of employment and training assistance for dislocated workers, however, or retargeting of existing Federal activities toward this group, does not seem an appropriate response to the nature and magnitude of the problem described in this paper.

Introduction

The American economy is in an era of rapid structural change. Many factors are involved: The swift pace of technological innovation; the increasing challenge of foreign competition; dramatic shifts in the price of key industrial inputs, notably energy; major changes in consumer characteristics and consumer tastes; and unpredictable redirections in government policies and expenditures. Each of these factors contributes to the rise of certain industries,

regions, and occupations, and to the decline of others.[1] One consequence of such changes is that some number of "midcareer," "mainstream" American workers have found themselves in the ranks of the unemployed, despite having previously enjoyed relatively stable work histories, high skill levels, and high wages.

For approximately the past 15 years, Federal programs dealing with the employment and training needs of the unemployed have focused on persons quite different from these workers dislocated by economic change: Disadvantaged workers, typically characterized by unstable labor market experience, low skill levels, and low wage rates. This targeting is clearly characteristic of activities under the Comprehensive Employment and Training Act (CETA), and of Federal initiatives on youth employment. Not since the Manpower Development and Training Act (MDTA) of 1962 have major federally sponsored employment and training efforts been directed explicitly to the needs of the nondisadvantaged structurally unemployed.[2]

Should such activities be revived? Is there a major and growing need for Federal employment and training efforts to assist workers dislocated by economic change? Are such needs urgent enough to receive priority in the use of scarce budgetary resources over the still-serious employment problems of disadvantaged workers? Policymakers are debating these questions today; this paper provides some factual background for the debate.

Specifically, this paper provides information on three major questions:

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1. On such changes, see Marc Bendick, Jr., A Federal Entrepreneur? Industrial Policy and American Economic Revitalization (Washington, D.C.: The Urban Institute, 1981); Kathryn Rudee Harrigan, Strategies for Declining Businesses (Lexington, Mass.: D.C. Heath, 1980); Gail Garfield Schwartz and Pat Choate, Being Number One: Rebuilding the U.S. Economy (Lexington, Mass.: D.C. Heath, 1980); and The Impact of International Trade and Investment on Employment (Washington, D.C.: U.S. Department of Labor, 1978).

2. For the history of MDTA, see Eli Ginzberg, ed., Employing the Unemployed (New York: Basic Books, 1980), especially pp. 3-24, and Garth L. Mangum, MDTA: Foundation of Federal Manpower Policy (Baltimore: Johns Hopkins University Press, 1968).

- Under various definitions, how many dislocated workers are in the American economy today?

- Is the label "dislocated worker" a good predictor that an unemployed person will have difficulty becoming reemployed?

- What are the personal and employment characteristics of dislocated workers?

These three questions are addressed, in turn, in the three major sections of this paper; the answers given are based on analysis of a sample of 3,809 unemployed adult workers interviewed in the U.S. Census Bureau's Current Population Survey (CPS) of March 1980.[3] A final section of the paper summarizes our findings and draws out their implications concerning the need for Federal employment and training assistance to dislocated workers.

Throughout this paper, we will examine only one aspect of worker dislocation: moderate to long-term unemployment. Workers who experience "midcareer" declines in their firm, industry, or occupation may be economically harmed by this decline in a number of ways other than by experiencing extended unemployment. They may remain employed but face cuts in wage rates or decreases in future raise opportunities. They may remain employed but have the quality of their jobs reduced. They may suffer income losses during short periods of unemployment or during periods of involuntary part-time work. Or they may become unemployed and be rapidly hired for other positions but still suffer adverse changes in compensation.[4] Our analysis of workers experiencing medium to long-term unemployment does not encompass these forms of economic loss.

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3. Addendum A details the data set and methodology used. The authors are grateful to George Chow and Tri Hoang for highly responsive data processing and to Steve Baldwin, Frank Levy, Daniel Saks, and Ralph Smith for methodological suggestions.

4. In the formal terms of economic theory, any of these losses may be thought of as a loss in "human capital," or the present value of the worker's lifetime total net earnings. For a discussion of this human capital approach, see Marc Bendick, Jr., Assisting Coal Miners Dislocated by Sulfur Emissions Restrictions: Issues and Options (Washington, D.C.: The Urban Institute, 1981), especially appendix A; and Glenn P. Jenkins and Claude Montmarquette, "Estimating the Private and Social Opportunity Cost of Displaced Workers," Review of Economics and Statistics (1980), pp. 342-53.

Some analysts and policymakers have raised the question of whether workers suffering these forms of loss due to economic changes should receive monetary payments in compensation. Very generous unemployment insurance-like payments offered under the Trade Adjustment Assistance Program and the Redwood Parks Act may, in large part, be viewed as primarily offering such compensation. The current paper does not examine the desirability of such financial compensatory schemes.[5] Rather, it focuses on a related topic: The need for employment and training services by workers who experience prolonged unemployment. This subgroup of dislocated workers would be the most likely recipients of aid if dislocated workers were to become a new target group for federally funded labor market assistance; and this type of assistance is the most likely to be considered in upcoming policy debates.

Estimating The Number of Dislocated Workers

In estimating the number of dislocated workers in the American economy, we operationally defined a dislocated worker as follows:[6]

- o A member of the "mainstream" labor force. Because we are interested in workers whose major desired activity is employment and who do not face any special labor market complications, we have excluded from our estimates persons under age 22, persons over age 64, the disabled, long-term housewives, and members of the military.

- o Unemployed. As of the time of the survey, the person must be out of work and actively looking for work.[7]

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5. On such issues, see Bendick, Assisting Coal Miners, especially pp. 14-17; Robert S. Goldfarb, "Compensating Victims of Policy Change," Regulation (September/October 1980), pp. 22-30; and Bruce H. Millen, "Providing Assistance to Displaced Workers," Monthly Labor Review, May 1979, pp. 17-22.

6. Addendum A provides more technical details concerning these definitions.

7. This same definition is used in official unemployment statistics. Not captured in this definition, or in our estimates, are so-called "discouraged workers," who are out of work and wish to work but are not actively looking for work because they believe none is available.

- Long duration of unemployment. In the current spell of unemployment, the person must have remained unemployed for at least a certain period of time; we provide estimates for when this period is more than 8 weeks of unemployment and for when it is more than 26 weeks of unemployment.

- Suffering economic dislocation. The person must be associated with either a declining industry, a declining occupation, or a declining region of the country. These terms are defined below.

Table 1 presents the first of our estimates, for workers associated with an industry experiencing declining total employment. As the table shows, in a classification scheme with 213 separate industries identified, 43 industries met the criterion we chose to define a declining industry: That the average annual change in employment over the 1978-80 period was negative. These 43 industries averaged a 2.6 percent annual decrease in total employment, in an era when the remaining 170 industries averaged a 4.6 percent annual increase.

Table 1 estimates that within the 43 declining industries 412,308 dislocated workers had been unemployed more than 8 weeks. Most of these dislocated workers came from five industry groups, all primarily involving manufacturing:

- Motor vehicle manufacturing: 106,445 workers;
- Textile manufacturing: 57,744 workers;
- Manufacturing not elsewhere classified: 55,188 workers;
- Lumber and lumber products: 45,328 workers; and
- Steel production: 38,547 workers.

When the criterion is tightened to 26 weeks of unemployment, the total number of dislocated workers is reduced to 89,954.

Table 2 presents estimates of the number of workers considered dislocated because of their association with an occupation experiencing a decline in total employment. As the table indicates, in a classification scheme that identifies 428 separate occupations, 149 met our definition that a declining occupation is one in which the average annual change in employment over the 1977-80 period was negative. These 149 occupations averaged a 3.5 percent annual decrease in

Table 1

Economic Dislocation of "Mainstream" Workers,
for Industries Experiencing Declining Total Employment, March 1980

Census Code	Industry	Average Annual Change in Employment, 1977-80 (%)	Looking for Work More Than 8 Weeks (N)	Looking for Work More Than 8 Weeks (%)	Looking for Work More Than 26 Weeks (N)	Looking for Work More Than 26 Weeks (%)	Looking for Work More Than 8 Weeks (as % of Industry Labor Force)	Looking for Work More Than 26 Weeks (as % of All Looking for Work From Industry)
	Motor Vehicle Manufacturing							
219	Manufacturing, motor vehicles	-4.7	106,445	5.1	31,891	4.9	10.5	24.2
	Textile Manufacturing							
319	Manufacturing, apparel and accessories		28,518					
327	Manufacturing, miscellaneous fabric products		9,751					
317	Manufacturing, yarns, threads, and fabrics		8,802					
307	Manufacturing, knitting mills		3,895					
309	Manufacturing, carpets		2,744					
308	Manufacturing, textile dyeing		2,502					
318	Manufacturing, miscellaneous textiles		1,532					
	Total	-1.5	57,744	2.8	14,892	2.3	2.6	12.1
	Manufacturing, Not Elsewhere Classified							
259	Manufacturing, miscellaneous		20,783					
379	Manufacturing, rubber products		12,454					
167	Manufacturing, metal stampings		7,296					
228	Ship and boat building and repair		5,148					
199	Manufacturing, electrical appliances		4,470					
157	Manufacturing, hand tools and hardware		2,186					
249	Manufacturing, watches and clocks		1,645					
119	Manufacturing, glass and glass products		1,506					
	Total	-2.2	55,188	2.8	12,003	1.9	3.2	11.3

Table 1, continued

Economic Dislocation of "Mainstream" Workers,
for Industries Experiencing Declining Total Employment, March 1980

Census Code	Industry	Average Annual Change in Employment, 1977-80 (%)	Looking for Work More Than 8 Weeks (N)	(%)	Looking for Work More Than 26 Weeks (N)	(%)	Looking for Work More Than 8 Weeks (as % of Industry Labor Force)	Looking for Work More Than 26 Weeks (as % of All Looking for Work From Industry)
	Lumber and Lumber Products							
108	Sawmills		16,516					
337	Manufacturing, paperboard boxes		15,019					
107	Logging		10,562					
328	Manufacturing, pulp and paper		3,231					
	Total	-2.8	45,328	2.2	3,540	.5	4.1	3.4
	Steel Production							
139	Blast furnaces and steelworks		19,524					
147	Manufacturing, other primary iron and steel		19,023					
	Total	-1.4	38,547	1.8	6,968	1.1	4.6	10.4
	Motor Vehicle Sales and Service							
639	Motor vehicle dealers		13,619					
648	Gasoline service stations		11,036					
749	Automobile services excluding repair		2,144					
	Total	-2.5	26,799	1.3	5,229	.8	1.7	7.0
	Traditional Retailing							
609	Department stores and mail order		19,248					
627	General merchandise stores		3,370					
617	Limited price stores		2,283					
	Total	-2.3	24,901	1.2	6,531	1.0	1.1	8.4

