

Ronald Reagan Presidential Library  
Digital Library Collections

---

This is a PDF of a folder from our textual collections.

---

**Collection:** Governor's Office, 1967-1975: Files  
**Folder Title:** Social Affairs - Productivity and the  
New Work Ethic (13G1)  
**Box:** GO22

---

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: [reagan.library@nara.gov](mailto:reagan.library@nara.gov)

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

13 G 1

POSITION PAPER

SUBJECT: Social Affairs

ISSUE: Productivity and the New Work Ethic

EMPHASIS: Should every employable person in the United States be provided a job which adds to the nation's productivity? How? Reject a guaranteed income plan as such. Paper should emphasize private sector economic job expansion and oppose artificial enlargement of government as a permanent solution to providing jobs.

## BIBLIOGRAPHY

- de Grazia, Sebastian. Of Time, Work, and Leisure,  
New York: The Twentieth Century (1962).
- Finger, Nachum. The Impact of Government Subsidies,  
New York: Praeger Publishers (1971).
- Ginzberg, Eli. Manpower Agenda for America,  
New York: McGraw-Hill (1968).
- Goble, Frank G. Toward 100% Employment,  
New York: Amacon (1973).
- Harbison, Frederick, and Myers, Charles A. Education, Manpower, and  
Economic Growth,  
New York: McGraw-Hill (1964).
- Herzberg, Frederick. Work and the Nature of Man,  
Cleveland: The World Publishing Company (1966).
- Hilgard, Ernest R., and Atkinson, Richard C. Introduction to Psychology,  
New York: Harcourt, Brace and World, Inc. (1967).
- Kaufmann, Carl B. Man Incorporate, Garden City,  
New York: Doubleday and Co., Inc. (1967).
- Lecht, Leonard. Manpower Requirements for National Objectives in the 1970's,  
Manpower Administration (1968).
- Levenstein, Aaron. Why People Work,  
Crowell-Collier Press (1962).
- Levy, Sidney J. The Meaning of Work,  
Chicago: The Center for the Study of Liberal Education (1963).
- Nemore, Arnold L., and Mangum, Garth L. Reorienting the Federal-State  
Employment Service,  
Washington, D.C.: National Manpower Policy Task Force (1968).
- Samuelson, Paul A. Economics,  
New York: McGraw-Hill (1970).
- U.S. Department of Labor. U.S. Manpower in the 1970's,  
Washington, D.C.: Government Printing Shop.

## THEORETICAL POSITIONS

1. Expansion of work opportunities increases social stability of the nation.
2. Meaningful employment will increase productivity. Corollaries:
  - a. The economic base of the nation will stabilize.
  - b. A wider work base will expose workers to more occupations and promotional opportunities.
  - c. National goals will be achieved more easily.
3. Expansion of work opportunities will lead to a decrease of public expenditures on welfare and service programs.
4. Full employment will support the free enterprise system.
5. A guaranteed income plan does not increase incentive or productivity.
6. Artificial enlargement of government as a permanent solution to providing jobs does not encourage progressive economic expansion.
7. Government can provide indirect incentives to the private sector for expansion, thus creating greater employment opportunities.
8. Private sector job expansion is economically feasible.