Table 1, continued

Economic Dislocation of "Mainstream" Workers,
for Industries Experiencing Declining Total Employment, March 1980

Census Code	Industry	Average Annual Change in Employment, 1977-80 (%)	Looking for Work More Than 8 Weeks (N)	(%)	Looking for Work More Than 26 Weeks (N)	(%)	Looking for Work More Than 8 Weeks (as % of Industry Labor Force)	Looking for Work More Than 26 Weeks (as % of All Looking for Work From Industry)
	Food Manufacturing							
269	Manufacturing, dairy products		8,152					
288	Manufacturing, confectionery products		6,373					
299	Manufacturing, tobacco		4,729					
297	Manufacturing, miscellaneous food preparation		2,275					
279	Manufacturing, grain mill products		1,348					
	Total	-2.0	22,877	1.1	2,716	.4	3.1	5.6
	Miscellaneous							
147	Wholesale, hardware and plumbing		19,023					
57	Mining and quarrying, nonmetallic		5,868					
389	Manufacturing, footwear		2,792					
778	Lodging places, excluding hotels and motels		2,683					
388	Leather, tanned and finished		1,992					
397	Manufacturing, leather products except footwear		1,858					
-	4 other industries		263					
	Total	-2.9	34,479	1.7	6,184	1.0	5.6	5.8

Table 1, continued

Economic Dislocation of "Mainstream" Workers,
for Industries Experiencing Declining Total Employment, March 1980

Census Code	Industry	Average Annual Change in Employment, 1977-80 (%)	Looking for Work More Than 8 Weeks (N)	Looking for Work More Than 8 Weeks (%)	Looking for Work More Than 26 Weeks (N)	Looking for Work More Than 26 Weeks (%)	Looking for Work More Than 8 Weeks (as % of Industry Labor Force)	Looking for Work More Than 26 Weeks (as % of All Looking for Work From Industry)
	43 Industries Experiencing Employment Decline	-2.6	412,308	19.7	89,954	13.9	3.4	10.7
	170 Industries Experiencing Employment Growth	4.6	1,677,146	80.3	558,242	86.1	2.6	12.1
	All 213 Industries	2.8	2,089,454	100.0	648,196	100.0	2.7	11.9

SOURCE: Special tabulations of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

Table 2

Economic Dislocation of "Mainstream" Workers,
for Occupations Experiencing Declining Total Employment, March 1980

Census Code	Occupation	Average Annual Change in Employment, 1977-80 (%)	Looking for Work More Than 8 Weeks (N)	Looking for Work More Than 8 Weeks (%)	Looking for Work More Than 26 Weeks (N)	Looking for Work More Than 26 Weeks (%)	Looking for Work More Than 8 Weeks (as % of Industry Labor Force	Looking for Work More Than 26 Weeks (as % of All Looking for Work in Occupation)
	Operatives							
715	Truck drivers		125,302					
690	Machine operatives, miscellaneous		82,844					
643	Packers and wrappers, except food		27,736					
663	Sewers and stitchers		26,304					
656	Punch and stamping press operatives		15,939					
706	Fork lift and tow motor operatives		12,067					
623	Gas station attendants		6,928					
672	Textile spinners, twisters, and winders		6,745					
622	Furnacemen, smelters, and pourers		4,670					
624	Graders and sorters, manufacturing		4,564					
662	Sawyers		4,061					
642	Industrial oilers and greasers		3,934					
626	Heaters, metal		3,593					
613	Dressmakers and seamstresses, except factory		3,412					
614	Earth drillers		2,784					
714	Taxicab drivers and chauffeurs		2,699					
681	Winding operatives, n.e.c.		2,290					
652	Lathe and milling machine operatives		1,909					
621	Filers, polishers, sanders, and buffers		1,649					
664	Shoemaking machine operatives		1,605					
712	Railroad brakemen		1,385					
611	Clothing ironers and pressers		1,423					
713	Railroad switchmen		1,131					
-	10 other occupations		0					
	TOTAL	-3.8	344,754	16.5	43,017	8.9	4.8	7.0

Table 2, continued

Economic Dislocation of "Mainstream" Workers,
for Occupations Experiencing Declining Total Employment, March 1980

Census Code	Occupation	Average Annual Change in Employment, 1977-80 (%)	Looking for Work More Than 8 Weeks (N)	(%)	Looking for Work More Than 26 Weeks (N)	(%)	Looking for Work More Than 8 Weeks (as % of Industry Labor Force)	Looking for Work More Than 26 Weeks (as % of All Looking for Work in Occupation)
	Laborers							
785	Laborers, nonfarm, not specified		30,291					
753	Freight and materials handlers		25,513					
822	Farm laborers		20,618					
764	Vehicle washers and equipment cleaners		20,131					
780	Miscellaneous nonfarm laborers		12,728					
761	Lumbermen, raftsmen, and wood choppers		9,832					
750	Carpenters' helpers		7,794					
754	Garbage collectors		5,998					
-	2 other occupations		0					
	TOTAL	-3.7	132,907	6.4	27,551	5.7	4.7	10.0
	Craftsmen and Kindred Workers							
410	Brickmasons and stonemasons		26,672					
421	Cement and concrete finishers		17,472					
412	Bulldozer operators		9,281					
575	Craftsmen and kindred, n.e.c.		5,945					
452	Inspectors, n.e.c.		8,158					
424	Cranemen, derrickmen, and hoistmen		4,626					
482	Household appliance mechanics		3,665					
520	Plasterers		2,387					
435	Engravers, except photoengravers		2,004					
545	Stationary engineers		1,746					
425	Decorators and window dressers		1,761					
454	Job and die setters, metal		1,756					
403	Blacksmiths		1,625					
-	27 other occupations		0					
	TOTAL	-3.1	84,099	4.0	7,140	1.5	6.1	5.4

Table 2, continued

Economic Dislocation of "Mainstream" Workers,
for Occupations Experiencing Declining Total Employment, March 1980

Census Code	Occupation	Average Annual Change in Employment, 1977-80 (%)	Looking for Work More Than 8 Weeks (N)	(%)	Looking for Work More Than 26 Weeks (N)	(%)	Looking for Work More Than 8 Weeks (as % of Industry Labor Force)	Looking for Work More Than 26 Weeks (as % of All Looking for Work in Occupation)
	Service Workers							
901	Maids, except private household		4,962					
914	Food counter and fountain workers		4,870					
980	Child care workers, private household		4,818					
913	Dishwashers		3,646					
942	Child care workers, except private household		2,637					
960	Crossing guards and bridge tenders		2,124					
943	Elevator operators		1,951					
934	Baggage porters and bellboys		1,069					
-	7 other occupations		0					
	TOTAL	-3.8	26,077	1.2	4,177	.9	1.4	9.8
	Professional, Technical, Managerial, and Sales Workers							
185	Musicians and composers		5,610					
145	Teachers, except college and university, n.e.c.		3,644					
141	Teachers, except college and university, adult education		3,588					
86	Clergymen		1,991					
264	Hucksters and peddlers		1,720					
121	College and university teachers, sociology		1,030					
223	Officials of lodges, societies, and unions		1,026					
-	32 other occupations		0					
	TOTAL	-2.9	18,609	.9	4,402	.9	1.8	12.7

Table 2, continued

Economic Dislocation of "Mainstream" Workers,
for Occupations Experiencing Declining Total Employment, March 1980

Census Code	Occupation	Average Annual Change in Employment, 1977-80 (%)	Looking for Work More Than 8 Weeks (N)	Looking for Work More Than 8 Weeks (%)	Looking for Work More Than 26 Weeks (N)	Looking for Work More Than 26 Weeks (%)	Looking for Work More Than 8 Weeks (as % of Industry Labor Force)	Looking for Work More Than 26 Weeks (as % of All Looking for Work in Occupation)
	Clerical and Kindred Workers							
345	Keypunch operators		7,457					
392	Weighers		3,194					
385	Telephone operators		2,515					
371	Medical secretaries		2,013					
360	Payroll and timekeeping clerks		1,244					
344	Duplicating machine operators		1,136					
-	6 other occupations		0					
	TOTAL	-3.3	17,559	.8	3,423	.7	1.4	9.5
	149 Occupations Experiencing Employment Decline	-3.5	642,006	30.7	89,710	18.5	3.4	7.6
	279 Occupations Experiencing Employment Growth	7.7	1,447,448	69.3	396,194	81.5	1.7	11.4
	All 428 Occupations	4.0	2,089,454	100.0	485,904	100.0	2.0	9.6

SOURCE: Special tabulations of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

total employment, in an era when the remaining 279 occupations averaged a 7.7 percent annual increase.

Table 2 estimates that within these 149 declining occupations, 642,006 dislocated workers had been unemployed more than 8 weeks. Consistent with the finding in table 1 that the vast majority of declining industries were manufacturing, the vast majority of workers from declining occupations are from manufacturing occupations, and primarily at relatively low skill levels such as semiskilled assembly line workers:

- o Semiskilled operatives: 344,754 workers;
- o Unskilled laborers: 132,907 workers; and
- o Skilled craftsmen: 84,099 workers.

When the criterion is tightened to 26 weeks of unemployment, the total number of dislocated workers is reduced to 89,710.

Table 3 presents the last of our estimates, those for workers associated with a region experiencing economic decline. In this analysis, the country was divided into 95 regions, consisting of 44 standard metropolitan statistical areas (SMSA's) and 51 regions, each representing the remainder of a State outside any of the 44 SMSA's. We adopted a classification scheme in which 23 regions were considered in economic decline because of either (1) a decrease in population over the 1970-80 decade, or (2) an unemployment rate in March 1980 higher than 8.5 percent (in an era in which the average region had a 6.4 percent unemployment rate). The first criterion selected regions that averaged a 4 percent decrease in population during a time in which the remaining regions averaged a 17.4 percent increase; the second criterion isolated regions that averaged 9.6 percent unemployment at a time when the remaining regions averaged only 5.9 percent unemployment.