DATA SECTION

- I. Studies conducted indicate high correlation between unemployment and adult crime.  
Ginzberg pg. 124
- II. Unemployment rates - Nov. 1973  
white, males 20 and over 4.2%  
nonwhite, males 20 and over 9.1%  
Monthly Labor Review, Nov. 1973
- III. The most important element in economic growth is manpower.  
Harbeson-Myers pg. 0
- IV. U.S. has had first negative trade balance since 1888. It was estimated that in 1960's, .5 million jobs were lost due to foreign competition.  
Goble pg. 16
- V. In 1960's U.S. rate of productivity gain was exceeded by 10 other nations.  
Goble pg. 34
- VI. Unemployment - related costs  
Institutional care costs more than \$1 billion/yr.  
Mental illness costs about \$1.7 billions/yr.  
Penal institutions cost between \$2-\$3 billions/yr.  
Ginzberg pg. 175
- VII. U.S monetary and fiscal policies have not been focused on expanding growth and employment.  
Ginzberg pg. 75
- VIII. To provide a job for a single worker costs between a \$10,000 and \$20,000 investment.  
Goble pg. 15
- IX. In May, 1972, Canada modified their tax structure, reducing taxes on manufacturing and processing, and increasing taxes on resources and wholesale and retail dealers.  
Goble pg. 33
- X. The following indirect government subsidies to the private sector are not used, or not used extensively in the U.S., but are utilized in other nations:
1. Low interest, long-term loans to industry
  2. Participation in private work-force training
  3. Loans to provide working capital
  4. Deferment of industrial fees
  5. Policy of carrying forward losses for subsequent break on taxes
  6. Allowance for accelerated depreciation
  7. Exempting interest payments
- Finger pg. 3-8
- XI. Subsidies to small businesses would be important in California since it has 300,000 businesses with less than 20 employees.  
Task Force 1970

XII. "The building of modern nations depends upon the development of people and the organization of human activity. Capital, natural resources, foreign aid, and international trade, of course, play important roles in economic growth, but none is more important than manpower."

Harbeson-Hyers pg. 0

XIII. But manpower alone is not sufficient to increase productivity and advance a nation. Manpower needs an incentive. Under the Protestant Work Ethic labor was viewed in terms of morality. Production equated morality. But under the New Work Ethic labor and production must be accompanied by a sense of satisfaction, resulting in individual self-esteem. Further, the New Work Ethic is not limited to a particular socio-economic class in America. In a recent survey of 4000 poor and nonpoor people, it was concluded that welfare recipients, mothers as well as teenage sons, identify work with their own self-respect as strongly as regularly-employed workers. There is no more absence of work ethic among the poor than among the middle class.

Goble pg. 14

XIV. Recognizing the sensibility of the New Work Ethic, some companies have conducted interesting experimental programs in an attempt to increase productivity by enhancing job satisfaction. One such project was conducted with a correspondence unit of AT&T which was suffering a problem of low morale. In a change of policy, writers were given complete responsibility for writing and signing all correspondence themselves. In six months the morale had raised from 33 to 90 on a scale of 100.

Goble pg. 35

XV. In another experiment, a Japanese Company innovated a "one-man production approach." Instead of responsibility for only one function, workers were given responsibility to assemble entire televisions. They adjudged their improvements in quality and efficiency as "phenomenal."

Goble pg. 35

## DISCUSSION SECTION

Given the historical development of Work Ethic Attitudes in our society and substantiation by experimental projects, the use of guaranteed annual wage which carry no work component would likely result in morale problems similar to those stemming from unemployment. The unemployed frequently become antagonistic and alienated when they are denied the opportunity to participate in work. Full employment is seen as highly desirable in our culture. But it is important to keep in mind in all the following discussions of job expansion and employment, that satisfaction is an essential component of each newly-developed job.

Recognizing that work is desired by most individuals, a number of questions must be addressed: What are the benefits of high employment? Is full employment realistic and economically feasible? What is the role of government in increasing the number and availability of jobs?

### Benefits of High Employment

The first benefit of high employment is establishment of social stability. Frustration and resulting lack of self-esteem from joblessness lead to confusion and violence. (Goble, 2) It is submitted that Watts or Newark would not have occurred if all people who were desiring and able to work had the opportunity. Further, "Most studies have found a high correlation between unemployment rates and adult crime...." (Ginzberg, pg. 124)



The second benefit of full employment is productivity, with resultant increase in the country's economic base, a fulfillment of certain national goals, and increased job opportunities for workers.

"Increasing foreign production has given the U.S. its first negative trade balance since 1888." (Goble, pg. 16) Foreign workers are producing items that American workers could and should be able to supply. Increases in employment and productivity could reverse the U. S. export-import ratio, thus reestablishing the economic preeminence of the U.S. in the world market.

Concurrently, the U.S. could achieve other of its national goals, such as increasing the standard of living for the entire population. "The Gross National Product of our economy may increase to \$1.4 trillion in 1980, about 50% more than in 1970 and three times the level in 1950 - given high employment levels and expected productivity gains." (U.S. Manpower, pg. 1)

High employment will provide a broader economic base that will allow a worker more vertical and horizontal movement. Vertical mobility would allow a worker to participate in jobs previously filled by supervisors. Horizontal mobility affords the worker a greater number of jobs or occupations from which to choose. Experimentally, such worker opportunities increase morale and production.

A third major benefit of high employment would be decreased public expenditures on welfare and service programs. The United States spends more than

\$1 billion per year on institutional care, \$1.7 billion per year on mental illness, and between \$2 and \$3 billion per year on penal institutions. All of the costs may either directly or indirectly relate to the problem of full and/or chronic unemployment. (Ginzberg, pg. 175) In addition, literally billions of dollars of gross national products end up in the welfare system. (Samuelson, pg. 773) Rechannelling such resources would be of benefit to American Society at large.

The fourth benefit of high employment is the maintenance of a free enterprise system. As the Governor's Task Force on Manpower Policy stated, "If any single effort holds the key to increased employment, it is economic development through the free enterprise system." (Task Force, pg. 5)

#### Reality of Full Employment

One economic school of thought holds that 100% employment is realistic and economically feasible. Frank Goble reached this conclusion from a study conducted for the American Management Association. "...it can, and evidence to support this view comes from the record of other nations that have done far better than the United States. Joblessness in the United States has been and continues to be greater - much greater than that of some other countries. Sweden and Japan, for example, have had less than 2% unemployment for years; Switzerland and West Germany have had less than 1%; and Israel, despite the huge influx of new workers, has virtually full employment." (Goble, pg. 2)

A much more prevalent school of economic thought accepts the position that there will necessarily be unemployment for two reasons:

- (1) Jobs of a seasonal nature exist.
- (2) With an increase in the number of jobs, there is an increase in worker mobility. (Goble, pg. 10) When workers are mobile, there are periods between employment.

However, a low level of unemployment is realistic and economically feasible. Traditional economic theory holds that high employment necessitates inflation, but a new position is that high demand (leading to inflation) can be negated by high employment to produce the product in demand.

As President Nixon's Task Force on Economic Growth concluded, "We believe that a stable dollar is obtainable under conditions of full employment. We reject the notion that the country must at all times choose between inflation and intolerable unemployment." (Goble, pg. 26)

#### The Role of Government

"The source of growth in a free enterprise economic system is the profit-motivated private sector. The market economy should operate in an institutional environment which rewards incentive, penalizes inefficiency, fosters competition and maintains business confidence." (Task Force, pg. 6) In short, economic job expansion in the private sector is much superior to artificial enlargement of government as a permanent solution to providing jobs. In fact, "Government



should employ only those workers it needs to perform its proper and necessary functions...to seek to attack the unemployment problem by expanding the government payrolls not only begs the issue but compounds the problem and delays the proper solutions." (Task Force, pg. 6)

It is clear, however, that private industry itself has been unable to expand and thus increase availability of jobs and employment. Government has the power and resources to either directly or indirectly stimulate private industry expansion. As Eli Ginzberg suggested, "While the U.S. has lately been more venturesome in using fiscal and monetary policy to expand its rate of growth and the level of employment, we have not yet undertaken the policies and programs which could assure that all who are able and willing to work will be given an opportunity to do so." (Ginzberg, pg. 75)

In May 1972 Canada embarked on an ambitious plan to increase its employment. One important aspect of that plan was the reduction of taxes on manufacturing and processing companies, while increasing taxes on utilities, resources, and wholesale and retail companies. (Goble, pg. 33) Similar such reform has been suggested in the U.S.