Table 3 estimates that, for the 23 regions identified as economically declining, dislocated workers unemployed more than 8 weeks totaled 895,254, while the number unemployed more than 26 weeks was 269,098. Consistent with the manufacturing oriented patterns exhibited in tables 1 and 2, most of these workers are found in traditional, older manufacturing regions of the Northeast and Middle West.[8]

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8. Several other regions, comprising the nonurban areas of Western States (Washington and Oregon, among others), reflect the decline of the lumber industry, which also was observable in the previous tables.

Table 3

Economic Dislocation of "Mainstream" Workers,
For Regions Experiencing Economic Decline, March 1980

Region	Population Change 1970-80 (%)	Unemployment Rate March 1980 (%)	Looking for Work More Than 8 Weeks (N)	Looking for Work More Than 8 Weeks (%)	Looking for Work More Than 26 Weeks (N)	Looking for Work More Than 26 Weeks (%)	Looking for Work More Than 8 Weeks (as % of Region Labor Force)	Looking for Work More Than 26 Weeks (as % of All Looking for Work in Region)
New York City SMSA*	-8.5	8.8	156,943		47,701			
Detroit SMSA	-1.8	12.0	121,890		35,353			
Philadelphia SMSA	-2.2		107,946		46,459			
Michigan outside Detroit		10.4	58,225		17,143			
Pennsylvania outside Philadelphia and Pittsburgh		9.0	45,537		12,453			
Indiana outside Indianapolis and Gary		9.5	44,689		18,548			
Buffalo SMSA	-7.9	8.8	36,682		13,609			
Pittsburgh SMSA	-5.7		36,628		2,948			
St. Louis SMSA	-2.3		31,630		14,623			
Boston SMSA	-4.6		31,008		8,210			
West Virginia		9.3	28,120		3,395			
Cleveland SMSA	-7.9		25,715		4,469			
Milwaukee SMSA	-.4		23,307		2,536			
Oregon outside Portland		10.2	21,463		6,606			
California outside 7 large SMSA's		10.2	20,193		5,305			
Akron SMSA	-2.7		19,442		0			
Gary--East Chicago SMSA		9.0	16,378		7,961			
Rhode Island	-.3		16,023		2,273			
Washington outside Seattle		8.7	14,771		0			
Newark SMSA	-4.4		13,115		8,355			
Illinois outside Chicago		8.6	12,938		8,966			
Paterson--Passaic SMSA	-2.8		8,811		1,054			
Alaska		11.2	4,800		1,131			

Table 3, continued

Economic Dislocation of "Mainstream" Workers,
For Regions Experiencing Economic Decline, March 1980

Region	Population Change 1970-80 (%)	Unemployment Rate March 1980 (%)	Looking for Work More Than 8 Weeks (N)	Looking for Work More Than 8 Weeks (%)	Looking for Work More Than 26 Weeks (N)	Looking for Work More Than 26 Weeks (%)	Looking for Work More Than 8 Weeks (as % of Region Labor Force)	Looking for Work More Than 26 Weeks (as % of All Looking for Work in Region)
23 Regions Experiencing Economic Decline	-4.0	9.6	895,254	42.9	269,098	55.4	3.1	14.8
72 Regions Not Experiencing Economic Decline	17.4	5.9	1,193,200	57.1	216,806	44.6	3.9	7.6
All 95 Regions	14.5	6.4	2,089,454	100.0	485,904	100.0	3.5	10.4

SOURCE: Special tabulations of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

*Standard Metropolitan Statistical Area.

That the regional counts of dislocated workers are higher than either the industrial or occupational counts is to be expected. This is so because when workers are laid off from the "economic export base" of a locality--for example, manufacturing--"ripple effects" of layoffs are felt among local suppliers to that industry and in the local retail and service sectors serving the consumer needs of persons employed in the "economic base" industries. Because these ripple effects are generally more diffuse along industrial and occupational dimensions than they are among regional dimensions, estimates of dislocation by those categories tend to be lower than the regional estimates. There is no theoretical basis for deciding whether it is either correct or incorrect to include such "secondary" or "ripple effects" in a definition of workers disemployed by economic change; instead, we must simply recognize that looking at economic decline along different dimensions implicitly incorporates different degrees of these effects.

Despite their differences in definition and the relatively arbitrary way in which the categories of decline were established, these three sets of estimates seem strikingly consistent in three general findings.

- The preponderance of dislocated workers are semiskilled operatives who formerly worked in traditional manufacturing industries in the Nation's "frostbelt" region.

- Including all workers who have been unemployed at least 8 weeks, the number of dislocated workers is in the range of 500,000, and may be as high as 900,000.

- Including only workers who have been unemployed at least 26 weeks, the number of dislocated workers is in the range of 100,000, and may be as high as 250,000.

To place the estimates in perspective, we can compare them with the total number of unemployed in the economy in March 1980: 6,438,000 persons. The largest of our three estimates of dislocated workers, unemployed for more than 8 weeks, represents less than 14 percent of this total; and the smallest of our estimates of the dislocated workers unemployed for more than 26 weeks represents less than 2 percent. Dislocated workers unemployed more than 8 weeks averaged only a little more than 3 percent of the labor force of even declining

industries, occupations, or regions.[9] Only one industry within the set of declining industries represents a spectacularly large single concentration of unemployed: The motor vehicle manufacturing industry, with more than 100,000 workers who have been unemployed for more than 8 weeks.

Thus while the unemployed persons in these estimates do not reflect a trivial reemployment problem, they nevertheless seem to reflect a less than overwhelming employment crisis centered on economic dislocation. By the end of even 8 weeks, a substantial proportion of unemployed persons from declining industries and occupations seem to have found alternative employment.[10]

Is Dislocation Associated With Reemployment Difficulties?

By definition, the thousands of dislocated workers we have tabulated in the preceding estimates are having at least some difficulty becoming reemployed; they have been unemployed at least 8 weeks and, in some cases, more than 26 weeks. But many workers in the American economy experience similar spells of unemployment without the circumstances of economic change and dislocation, in an industry, occupational, or regional sense. The question we must address now is whether a worker's being associated with economic dislocation increases reemployment difficulties beyond what they would otherwise be.

Tables 1, 2, and 3 present several pieces of information to help answer this question. First, there are data on the proportion of all unemployed persons who come from a declining industry, occupation, or region. This statistic is calculated separately for workers unemployed more than 8 weeks and for those unemployed more than 26 weeks, with the following result:

	More than 8 weeks	More than 26 weeks
Declining industry	19.7%	13.9%
Declining occupation	30.7%	18.5%
Declining region	42.9%	55.4%

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9. These estimates are reported in the second column from the right-hand side of tables 1, 2, and 3.

10. Many of them even return to the jobs from which they were laid off. One study of recipients of Trade Adjustment Assistance payments, for example, concluded that 70 percent of the recipients eventually returned to work with their former employer.

In the case of industry and occupation, the declining entity accounts for a smaller proportion of unemployed persons with very long unemployment durations (more than 26 weeks) than it does of persons with medium duration (more than 8 weeks). If being associated with decline predicted additional reemployment difficulties, we would have expected the opposite result. Similarly, tables 1, 2, and 3 present data on the proportion of all persons looking for work who have been doing so for more than 26 weeks.

	Industry	Occupation	Region
Declining	10.7%	7.6%	14.8%
Not declining	12.1%	11.4%	7.6%

For industries and occupations, the proportion of long-term unemployed is lower for the declining entities than for their nondeclining counterparts. Again, the results contradict the notion that being associated with economic decline is predictive of long-term unemployment.

We may speculate that underlying these patterns is a process in which at least some dislocated workers shift occupations and industries in response to both current unemployment and the prospect of limited future opportunities. Finding themselves unemployed, workers from growing industries or occupations may be willing to endure relatively long spells of unemployment in hopes of returning eventually to their previous employment situations. Workers from declining industries or occupations who find themselves in a similar state of unemployment appear to be more likely to seek employment elsewhere than to remain unemployed for long periods on the chance of reemployment.

While these data on industries and occupations imply adjustment to economic change by at least some dislocated workers, the data on regions suggest a different situation with regard to workers' geographical mobility. The data just cited show that declining regions account for a higher proportion of workers unemployed 26 weeks than of workers unemployed for 8 weeks. Correspondingly, they show that the 26-week unemployed as a proportion of all unemployed are higher for declining regions than for nondeclining regions. It appears that workers facing the prospect of long-term unemployment are less likely to uproot their homes and families to seek economic opportunities elsewhere than they are to change occupations or industries. In consequence, presence of a worker in a region experiencing economic decline does seem to offer some predictive power that the worker will face extra reemployment difficulties, in a way that association of that worker with a declining industry or occupation does not.

A more direct test of the power of economic dislocation to predict reemployment difficulties was conducted on our data set using the statistical technique of multiple regression.[11] The results of this analysis strongly confirmed the patterns discussed. Using all workers unemployed as of March 1980, estimates were made of the impact of various factors on the number of weeks they had remained unemployed; the average worker had been unemployed 11 weeks at that time. These impacts were estimated to be as follows:

- If the worker was from a region with unemployment exceeding 8.5 percent, his or her expected duration was increased by more than 2 weeks (20 percent of the 11-week average).
- If the worker was from a region that lost population over the 1970-80 decade, his or her expected duration was increased more than 1.5 weeks (15 percent of the average).
- If the worker was from a declining occupation, his or her expected duration was increased by half a week (5 percent of the average).
- If the worker was from a declining industry, this fact had no measurable impact on duration.

In other words, substantial increases in the expected duration of unemployment were observable for a worker in a region experiencing economic decline, but only trivial increases were observable for that worker's being associated with either an industry or an occupation in decline.

The Characteristics of Dislocated Workers

Knowing the personal and employment characteristics of unemployed persons can offer two types of insights. First, this information carries implications for the relative urgency of providing employment, training, or other assistance to these workers. Second, the information carries implications for what types of employment and training activities might be most effective in helping them become reemployed.

Therefore, in this section, we compare the characteristics of workers who have been unemployed at least 8 weeks and who fall into five (partially overlapping) categories:

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11. Addendum B details this statistical analysis.