Nathaniel Goldfinger contends the United States should decrease tax subsidies and other incentives which encourage companies to establish foreign operations. Employment at home can only increase if the industry remains at home. (Goble, pg. 307)

Another tax incentive was suggested by the Task Force on Manpower Policy who proposed discontinuation of California's inventory tax which discourages location of warehouse facilities inside the state. (Task Force, pg. 7)

Another major contention is that "Present income taxes impede the accumulation of capital which performs a vital function in the process of economic growth." (Goble, pg. 18) With prevailing tax rates, accumulation of capital by a company is extremely difficult. Yet it takes capital expenditures of \$10,000 to \$20,000 to create one position! (Goble, pg. 15) Expansion without capital is virtually impossible, yet the tax structure discourages accumulation of capital.

Some countries allow their companies to carry forward losses they may incur in their initial years of business. These losses may be applied against subsequent gains, with a tax break to the company. Such a practice can encourage small businesses in their formative years. (Finger page 3) A further ploy to support beginning business is to allow advanced depreciation during initial years. Thus the company has a small tax payment, and can channel savings into expansion, hence more jobs and higher employment.

Another means government might use to encourage accumulation of capital is providing long-term, low interest loans with which to expand. (Finger page 7)

Strong, big unions have been criticized for impeding the employment rate. They tend to maximize gains and benefits for their members to the harm of the employment level. "When unions demand all or most of production gains, they limit economic growth--again, the result is unemployment." (Gable 14)

A possible solution to this problem is to investigate steps necessary to determine if large unions approach monopoly level and functioning.

A number of other measures have been proposed and should be given careful consideration: Aid to companies who are willing to locate in a high unemployment area; subsidies or other incentives to companies for research and development; remission of fees and charges for companies in stages of initial development; selling or leasing land at low rates to companies expanding and creating new jobs.

Now, it must be assured that human resources be prepared to accept the employment that is being established. As early as the Morrill Act during the Civil War strong links were being made between education, adequate manpower, and the economy. (Ginzberg page 17) The development of human resources can be viewed as a three-step progression 1) Formal education 2) On-the-job training 3) Self-development resulting from the confidence and self-esteem established from holding a job. (Harbison-Meyers 2) Direct government subsidies have often been opposed based on the desire to protect the sovereignty of the educational system. But government support could and should be helpful in the establishment of career-oriented vocational schools. As one company responded to a survey question, "Educators are largely oriented toward academic training and few have seen vocational preparation as a primary interest of their institution." (Gable page 17)

Beyond the scope of supporting formalized company-based training, the government can indirectly provide incentives for companies to train or retrain



employees. For example, tax exemptions could be allowed for the cost and materials of training sessions. (Task Force, page 10) Another incentive the government can provide is allowing specified unemployment insurance funds to be used for training. (Task Force, page 9)

A further need in the private sector is an efficient and quick job bank. "We need to match jobs with job seekers more effectively. At present we do not even have a full inventory of job vacancies in a modern nationwide data bank." (Gable page 21)

Although the Federal Government is attempting to actually provide a job-finding service they should also investigate establishment of a private sector job bank and granting of subsidies to those companies which maintain and utilize it. Indirect governmental support might include lowering unemployment insurance rates for participating companies or exempting from taxation all funds used to support or utilize the system.

If the government on any level is to engage in business reform, it must first establish comprehensive and integrated manpower policy in cooperation with the private sector. Government must more effectively coordinate its activities, not only between levels but between major agencies to insure uniform, equitable solutions to problems. Only in this organized manner can the free enterprise system be encouraged to expand, create jobs, and increase employment.

#### SUMMARY

Full employment and resulting increased productivity will enhance the economic and social stability of both the individual and his country. Full employment

will lower crime and other social unrest, expand the country's economic base, decrease public expenditures on welfare and service programs, and strengthen the free enterprise system.

Artificial enlargement of government itself is not a permanent solution to finding jobs. While it is important for government to monitor and provide indirect incentive, job expansion should be in the private sector.