- Workers from a declining industry, when a declining industry is defined as in table 1
- Workers from a declining occupation, when a declining occupation is defined as in table 2
- Workers from a declining region, when a declining region is defined as in table 3
- Workers from low-income families, when a low-income family is defined as having family income of no more than 1.5 times the poverty threshold established by the U.S. Census Bureau
- Workers experiencing long-duration unemployment, when long-duration unemployment is defined as that which, as of March 1980, had already exceeded 25 weeks in a continuous spell

The fourth group is included to permit comparison of dislocated workers with a sample of "disadvantaged" workers, who have been the focus of Federal employment and training assistance in recent years. The fifth group is composed of those experiencing unemployment of long duration regardless of whether that duration is associated with economic dislocation.

Age

The first characteristic we examine is the age distribution of workers. This variable is of interest because workers over age 40 probably experience additional difficulties becoming reemployed compared with their younger coworkers. Some of these difficulties may arise from the reluctance of employers to hire older workers--perhaps because they feel these workers are less energetic or efficient than younger workers are, or because they feel older workers' skills are obsolete. Other difficulties may arise on the part of workers themselves. For example, older persons who have worked for extended periods within the same firm may have substantial pension and seniority rights. They may therefore endure extended periods of unemployment, awaiting any possible opportunity to return to their old employer, rather than seek alternative employment opportunities.

Table 4 presents the distribution of ages for adult workers unemployed at least 8 weeks. Among the three groups of dislocated workers, an average of 68.1 percent of workers were under age 40. For workers from low-income families, the corresponding figure was 73.4 percent; and for workers experiencing unemployment of long duration, the figure was

Table 4

Workers' Ages, for Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	22-39 (%)	40-59 (%)	60-64 (%)	Total (%)
From declining industry	66.9	28.5	4.6	100.0
From declining occupation	67.7	28.7	3.6	100.0
From declining region	69.6	25.4	5.0	100.0
Average	68.1	27.5	4.4	100.0
Low-income family	73.4	22.5	4.1	100.0
Long-duration unemployed	65.7	30.9	3.4	100.0

SOURCE: Special tabulation of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

65.7 percent. Thus, to the extent that being in their forties, fifties, or sixties handicaps unemployed persons in finding reemployment,[12] dislocated workers will suffer this handicap to a slightly larger extent than would workers from low-income families and to a slightly smaller extent than the long-term unemployed. None of the five groups of workers included "near-retirement" workers to a substantial extent; the proportion of workers in their sixties was only about 4 percent of each group.

Educational Attainment

A worker's level of formal education also may influence the duration of unemployment he or she may experience. Table 5 presents the distribution of educational attainment for the five groups of the unemployed. It shows that dislocated workers cluster strongly at the level of high school graduation (47.6 percent), with 35.1 percent having less education and 17.3 percent more. In contrast, unemployed workers from low-income families include fewer high school graduates, with 44.1 percent of them not having graduated; and workers experiencing long unemployment durations included a larger proportion of persons with college, graduate school, or other education beyond the high school level (28.9 percent). These educational patterns are consistent with the occupational characteristics of dislocated workers shown in table 2: The typical semiskilled manufacturing operative is a high school graduate, or approximately so. These people are much less likely to suffer from adult functional illiteracy or other severe educational handicaps than is a typical unemployed worker from a low-income family.

Minority Status

Various racial, ethnic, and sexual minority groups have experienced discrimination in employment in the past and continue to do so. Minority status may therefore be expected to be associated with extra reemployment difficulties.[13]

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12. The statistical regression analysis discussed later and in addendum B of this paper estimated that this age handicap, while present, is small. Increasing a worker's age by 10 years increased his or her expected duration of unemployment by only 4 days (7 percent of the average 11-week duration).

13. The statistical regression analysis discussed earlier estimated that being nonwhite added 1 week to an unemployed worker's expected duration of unemployment (10 percent of the average 11-week duration).

Table 5

Education Attainment For Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	Less than a High School Graduate (%)	High School Graduate (%)	Beyond High School 60-64 (%)	Total (%)
From declining industry	33.8	49.3	16.9	100.0
From declining occupation	39.6	46.5	13.9	100.0
From declining region	31.	47.0	21.1	100.0
Average	35.1	47.6	17.3	100.0
Low-income family	44.1	39.0	16.9	100.0
Long-duration unemployed	27.3	43.8	28.9	100.0

SOURCE: Special tabulation of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

Table 6 compares the extent of minority representation among the various groups of workers unemployed at least 8 weeks. Not surprisingly, it shows that the group from low income families encompasses the highest proportion of minorities (e.g., 31.4 percent black, versus 26.6 percent black among the long-term unemployed, and 19 percent among dislocated workers). Table 6 also reports the proportion of women among the workers unemployed for more than 8 weeks: 31.2 percent among dislocated workers, compared with about 37 percent among either workers from low-income families or the long-term unemployed. Thus, both in terms of racial and ethnic minorities and in terms of women, the category "dislocated worker" is less successful than either of the other two categories at isolating groups likely to face particular difficulties in seeking escape from unemployment.

The Reemployment Handicaps of Affluence

While workers dislocated by economic change do not suffer the same reemployment handicaps disadvantaged workers traditionally do, dislocated workers do typically possess several characteristics associated with increased durations of unemployment. These handicaps to reemployment are side effects of the relatively high incomes and comfortable economic circumstances that dislocated workers experience both before and during unemployment; they are the "handicaps" of homeownership, of high wages and attractive fringe benefits at their former jobs, and of high total family income even in the absence of the worker's own earnings.

Homeownership

Homeownership provides one example of such handicaps in action. The statistical analysis discussed earlier estimates that being a homeowner adds an average of 1 week (or 10 percent) to the expected 11-week duration of unemployment in our sample. This is so largely because of the financial costs of selling one home and buying another if geographical mobility is required to find new employment. The financial costs of such moves are particularly prohibitive if the home to be sold is in a depressed, low-priced housing market (e.g., Detroit or Cleveland) and the home to be purchased is in a growing, high-priced housing market (e.g., Houston or San Diego). Furthermore, in recent years, rapidly rising home mortgage interest rates in a high-inflation era have made newly issued mortgages much more expensive than mortgages issued in earlier years, increasing the reluctance of homeowners to sell.

Table 7 indicates the general mobility among the five comparison groups of more-than-8-week unemployed. It shows

Table 6

Minority Status For Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	Black (%)	Hispanic (%)	Other Minority (%)	Female (%)
From declining industry	20.5	7.6	2.5	35.0
From declining occupation	16.7	8.3	1.3	27.0
From declining region	19.9	5.1	1.4	31.7
Average	19.0	7.0	2.6	31.2
Low-income family	31.4	9.2	2.1	37.2
Long-term unemployed	26.6	6.8	.6	37.6

SOURCE: Special tabulation of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

Table 7

Residential Mobility Between 1975 and 1980, for Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	Same House (%)	Different House, Same County (%)	Different County or Further (%)	Total (%)
From declining industry	40.5	39.2	20.3	100.0
From declining occupation	38.5	37.9	23.6	100.0
From declining region	42.3	35.1	22.6	100.0
Average	40.3	37.4	22.2	100.0
Low-income family	33.5	39.4	27.1	100.0
Long-term unemployed	44.9	31.8	23.3	100.0

SOURCE: Special tabulation of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

that over the 5-year period 1975-80, only an average of 22.2 percent of dislocated workers made a move involving crossing a county boundary, while 27.1 percent of workers from low-income families did so. Conversely, an average of 40.3 percent of dislocated workers were living in the same home that they had been 5 years previously, while this was true for only 33.5 percent of workers from low-income families. Thus, while being largely unable to afford homeownership is generally one of the disadvantages of low income, it becomes an advantage in the circumstances of having to move to seek reemployment.

High Wages and Fringe Benefits

Other "handicaps of affluence" for dislocated workers include the high wage levels and generous fringe benefits typically available in the jobs from which they were laid off. These attractive job features become handicaps to reemployment in the sense that the more attractive the previous job, the more tempted a dislocated worker is to remain unemployed waiting for even a remote chance to return to that job.[14]

Table 8 displays information on the extent to which two key types of fringe benefits had been available to currently unemployed workers on at least one job they had held during the previous year. It indicates that an average of 40.8 percent of dislocated workers had been included in company pension plans, and 59.4 percent had been included in company health insurance plans. These figures contrast sharply with the mere 13.3 percent of workers from low-income families who had enjoyed pension benefits and 26.4 percent who had enjoyed health benefits. As with homeownership, what is a disadvantage for low-income workers while they are employed becomes an ironic advantage while they are unemployed; they have less to lose, relative to dislocated workers, and therefore are less reluctant to seek alternative reemployment.

The same pattern observable in these data on fringe benefits is present also in data on workers' own total incomes during the year prior to the present one, presented in table 9. Because the survey that collected these data was conducted in March 1980 and all workers tabulated in table 9

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14. For example, the statistical analysis discussed earlier indicates that if an unemployed worker had been included in a company health insurance plan on a job held the previous year, the expected duration of unemployment was increased by more than half a week (6 percent of the average duration of 11 weeks).

Table 8

Fringe Benefits in at Least One Job Held During Previous Year, for Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	Included in Pension Plan (%)	Included in Health Plan (%)
From declining industry	50.3	70.3
From declining occupation	37.8	57.3
From declining region	34.6	50.7
Average	40.8	59.4
Low-income family	13.3	26.4
Long-term unemployed	23.8	34.2

SOURCE: Special tabulation of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

Table 9

Previous Year's Total Personal Income, for Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	$0-$2,499 (%)	$2,500-$4,999 (%)	$5,000-$7,499 (%)	$7,500-$9,999 (%)	$10,000-$14,999 (%)	$15,000-$19,999 (%)	More Than $20,000 (%)	Total (%)
From declining industry	11.2	14.2	15.7	12.2	22.2	13.0	11.5	100.0
From declining occupation	11.9	12.2	17.9	13.9	21.5	13.8	8.8	100.0
From declining region	12.6	14.6	14.8	12.6	17.8	14.3	6.7	100.0
Average	12.0	13.8	16.2	13.0	20.6	13.8	9.1	100.0
Low-income family	40.3	31.1	18.7	5.8	3.9	.2	.0	100.0
Long-term unemployed	38.4	18.2	14.2	10.3	11.5	4.2	3.1	100.0

SOURCE: Special tabulation of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

had been unemployed at least 8 weeks as of March 1980, virtually all of them were unemployed at least part of the time during the year to which these data correspond.[15] Nevertheless, the contrast between the incomes of dislocated workers and workers from low-income families is striking. Some 40.3 percent of workers from low-income families had incomes under $2,500 for the year, while only 12 percent of dislocated workers did so; some 24 percent of dislocated workers had incomes of $15,000 or more, while only a fraction of 1 percent of workers from low-income families did so.