## QUOTATION SECTION

Frederick Harbison and Charles Myers, Education, Manpower and Economic Growth, p. V

"The building of modern nations depends upon the development of people and the organization of human activity. Capital, natural resources, foreign aid, and international trade, of course, play important roles in economic growth, but none is more important than manpower."

Eli Ginzberg, Manpower Agenda for America, p. 3

"There is literally no limit to the perspectives from which man can be judged. When he is viewed as a human resource, emphasis is placed on his present or potential capacity to contribute, in association with other resources, to the output of goods and services, that is, to economic development."

Frank G. Goble, Toward 100% Employment, p. 2

"Unable to meet their responsibilities, the unemployed suffer erosion of self-respect while constituting an increasingly intolerable economic burden on the rest of American society."

Sidney J. Levy, The Meaning of Work, p. 4

"Work means one is appropriately engaged in society, making a constructive contribution to it and to those close to him. He can hold his head up with pride and dignity. He can find channels of expressiveness, accomplishment and perhaps leadership . . . . work takes on deep meanings as a source of self-esteem."

Carl B. Kaufmann, Man Incorporate, p. 6

"We organized technology, and we made it pay. Our unmatched wealth, for which some of use now seem apologetic, is abundant evidence of the efficacy of that course."

Report: Governor's Task Force on Manpower Policy, p. 5

"If any single effort holds the key to increased employment, it is economic development through the free enterprise system."

Report: Governor's Task Force on Manpower Policy, p. 6

"Government should employ only those workers it needs to perform its proper and necessary functions. To seek to attack the unemployment problem by expanding the government payrolls not only begs the issue but compounds the problem and delays the proper solutions."



Frank G. Goble, Toward 100% Employment, p. 26

President Nixon's Task Force on Economic Growth - "We believe that a stable dollar is attainable under conditions of full employment. We reject the notion that the country must at all times choose between inflation and intolerable unemployment."

Eli Ginzberg, Manpower Agenda for America, p. 124

"Most studies have found a high correlation between unemployment rates and adult crime, particularly crimes against poverty. But, unemployment and underemployment certainly contribute to delinquency, insofar as they affect the stability of the family and the neighborhood."

January 15, 1974

13 G 1

POSITION PAPER

SUBJECT:

SOCIAL AFFAIRS

ISSUE:

PRODUCTIVITY AND

THE NEW WORK ETHIC

No. 13G1  
Employment Development  
Department

## EMPHASIS STATEMENTS

### AS ASSIGNED:

"Should every employable person in the United States be provided a job which adds to the nation's productivity? How? Reject a guaranteed income plan as such. Paper should emphasize private sector economic job expansion and oppose artificial enlargement of government as a permanent solution to providing jobs."

### AS DEVELOPED FOR THIS PAPER:

"The nation's manpower goal should be to provide a job in the economic mainstream for every employable person willing to work. The government role in this effort should be to create employment through business loans, direct wage subsidies, and other means that promote economic expansion in the private sector. This concept for meeting manpower needs would include a shift of emphasis away from current government efforts to provide subsistence income to persons unable to find employment or to provide artificial employment through needless expansion of government bureaucracy.

THEORETICAL POSITIONS

1. Providing a job for every employable person is the surest way to reduce welfare costs.
2. The greatest benefits of universal job opportunity would fall to youth, minorities, the disadvantaged, and other segments of the population that have the gravest employment problems.
3. Maintaining the U.S. industrial leadership, among the world of nations, requires that we utilize all of our productive resources with maximum effectiveness.
4. The means used to regulate our economy can be inflationary but full employment does not, of itself, cause inflation.
5. The key to improving the moral fiber of our country lies in providing a useful job for every employable person.
6. No single factor has more effect on family stability than the employment status of the family head.

FACTUAL DATA

Edward C. Banfield (The Unheavenly City; Little, Brown, and Company; 1970)

"If the general unemployment rate were brought down to about 2%, then probably even those at the end of the line would receive job offers."