Table 9 notes the important fact that the long-term unemployed workers' patterns of income represent a combination of the patterns for low-income-family workers and dislocated workers, with 38.4 percent falling under $2,500 but 7.3 percent still exceeding $15,000. This intermediate position reflects the relatively high wages formerly available to many of these workers, and the long time since they had worked. The pattern suggests that, after a sufficient duration of unemployment, the unemployed do eventually come to resemble traditionally disadvantaged workers in terms of their individual incomes.

Table 10 confirms the interpretations made on the basis of table 9 by indicating the sources of income reported there. Only 34.4 percent of the long-term unemployed reported wage and salary income for the year prior to March 1980, in contrast to 70.6 percent of workers from low-income families and 93.7 percent of dislocated workers.

Table 10 also indicates the extent to which unemployed individuals in the five groups received support from various public income transfer programs. Particularly important here is the extent of unemployment compensation received. An average of 50.5 percent of dislocated workers reported receiving Unemployment Insurance payments during the year, while only 38.7 percent of the long-term unemployed did so, and only 27 percent of workers from low-income families did so. Some of the long-term unemployed will have had their eligibility expire, while disadvantaged workers often show employment histories that are too sporadic to entitle them to benefits. In either case, it seems that dislocated workers are better provided with wage replacement through Unemployment Insurance than either of the other two groups.

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15. Because we have defined the group of workers experiencing unemployment of long duration as those who have been unemployed at least 26 weeks, all of those individuals had been unemployed a substantial proportion of the year.

Table 10
Sources of Personal Income During the Previous Year, for Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	Wages and Salary (%)	Self Employment or Farm Income (%)	Social Security or Railroad Retirement (%)	Federal State, or Local Government (%)	Aid to Families With Dependent Children (%)	Other Public Assistance (%)	Interest Income (%)
From declining industry	99.8	1.9	1.5	.0	4.4	1.8	44.0
From declining occupation	98.0	4.4	2.7	.9	5.0	1.9	38.2
From declining region	83.3	2.6	1.6	.7	6.5	4.2	41.2
Average	93.7	3.0	1.9	.5	5.3	2.6	41.1
Low-income family	70.6	2.2	2.8	1.2	18.3	7.4	13.3
Long-term unemployed	34.4	2.7	3.0	.3	10.4	7.7	30.3

Group	Dividends, Rents, Royalties and Trusts (%)	Veterans Payments (%)	Unemployment Compensation (%)	Workmen's Compensation (%)	Pension (Private or Military, Government) (%)	Alimony, Child Support, or Any Other Regular Contribution (%)	Income from Any Other Source (%)
From declining industry	4.1	2.6	53.2	5.5	.6	3.9	3.1
From declining occupation	4.5	1.9	51.9	3.9	1.7	3.0	2.2
From declining region	7.6	2.6	46.5	2.7	2.2	2.0	.5
Average	5.4	2.4	50.5	4.0	1.5	3.0	1.9
Low-income family	.7	4.5	27.0	3.2	1.1	3.0	4.3
Long-term unemployed	6.6	4.8	38.7	1.5	3.1	3.2	3.6

SOURCE: Special tabulation of the Current Population Survey of March 1980.
For definitions, see text and addendum A.

Unemployed persons who are entitled to unemployment insurance benefits often receive substantial replacement of lost earnings. It has been estimated that in 1980 the average "wage replacement ratio" in the United States was about 40 percent of workers' monthly pretax earnings.[16] Additionally, in a few industries--motor vehicle manufacturing being one noteworthy example--these benefits are generally supplemented by privately funded Supplemental Unemployment Benefit (SUB) plans.[17] Particularly for workers from States with generous unemployment compensation payments and from industries with SUB plans, total wage replacement benefits may offer income fairly close to 100 percent of their former after-tax earnings.

High Family Income

Other earners in the family--particularly employed spouses--represent a second source of income alternative to a worker's own lost earnings. Table 11 indicates that in only 43 percent of the families of dislocated workers is that worker the sole earner; the remaining 57 percent of families have one or more additional members of the labor force present. An additional member of the labor force is available in only 29.2 percent of the families of workers from low-income families, however.

Table 12 presents data on total family income for the unemployed, incorporating both these effects. It shows that dislocated workers are clearly better off in income terms, even while unemployed, than unemployed disadvantaged workers or the long-term unemployed. For example, 49.5 percent of workers from low-income families have incomes among the lowest income 10 percent of families in the United States; the corresponding figure for the long-term unemployed is 43.9 percent. But for dislocated workers it averages only 7 percent. Conversely, nearly 46 percent of dislocated workers enjoyed family incomes in the upper half of the distribution of all U.S. families, while only about 5 percent of the long-term unemployed workers and none of the disadvantaged workers did so.

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16. See Wayne Vroman, State Unemployment Insurance Replacement Rates In 1980 (Washington, D.C.: The Urban Institute, 1980).

17. On SUB plans, see Audrey Freedman, Security Bargains Reconsidered: SUB, Severance Pay, Guaranteed Work (New York: The Conference Board, 1978). Vroman, op. cit., has estimated that Unemployment Insurance accounts for 88 percent of wage replacement among the unemployed; the remaining 12 percent is accounted for by SUB plans and public assistance programs (notably food stamps).

Table 11

Number of Family Members in the Labor Force, for Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	Dislocated Worker Only (%)	One Additional Worker (%)	Two or More Additional Workers (%)	Total (%)
From declining industry	44.2	38.0	17.8	100.0
From declining occupation	42.6	42.5	14.9	100.0
From declining region	42.5	39.2	18.3	100.0
Average	43.1	39.9	17.0	100.0
Low-income family	70.8	24.3	4.9	100.0
Long-term unemployed	43.2	39.3	17.6	100.0

SOURCE: Special tabulation of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

Table 12

Previous Year's Family* Income, by Percentage Rank of All U.S. Families, for Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	Lowest 10% (%)	11%-20% (%)	21%-30% (%)	31%-40% (%)	41%-50% (%)	51%-60% (%)	61%-70% (%)	71%-80% (%)	81%-90% (%)	91%-100% (%)	Total (%)
From declining industry	3.7	9.9	12.0	11.5	14.3	14.3	8.8	12.4	9.2	4.0	100.0
From declining occupation	6.8	11.8	12.6	11.4	14.9	12.7	7.4	7.5	10.6	4.5	100.0
From declining region	10.6	10.6	10.8	10.8	11.0	10.5	9.1	9.4	9.7	7.7	100.0
Average	7.0	10.8	11.8	11.2	13.4	12.5	8.4	9.8	9.8	5.4	100.0
Low-income family	49.5	32.6	14.3	2.5	1.1	.0	.0	.0	.0	.0	100.0
Long-duration unemployed	43.9	25.5	9.5	12.1	3.5	3.3	1.5	.0	.0	.7	100.0

SOURCE: Special tabulation of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

*Excludes single persons.

The combination of wage replacement from Unemployment Insurance and earnings of others in the household means that at least some unemployed workers may feel little pressure to seek immediate reemployment. In the statistical analysis discussed earlier, we estimated that for each $10,000 in family income exclusive of the unemployed worker's own earnings, that worker's expected duration of unemployment increased one-third of a week (3 percent of the average 11-week duration).[18] It is therefore of interest to examine data, presented in table 13, on the job search efforts expended by different groups of workers unemployed for more than 8 weeks. The table examines six different methods of job search, including public and private employment agencies, personal contacts, and newspaper ads. Almost universally, workers from low-income families and workers experiencing long-duration unemployment reported much higher levels of job search activity than did dislocated workers. For example, 63.7 percent of the long-term unemployed checked directly with employers, and 55.9 percent of the unemployed from low-income families did so; but only 44.1 percent of dislocated workers had followed suit. These data suggest that at least some of the medium-duration unemployment experienced by dislocated workers may be voluntary.[19]

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18. For reviews of the evidence on the work disincentive effects of unemployment insurance, see Gary Fields, "The Direct Labor Market Effects of the U.S. Unemployment Insurance System: A Review of Recent Evidence," Industrial Relations (February 1977), pp.1-14; Alan Gustman, Analyzing the Relation of Unemployment Insurance to Unemployment (New York: National Bureau for Economic Research, 1980); Daniel Hamermesh, "Entitlement Effects, Unemployment Insurance, and Employment Decisions," Economic Inquiry (July 1979), pp. 313-32; Steve Marston, "The Effect of Unemployment Insurance on Job Search," Brookings Papers on Economic Activity (1975), pp. 13-60; and Finis Welch, "What Have We Learned From Empirical Studies of Unemployment Insurance?" Industrial and Labor Relations Review (July 1977), pp.451-61. The evidence presented in these reviews generally confirms the disincentive effects estimated in our analysis.

19. These data are subject also to an alternative interpretation: That dislocated workers face such serious reemployment difficulties that they are discouraged from active job search. The data presented in tables 1 through 12 seem more generally consistent with the interpretation in the text than with this alternative. Furthermore, if discouragement were the primary explanation, we would expect the long-term unemployed to display even greater discouragement; but table 13 indicates that the opposite is true.

Table 13

Percentage of Workers Using Various Job Search Techniques, for Different Groups of "Mainstream" Workers Looking for Work More Than Eight Weeks, March 1980

Group	Public Employment Agency (%)	Private Employment Agency (%)	Contact Employers Directly (%)	Checked With Friends (%)	Placed or Answered Advertisement (%)	Used Other Methods (%)
From declining industry	23.6	1.8	43.1	5.9	19.7	1.4
From declining occupation	23.0	1.8	46.7	5.8	17.3	4.6
From declining region	26.0	5.3	42.4	11.0	26.3	6.0
Average	24.2	3.0	44.1	7.6	21.1	4.0
Low-income family	33.9	3.9	55.9	9.8	26.0	3.8
Long-term unemployed	31.2	7.3	63.7	13.3	64.7	4.8

SOURCE: Special tabulation of the Current Population Survey of March 1980.