Monthly Labor Review (U.S. Department of Labor; November, 1973)

Unemployment Rates

White Males, 20 years and over	4.2%
Non-white Males, 20 years and over	9.1%
White Teenagers, both sexes	12.2%
Non-white Teenagers, both sexes	31.7%

Leonard Goodwin (Article: Welfare Mothers and the Work Ethic; Monthly Labor Review; August, 1972)

"Data from a recent study indicate that even long-term welfare mothers and their teenage sons - though the sons have spent virtually their entire lives on welfare - continue to have a strong work ethic and do not need to be taught the importance of work. Poor people - males and females; blacks and whites, youth and adults - identify their self esteem with work as strongly as do the nonpoor".



Howard W. Hallman - President, Center for Governmental Studies  
(Report: Jobs for All: Employment and Manpower Programs  
for the Seventies; 1972)

"To reduce the rate of unemployment, it will be necessary not only to create jobs for those now out-of-work but also to provide new employment opportunities for an ever-growing labor force (1.5 million per year). To cope with this growth and at the same time make progress in reducing unemployment, let us aim to create 2.1 million new jobs a year."

THE TOTAL PICTURE

<u>DATE</u>	<u>CIVILIAN LABOR FORCE (Growing 1.5 Million/Year)</u>	<u>NUMBER EMPLOYED (Growing 2.1 Million/Year)</u>	<u>UNEMPLOYMENT RATE</u>
Dec. 71	85.0 million	80.0 million	6.0%
Dec. 72	86.5	82.1	5.1
Dec. 73	88.0	84.2	4.3
Dec. 74	89.5	86.3	3.6
Dec. 75	91.0	88.4	2.9
June 76	91.75	89.45	2.5

Report of a Special Task Force to the Secretary of Health, Education,  
and Welfare  
(Work in America; W.E. Upjohn Institute; MIT Press; 1971)

"Continued failure to provide decent job opportunities for everyone is to commit our society to a large, intractable, and costly dependent population. And the costs are not merely the cost of public assistance payments but the incalculable, indirect costs of lost productivity, crime, and public discontent and private misery. The solution to



the 'welfare mess' - if there is one - is to be found in meaningful and dignified work, in our society's explicit revelation of need for each person's contribution."

"It should be noted that while in the short run these various anti-inflationary measures for job creation must require expansion in the federal budget, in the longer run the increased employment should result in significant reductions in costs for welfare, unemployment compensation, manpower programs, crime protection and control, and social services. There will be less need for continued growth in these essentially compensatory programs if we have fuller employment."

"The most significant link between work and welfare is not with welfare recipients, most of whom are on welfare roles precisely because they can't work, but rather with those men who are not themselves on welfare but whose wives and children are. In January, 1971 there were 2,523,900 families on AFDC. The fathers were absent in 1,924,800 of the families (76%) mainly through divorce, separation, desertion, or never having been married to the mother."

QUOTATIONS

John F. Kennedy (The Quotable Mr. Kennedy; Popular Library Eagle Books; 1963)

"I believe in an America where every man or woman who wants to work can find work - where a growing economy provides new jobs and new markets for a growing nation, without increasing the consumer's prices beyond the reach of his family budget."

Edward C. Banfield (The Unheavenly City; Little, Brown, and Company; 1970)

"One way to provide work and on-the-job training for low productivity workers would be to compensate private employers from public funds for the losses they would incur by employing them at the minimum wage."

W. Willard Wirtz (The Manpower Revolution: Its Policy Consequences; Doubleday and Company; 1965; Senate Hearings before the Clark Subcommittee)

"Beyond this, and as the principal burden of this testimony, I want to emphasize the central point that unemployment represents a cost and loss item which the economy as a whole simply cannot afford. It represents a stunting of economic growth at a time when vigorous economic growth is critical to the continued good health of a free enterprise system."