For definitions, see text and addendum A.

Implications For The Use Of Federal Employment And Training Resources

Should workers dislocated by economic change become a new, high-priority target group for Federal employment and training programs? Are their needs sufficiently urgent, and the potential returns to that investment sufficiently high, to justify serving their needs at the expense of disadvantaged workers who currently are the main focus of such activity?

The data presented in this paper fail to provide strong support for any such action. Among the key findings contributing to this conclusion are the following:

- Defining economic dislocation as we have, the overall magnitude of the dislocated worker population is not strikingly large. This finding holds whether we look at the number of dislocated workers, that number as a proportion of the labor force, or that number as a proportion of the unemployed.

- The category of dislocated worker itself is at best a weak predictor that an unemployed person will suffer long periods of unemployment, special difficulties becoming reemployed, or extreme economic hardship while unemployed. Alternative targeting criteria such as workers from low-income families or workers experiencing unemployment of long duration identify such persons much more effectively.

- To the extent that dislocated workers do experience unusually long periods of unemployment, the causes of this long duration generally reflect past and present affluence rather than past or present distress. These "disabilities of affluence" include geographical immobility arising from homeownership; financial incentives to wait inordinate periods for possible recalls from layoffs, created by high wages and generous fringe benefits enjoyed on their previous jobs; and lack of financial pressure to seek immediate employment, because of generous coverage by wage replacement programs and the presence of other earners in the family.

Although the magnitude of the dislocated worker population is not large relative to the entire U.S. labor force, it is large in relation to the population served in current Federal adult employment and training programs. For example, in fiscal year 1979, 1,183,000 persons were served under titles II(B) and II(C) of the Comprehensive Employment and

Training Act (CETA), one of the main existing vehicles for combatting adult structural unemployment.[20] The estimates of the dislocated worker population presented earlier in this report ranged from 90,000 to 890,000. Thus, these estimates range from 8 percent to 75 percent of the population served by CETA parts II(B) and II(C).[21] If such programs, currently reserved primarily for disadvantaged workers, were opened to dislocated workers, the extent of displacement of resources from disadvantaged workers might well be substantial.

Such negative conclusions, however, leave unaddressed three dislocated-worker problems which our empirical data suggested were possibly serious enough to require a Federal response:

- Economic dislocation defined in terms of regional economic decline;
- The uniquely massive unemployment problems of the motor vehicle manufacturing industry; and
- The high levels of unemployment in a local area immediately following a mass layoff.

With respect to the first of these problems, the reemployment difficulties of workers arise largely from their geographical immobility in combination with lack of local demand for workers of any type. Such problems generally are not addressed effectively by employment and training initiatives; rather, they typically require locationally focused economic development efforts. Such programs have been undertaken in the past by such Federal agencies as the Economic Development Administration and the U.S. Department of Housing and Urban Development.

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20. This figure encompasses classroom training (549,425 individuals), on-the-job training (156,787 individuals), and work experience (391,243 individuals). Public service employment is excluded. See Employment and Training Report of the President (Washington, D.C.: U.S. Government Printing Office, 1980), p. 351.

21. Of course, many of the dislocated workers would probably not elect to participate in an employment and training program, particularly if participation were not required to receive wage replacement payments such as Unemployment Insurance.

As for the second problem, the uniqueness of the automobile industry situation may suggest an ad hoc approach. A special initiative for this industry alone could be established either by explicit congressional action or by executive branch action to mobilize various discretionary funds.

Alternatively, a Federal system could be created to, in effect, institutionalize ad hoc aid. This system could be applied first to the automobile industry but then be available when such large-scale problems arise in the future and when they recur in local areas in the wake of mass layoffs. Such a system might involve intensive employment placement and retraining efforts for a limited period of time (e.g., 6 months) to supplement ongoing services (CETA prime sponsors, the Employment Service, and others). The Canadian Government's Manpower Consultative Service is a model of such a system in operation and merits examination for its applicability to the American situation.[22]

Such activities--ad hoc, short-term interventions in local "crisis" situations and longer term regional economic development initiatives--may be appropriate responses to the problems of workers dislocated by economic change. Creation of a major ongoing Federal program of employment and training targeted on dislocated workers, or substantial retargeting of existing Federal activities toward this group, does not seem an appropriate response to the nature and magnitude of the problem described in this paper.

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22. The Canadian system is described in Workers' Adjustment to Plant Shutdowns and Mass Layoffs: An Analysis of Program Experience and Policy Options (Washington, D.C.: ICF, Inc., forthcoming), especially chapter 4.

ADDENDUM A

Data Base and Methodology

Empirical analysis throughout this paper is based on data from the Current Population Survey (CPS) of March 1980. This addendum briefly describes this data base and our manipulations of it.

The CPS Data Base

The CPS is a monthly survey of a nationally representative sample of all households in the United States, conducted by the U.S. Bureau of the Census for the U.S. Department of Labor's Bureau of Labor Statistics. Some 63,000 households (including 135,000 persons age 14 and over) are interviewed each month. We used data from the month of March in this study because the March survey included a useful set of supplementary questions concerning sources of income. We used data from 1980 because that was the most recent set of March CPS data available at the time of the study.

Our interest was in people in the "mainstream" American labor force during their prime working years. Therefore, from the CPS data set, we excluded five categories of persons.

- Elderly: All persons age 65 or older
- Youth: All persons age 21 or younger
- Long-term disabled: All persons with a long-term illness that prevents or limits work
- Long-term homemakers: All persons whose primary, long-term activity has been family care and home activities
- Long-term military: All persons engaged in a long-term military career

The "long-term" status used to exclude the disabled, homemakers, and military personnel refers to those cases in which the condition or activity continued from the previous year (1979) into the survey year (1980).

Approximately 48 percent of the persons in the March 1980 CPS sample were excluded on the basis of age. Less than 1 percent of the persons sampled were excluded by either the disability or long-term homemaker classifications, and none in the sample was excluded as the result

of a long-term military career. Half of the persons on the March 1980 CPS sample were currently employed and therefore not included in the study. The remaining 2 percent, or 3,809 persons, formed the data set used to provide estimates of the magnitude of the dislocated worker problem presented in tables 1, 2, and 3 of this report. Estimates from this data set were translated into estimates for the entire U.S. population using the CPS sampling weights.

Defining a Dislocated Worker

Three alternative definitions are used throughout this report to operationalize the concept of workers dislocated by economic change.

- Workers from declining industries: All industries in which the percentage change in employment was negative over the previous 2-year-period (1978 to 1980) were classified as "declining" industries. The primary source for industry employment was March establishment data published by the Bureau of Labor Statistics (BLS) in the May issue of Employment and Earnings. Additional unpublished BLS data were used for approximately 75 of the 201 industries classified. A worker's industry affiliation was assigned based on the industry of the longest job held during 1979.

- Workers from declining occupations: Occupations were classified as declining if the percentage change in employment was negative over the previous 3-year period (1977 to 1980). Unpublished occupation employment data for 429 occupations were provided by BLS, based on CPS surveys. A worker's occupation was assigned based on the longest job held during 1979.

- Workers from a declining region: A declining region was defined as one where either the population change over the 1970-80 period was negative or the March 1980 unemployment rate was greater than 8.5 percent. Ninety-five regions were created, consisting of 45 standard metropolitan statistical areas (SMSA's) and areas of the 50 States outside of 45 SMSA's. Local unemployment rates were calculated using labor force and unemployment data published by the Department of Labor (Newsletter of May

1981). Unpublished population statistics were provided by the Bureau of the Census for the SMSA's, while statistics for the State areas came from the 1980 census. A worker's region was assigned based on residence as of March 1980.

Population estimates are presented in tables 1, 2, and 3 of this paper for those persons falling into each of these categories who had been continuously unemployed more than 8 weeks and also for those who had been continuously unemployed more than 26 weeks, as of March 1980.

Comparisons of Groups of the Unemployed

The analyses presented in tables 4 through 13 of this report involve comparisons of different groups of the "medium-term" unemployed, defined as those unemployed in March 1980 and having been so at least 8 weeks at that time. Five comparison groups were used.

- The three groups of dislocated workers, defined above.
- Workers from low-income households: Low-income households were defined as those households whose total family income from all sources in the year 1979 was less than 1.5 times the Census Bureau's poverty threshold for a family of that size and location.
- Workers experiencing long-duration unemployment: This group consisted of all workers unemployed in March 1980 who had been continuously unemployed more than 26 weeks.

ADDENDUM B

Regression Analysis Of The Duration Of Unemployment

This paper presented estimates of the effects of various factors on the duration of unemployment experienced by "mainstream" workers unemployed as of March 1980. These estimates are based on ordinary-least-squares regression, with the dependent variable being duration of unemployment (measured in weeks) and the following independent variables.

Variable	Regression Coefficient	t Statistic
Intercept	.15	--
Declining industry (1=yes)	-.50	.90
Declining occupation (1=yes)	.52	1.03*
Region with unemployment >8.5% (1=yes)	2.11	4.03*
Region with population loss 1970-80 (1=yes)	1.53	2.30*
Age (in years)	.08	3.76*
Education (in years)	.07	.77
Race (1=white)	-1.07	1.73*
Hispanic (1=Hispanic)	-.55	.69
Sex (1=male)	.46	.97
Number of nonearners in family	.59	.42
SMSA (1=yes)-.20	.41	
Homeowner (1=yes)	1.02	2.05*
Pension plan on last year's job (1=yes)	.57	.69
Health plan on last year's job (1=yes)	.68	1.03*
Special reason cannot take job (1=yes)	3.14	3.76*
Family income last year excluding worker's earnings (in $1,000's)	.03	1.32*

For this regression, R^2=.02, and F=4.72. The data base is 2,664 workers unemployed in March 1980 for whom complete data were available.

Earlier in this paper, those variables with t > 1.0 (indicated above by an asterisk) were reported to have the duration effect indicated by their regression coefficients; those variables with t < 1.0 were reported to have zero effect on the duration of unemployment.

It is important to note that the dependent variable for this regression is the duration of unemployment (as of March 1980) reported by workers who are still unemployed as of that date; it is not the duration of a completed spell of unemployment. The latter would more closely correspond to an ideal measure of reemployment difficulties, but it is not available in the CPS data set. The total weeks of unemployment which these workers will experience by the end of their spells of unemployment will, of course, exceed the total reported as of March 1980 (which averaged 11 weeks). To the extent that the number is larger, the effects represented by these regression coefficients would also be larger.

PART C

COMMISSION ACTIVITIES

DURING 1981

MAJOR COMMISSION ACTIVITIES DURING 1981

Since our last Annual Report, the Commission has focused on the following areas: The problems of disadvantaged women in the labor market, the Federal role in vocational education, the future direction of Federal employment and training policies, the relation between the economy and the national employment and training system, and labor market problems of Hispanics. This report of the National Commission for Employment Policy marks a change in reporting periods. During 1980 the Commission decided that a reporting period based on a fiscal year would better meet congressional and administrative needs for information and policy advice. Thus, this report reflects only 9 months of Commission activity--January 1 to October 1, 1981.

This section briefly describes the activities in each of these areas and lays out the agenda for 1982. Appendix A to this part describes staff and member changes as well as advisory panels. The National Commission for Employment Policy and the National Advisory Council on Vocational Education are each mandated by legislation to comment on the other's reports. These can be found in appendix B. A listing of the Commission reports and books can be found on the inner back pages of this report.

Disadvantaged Women

Early in 1981, the Commission issued Increasing the Earnings of Disadvantaged Women. This report contains its recommendations and staff analysis on the role of education and employment and training programs in helping women to prepare for better paying occupations. Two other reports came out of this work; both are the result of research presented at conferences. The first, Education, Sex Equity and Occupational Segregation, considers the role of vocational education in preparing girls for work. The other, The Experience of Women in Federally Sponsored Employment and Training Programs, discusses how well women are served by these programs.

Vocational Education

During 1981, the staff made a major effort to examine and evaluate the contribution of vocational education to the employment and training needs of the disadvantaged. This analysis brought into sharper focus work begun in 1979 on vocational education and compensatory education in the Commission's Fifth Annual Report, Expanding Employment

Opportunities for Disadvantaged Youth, and research in 1980-81 on the contribution of vocational education to women's labor market problems in Increasing the Earnings of Disadvantaged Women.

A conference was held in May to provide a forum both for the discussion of Commission-funded research and for the examination of research for policy implications. Dr. Charles Benson, head of a major National Institute for Education sponsored study on vocational education, spoke at a Commission dinner seminar. This seminar was another in a series supported by a grant from the Rockefeller Foundation.

The staff's analysis of research and the Commission members' consideration of the ability of vocational education to improve the job prospects of youth appear in The Federal Role in Vocational Education, the Commission's twelfth policy report. The volume contains recommendations discussed at the May 29 Commission meeting and approved at the September 11 meeting. This report was sent to the President and Congress in September and dissemination to administration and congressional staff as well as to persons in the vocational education community is continuing. The research funded by the Commission will appear later in the fall.

Employment and Training

A third major effort during 1981 has centered on issues in employment and training policy. This work plan was described in chapter 1, above, and this section will merely mention the activities surrounding it. A conference was held on September 10 to consider the contribution of the funded and staff research on the questions of what is the Federal interest in employment and training and who is in trouble in the labor market. The evening of September 10, Governor Pierre du Pont (Delaware) spoke at a Rockefeller Foundation funded dinner seminar on the role of States and localities in providing employment and training. This conference, dinner seminar, staff briefing papers, and preliminary discussion at the Commission's May 29 and September 11 meetings form the basis for the statement found in part A of this volume on the Federal interest in employment and training.

Over the next few months, numerous Commission activities will culminate in a December conference on the design and financing of employment and training services. The Commission will examine the research and results of this conference and issue recommendations. The staff continues to analyze the results from sponsored and other studies and has been integrating them into staff papers and research volumes.

The Problems of Hispanics in the Labor Market

Other staff analyses currently under way consider the labor market difficulties of Hispanics. The central question of this project is how to reduce unemployment and improve the earnings of the Hispanic population. This research will extend into 1982 and will include a research conference, a conference to explore how this research applies to policy, a Rockefeller Foundation funded dinner seminar, and the publication of research findings and recommendations by the Commission. A valuable advisory panel was established late in 1980. The panel is chaired by Commission Member Pedro Garza and a listing of its members can be found in appendix A of this part.

The Relation Between the Economy and the Employment and Training System

Another subject of continuing interest to the Commission and its staff is the influence on employment of the economy and policies affecting it. During 1981, several studies were completed and have been circulated as technical reports and used in the preparation of chapter 2. Further research on this topic is underway.

Agenda for 1982

During 1982, the Commission will continue its emphasis on issues in employment and training and the various facets of this system. In January the Commission will issue recommendations and research emanating from the December conference and meeting on design and financing of the employment and training system. Budget constraints, as well as the need for reconsideration of various employment and training legislation, provide an opportunity for the Commission to continue its examination of the role of Federal, State, and local governments, the private sector, and community-based organizations within this loosely organized system.

The second of three major areas is employment and training policy and older Americans. The project will develop an analysis of older people's labor market problems as well as current and potential Federal programs designed to improve their economic welfare. A conference presenting the research and drawing policy implications will be held in early September, with the Commission meeting later in the month to issue recommendations.

The third major area, the problems of Hispanics in the labor market, was described earlier in this section. The research will evaluate the nature, dimensions, and sources of problems confronting Hispanics in the labor market and discuss the effectiveness of Federal programs in ameliorating these problems. As noted, this project will include conferences in February and March, publication of research, and Commission recommendations.

APPENDIX A

COMMISSION STAFF, MEMBERS, AND ADVISORY PANELS, 1981

Since the December 1980 Annual Report, the staff has been working in teams to produce the variety of research and conferences mentioned in this section. New additions to the staff include: Ronald S. Warren, Jr., an economist on leave from the University of Virginia, who will be doing research on monetary and fiscal policy and Virgulino L. Duarte, on leave from SER-Jobs for Progress, who is participating in the project on Hispanic labor market issues.

The staff was supplemented by three visitors from academia who left during the past 9 months. They included: Stephen Goldfeld, an economist from Princeton University, who worked on monetary and fiscal policy issues; W. Kip Viscusi, an economist from Northwestern University, who is now at Duke University, and who worked on employment and training issues; and Wendy C. Wolf, a sociologist from the University of Arizona, who worked on disadvantaged women and Hispanic issues.

During 1981 the staff included:

Daniel H. Saks, Director (On leave from Michigan State University)
Ralph E. Smith, Deputy Director

Research and Policy Analysts:

Robert G. Ainsworth
Stephen E. Baldwin
Howard S. Bloom (visiting from Harvard University)
Patricia D. Brenner
Stephen G. Cecchetti
Everett Crawford
Virgulino L. Duarte (visiting from SER-Jobs for Progress)
Stephen Goldfeld (visiting from Princeton University)
Patricia W. Hogue
Janet W. Johnston
Carol L. Jusenius
Steven H. Sandell
W. Kip Viscusi (visiting from Northwestern University)
Ronald S. Warren, Jr. (visiting from the University of Virginia)
Wendy C. Wolf (visiting from the University of Arizona)

Administrative Staff:

Sara B. Toye, Assistant Director for Administration
Robert R. Behlow, Librarian
Barbara Z. MacNeill, Administrative Officer
Laura von Behren, Publications and Conference Coordinator
Velada G. Waller, Secretary to the Director

Secretaries:

Deborah G. Hackett
Madeline Hachey
Norletta Jones
Sierra L.J. Lawrence
Karen Wilson

Research Assistants and Interns:

Barry E. Adler
William T. Avila
Phyllis A. Demers
Alyson Hennelly
Laurie McKinnon
Robert Schmid

Commission Membership

The 1978 Amendments to the Comprehensive Employment and Training Act provided that the Commission's public membership be established on a 3-year rotation. During 1981, three members' terms expired: George Jenkins, Attorney-at-law; Sam Lena, Vice Chairman of the Pima County (Arizona) Board of Supervisors; and Austin P. Sullivan, Jr., Vice President of General Mills and Chairman of the Minnesota Governor's Council on Employment and Training.

The Community Services Administration, originally a member mandated by the CETA legislation establishing the Commission, was terminated at the end of fiscal year 1981. The remaining five agencies are: Department of Education, Health and Human Services, and Labor; the Veterans Administration; and the Equal Employment Opportunity Commission.

Commission Advisory Panels

As mentioned above, the Commission has created two panels to advise the staff and members on research. The first has been active in the area of the relation between the economy and the employment and training system. The second, focused

on the project on problems of Hispanics in the labor market and under the guidance of Member Pedro Garza has met during the last 9 months and continues to help the staff.

The Commission is pleased to note that Dr. James Tobin of Yale University, a member of our panel on macroeconomic policy, has been awarded the Nobel Memorial Prize in Economic Science for 1981. The Nobel committee recognized his work in inspiring "substantial research during the 1970's on the effect of monetary policy, the implications of government budget deficits and stabilization policy in general."

Members of the Panel
on Macroeconomic Policy

Robert Solow, Chairman
Institute Professor of Economics
Massachusetts Institute of Technology

Moses Abramovitz
Coe Professor of American Economic History Emeritus
Stanford University

Orley Ashenfelter
Department of Economics
Princeton University

Stephen Goldfeld
Department of Economics
Princeton University

Frank S. Levy
Income Security and Pension Policy Program
The Urban Institute

Glenn Loury
Department of Economics
University of Michigan

Alicia H. Munnell
Assistant Vice President and Economist
Federal Reserve Bank of Boston

Isabel V. Sawhill
Employment and Labor Program
The Urban Institute

James Tobin
Sterling Professor of Economics
Yale University

Eli Ginzberg
Chairman
National Commission for Employment Policy

Members of the Hispanic Advisory Panel

Pedro Garza, Chairman
National Director
SER-Jobs for Progress

Roy Escarcega
The East Los Angeles Community Union

Raul Moncarz
Economics Department
Florida International University

Cordelia Reimers
Industrial Relations Section
Princeton University

Fred Romero
Employment and Training
Administration
U.S. Department of Labor

Marta Tienda
Department of Rural Sociology
University of Wisconsin - Madison

APPENDIX B

COMMENTS OF THE NATIONAL COMMISSION FOR EMPLOYMENT POLICY ON THE REPORTS OF THE NATIONAL ADVISORY COUNCIL ON VOCATIONAL EDUCATION

The National Commission for Employment Policy is required to comment annually on the reports of the National Advisory Council on Vocational Education under provisions of the Comprehensive Employment and Training Act Amendments of 1978 (P.L. 95-524, title V).

The Council has issued three reports since the Commission published its last annual report. They are: Increasing Sex Equity, December 1980; Overview: 1979 Reports of the State Advisory Councils on Vocational Education, January 1981; and Vocational Education in Correctional Institutions, March 1981.

Increasing Sex Equity

Shortly after the Commission published its report, Improving the Earnings of Disadvantaged Women, the National Advisory Council on Vocational Education (NACVE) and the National Advisory Council on Women's Education Programs (NACWEP) published a report entitled Increasing Sex Equity, prepared for them by the Institute for Women's Concerns. This report includes an analysis of national and State data on vocational education, a summary of research findings concerning sex equity in vocational education, and a summary of two sets of hearings on sex equity sponsored by NACVE and NACWEP. In June 1981, the Council published a short supplementary paper, "Resource Linkages for Sex Equity."

The work of the Council nicely complements and reinforces that of the Commission concerning the treatment of women in vocational education. Both reports document that vocational education may contribute to arbitrary differences in economic roles by enrolling boys and girls in different activities, although there are some signs of change. Most women are enrolled in stereotypically female programs: consumer and homemaking, office, and health programs. Men predominate in agriculture, technical, and trades and industry programs.

The Commission believes that vocational education can be used to help prepare disadvantaged women for better jobs and that the emphasis in the Vocational Education Act on sex equity should be maintained. At the same time, we recognize that the labor market problems confronting millions of white, black, and Hispanic women cannot be overcome without the concerted efforts of government, the educational authorities, employers, and the support of the public at large.

Vocational Education in Correctional Institutions

The Council has recently released Vocational Education in Correctional Institutions. This report is based on four national hearings conducted by the Council in cooperation with the National Institute of Education. The hearings were held between November 8, 1979, and April 30, 1980, in Columbus, Ohio; Atlanta, Georgia; Huntsville, Texas; and San Francisco, California. A total of 106 witnesses, representing a broad spectrum of persons affected by vocational programs in jails and prisons, presented testimony. The witnesses were directed especially to address the Federal role regarding vocational education in correctional institutions and legal, attitudinal, and procedural barriers to the provision of vocational education to incarcerated persons. The witnesses also suggested solutions to perceived problems and made recommendations about Federal policy in this area.

As a result of its study, the Council concluded that vocational education in correctional institutions is inadequate to prepare ex-offenders to return to the competitive labor market. The Council further concluded that "a concerted effort to improve the effectiveness and efficiency of correctional vocational education must be initiated" (p. 5).

The Commission supports the Council's concern with the quality of vocational education in correctional institutions. We believe that concern with quality and program improvement in vocational education, including that provided to persons in jails and prisons, should be emphasized as Congress considers reauthorization of the Vocational Education Act.

SACVE Reports

Each of the State Advisory Councils on Vocational Education (SACVE's) is required to submit a copy of its annual evaluation report to the Department of Education and to the National Council. The National Council compiles annually an analysis and summary of these reports--the overview reports. They are meant to provide data of use to policymakers and to disseminate information about the condition of vocational education to other SACVE's and the public. The 1979 Overview Report continues to provide a wealth of information about the concerns of the SACVE's in 57 States, Territories, and the District of Columbia.

COMMENTS OF THE NATIONAL ADVISORY COUNCIL ON VOCATIONAL EDUCATION ON THE REPORTS OF THE NATIONAL COMMISSION FOR EMPLOYMENT POLICY

The National Advisory Council on Vocational Education (NACVE) is required to comment annually on the reports of the National Commission for Employment Policy, under provisions of the Education Amendments of 1976 (P.L. 94-482, title II).

The Commission's Sixth Annual Report (December 1980) focuses on how coordination between economic development programs and employment and training programs could be improved to expand employment opportunities for the structurally unemployed. The Report points out that there are now five major Federal development programs. The Commission believes that these programs should be used to improve the employment prospects of those who lack skills, face discrimination, or otherwise confront special barriers to jobs. It notes that, in the first Federal economic development program, the Area Redevelopment Act of 1961, job creation efforts were directly linked with training activities.

The Council agrees that the accomplishment of this goal will require continuing emphasis on integrating programs that train the disadvantaged with development programs that stimulate job creation in the areas where the disadvantaged live. The Council would emphasize that vocational education throughout the Nation encompasses enormous resources and facilities which have the potential for significant impact in such collaborative ventures with economic development programs and the private sector.

The Council believes that the Private Sector Initiative Program (title VII) should put greater emphasis on developing and implementing strategies for collaborative action. Providing leadership for more effective coordination between the private sector, education, employment and training programs, and other community resources is a part of the mandate of the Private Industry Councils, which should receive a higher priority than they have to date in most communities.

State and local advisory councils on vocational education, which are lay groups made up of representatives of business, labor, and other community interests, should be utilized in planning and gaining acceptance for such collaborative approaches.

At the national level, the Commission recommends improved coordination between agencies, and greater involvement of the private sector to insure that training is relevant. It also calls for changes in planning and funding, to bring various programs under the same cycle. The Council agrees that these are useful and desirable steps, and would further recommend that greater attention be given to program leadership, technical assistance, and innovative new approaches to bring about the desired collaboration of these programs at all levels.

The Council's Policy Statement, "Reauthorization of the Vocational Education Act," (October 1981) urges that the Federal role in vocational education be more clearly defined to focus on the needs of depressed urban and rural areas, program improvement in order that vocational education will be equipped to play a more effective role in such collaborative efforts, and access to the programs by all persons who need training. It emphasizes the need for cooperative ventures between education, the private sector, and other programs, of the kind recommended by the Commission.

In its report on Increasing the Earnings of Disadvantaged Women, the Commission makes 20 recommendations on how the Federal Government can strengthen its vocational education and employment and training programs to assist millions of white, black, and Hispanic women to improve their preparation for the labor market and their prospects for better jobs and higher incomes.

Without commenting on each individual recommendation, the Council would note that the findings of the Commission are consistant with those of the Council in its report of December 1980, Increasing Sex Equity, the Impact of the 1976 Vocational Education Amendments on Sex Equity in Vocational Education. This report, a joint effort with the National Advisory Council on Women's Educational Programs, was based on studies and hearings conducted by the two Councils. This report illustrates the contention of the Commission that, while modest progress has occurred in eliminating sex stereotyping, there is still a long way to go.

Included in the NACVE report are the following findings and observations which would support the thrust of the Commission report:

-- There must be considerably more emphasis at all levels on activities designed to overcome inequities in addition to the monitoring and reviewing designed to discover such inequities.

-- Successful sex equity programs established a liaison with potential employers, provided participants with support services and orientation to the program, instituted comprehensive evaluation, and employed competent and dedicated staff. More identification and dissemination of such programs is needed.

-- There have been significantly greater increases in adult women's enrollment in nontraditional programs through postsecondary and adult education than in high school women's enrollment in nontraditional programs.

-- Most of the selected State plans contained general statements indicating good intentions without defining specific methods for carrying out these intentions.

-- Most States reported that they were monitoring and reviewing for sex equity, but there was little information regarding what happened once plans, proposals, and activities were reviewed.

-- In most cases the State plan responded to the requirements of the Federal regulations; however, in only a few cases did the State attempt to go further and define its problems or offer a system or method for eliminating sex bias at the local level.

-- Many SACVE's or participants at public hearings on State plans recommended that the State should be funding programs to deal with sex equity issues. Nevertheless, only a few States allocated additional funds for programs, and many States that allocated funds did not expend them.

-- Women made greater enrollment gains in mixed programs than in nontraditional programs. The number of women in mixed programs increased by 756,500 (up 5 percent) while the number of nontraditional programs increased by 312,300 (up 4 percent).

-- Increases in women's enrollment in nontraditional programs were greater in technical and in agricultural programs than in trade and industrial programs.

-- Percent increases in women's enrollment in nontraditional trade and industrial programs occurred in courses without a strong sex role image, such as drafting, law enforcement, and graphic arts, rather than in courses with a strong male role image such as construction, police science, and machine shop.

-- Greatest increases in enrollment of women in nontraditional programs occurred in States where planning and monitoring systems were established to meet equity goals, where funds were committed to establish equity programs, and where efforts were made to utilize the entire State staff to address sex equity issues.

-- Negative attitudes about nontraditional training choices and expansion of male/female roles are still prevalent in State agencies, school districts, and communities, and constitute a major barrier to equity.

-- More focus is needed on preservice and inservice training of vocational education staff, especially to get more women into administrative positions, and men and women into nontraditional teaching positions.

-- Minority women need supportive services, programs that address their cultural differences, and outreach efforts to change the negative image of vocational education in their communities.

-- More sex-fair textbooks and materials infused in the curricula are needed to expand students' views of their potential career options and expose them to women and men in nontraditional jobs.

-- Broad legislative coordination with other youth, education, and employment programs are needed in order to achieve sex equity in vocational education.

In its Policy Statement, "The Reauthorization of the Vocational Education Act," the National Advisory Council contends that eliminating occupational sex stereotyping is an important and legitimate Federal role, and urges incentives and innovative approaches to accomplish the goal. It states: "With the likelihood of worker shortages in the future, it is in the National interest to make a concerted effort to break down the artificial barriers which delineate the sex role designations of many occupational classifications. Sex equity and the elimination of sex role stereotyping should receive continued emphasis."

The cross-representation between the Commission and the National Advisory Council has proved to be increasingly useful and effective over the past year, and the Council anticipates an even closer working relationship as we move into the active period of reauthorization of both the Vocational Education Act and employment and training legislation.

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*Reports listed above are available from the National Technical Information Service (NTIS) at 5285 Port Royal Road, Springfield, Virginia 22151. Please use accession numbers when ordering.

*Reports listed above are available from the National Commission for Employment Policy at 1522 K Street, NW, Suite 300 Washington, D.C. 20005

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which may be obtained from the publishers at the adresses indicated below:

From School to Work: Improving the Transition, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, August 1976. Stock No. 040-000-00364-9. Price $3.00.

Employability, Employment and Income: A Reassessment of Manpower Policy, Olympus Publishing Company, Salt Lake City, Utah 84105, September 1976.

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