Walter P. Reuther (The Manpower Revolution: Its Policy Consequences; Doubleday and Company; 1965; Senate Hearings before the Clark Subcommittee)

"The prime objective of that (manpower) policy must be employment for all who are able and willing to work at the highest skills compatible with their abilities."

Howard W. Hallman - President, Center for Governmental Studies  
(Report: Jobs for All: Employment and Manpower Programs for the Seventies; 1972)

"Full employment is a social imperative, for people need jobs in our society."

"Persons earning wages and salaries have a spirit of independence which is very difficult to achieve through welfare payments, no matter how necessary and proper is such assistance."

"Employment is now and will continue to be the economic base for most American families. Through work, family heads support their dependents and maintain their self-respect."



BIBLIOGRAPHY

Banfield, Edward C.

The Unheavenly City  
Little, Brown and Company,  
Boston, 1970

Hallman, Howard W.  
Crawford, Everett  
Briscoe, Alden F.

Jobs For All: Employment And  
Manpower Programs For The  
Seventies  
Center for Governmental Studies,  
Washington, D.C., 1972

Friedman, Milton

Capitalism and Freedom  
University of Chicago Press,  
Chicago, 1964

Mangum, Garth L. - Editor

The Manpower Revolution: Its  
Policy Consequences; Excerpts  
From Senate Hearings Before the  
Clark Subcommittee  
Doubleday and Company, Inc.,  
Garden City, New York, 1965

Marshall, Ray - Editor  
Perlman, Richard - Editor

An Anthology of Labor Economics:  
Readings and Commentary  
John Wiley and Sons, Inc.,  
New York, 1972

Siegel, Irving H.

Fuller Employment With Less  
Inflation: Four Essays on Policy  
and Statistics  
The W. E. Upjohn Institute for  
Employment Research, Kalamazoo,  
Michigan, 1969

Report of a Special Task  
Force to the Secretary of  
Health, Education, and  
Welfare

Work in America  
W. E. Upjohn Institute for Employ-  
ment Research, MIT Press, Cambridge,  
Massachusetts, 1972

Brechling, Frank

"The Trade-Off Between Inflation  
and Unemployment" Journal of  
Political Economy  
July-August 1968, pp. 712-738

Burns, Arthur F.

"The Basis for Lasting Prosperity"  
An Address, Pepperdine College,  
December 7, 1970

Phillips, A. W.

"The Relation Between Unemployment  
and the Rate of Change of Money  
Wage Rates in the United Kingdom,  
1861-1957" Economica  
November, 1958, pp. 283-299

DISCUSSION SECTION

This position paper concludes that our nation should provide a job in the economic mainstream for every employable person willing to work. Our quotation section shows that such widely based views as those of John Kennedy, Willard Wirtz, Walter Reuther, and Howard Hallman have supported this position in the past.

If our conclusion carries a new emphasis, it would be this: the target of jobs for all should be treated as a practical, reachable objective - not as a desirable but elusive goal. The cumulative costs of unemployment, whether measured in terms of hard dollars or social erosion, are intolerable. On the other hand, the costs and risks involved in a total commitment to job creation - when measured against the potential benefits - meet the requirements of a good investment in the future of America.

The idea we are espousing can best be called "Universal Job Opportunity" - and it is not quite the same as "Full Employment". This latter term, much used by economists, is a nebulous one. The concept of job opportunity doesn't hinge on an unemployment rate of 2%, 4%, or any other figure; it doesn't falter on the semantics of "hidden unemployment" or



"underemployment". Universal Job Opportunity means, simply, that every employable person willing to work will be able to find a job suitable to his financial needs.

The issue this paper is addressed to used the term "work ethic". Those words could be a source of confusion. The original meaning of work ethic has become so beclouded by conflicting political ideology that the term is no longer useful for communication. We propose, instead, to sponsor a term with a fresh new meaning: "the ethic of self-support".

This ethic speaks to one of man's basic needs - the need for self-esteem. It is a need that Guaranteed Income Plans cannot satisfy because it is not measured by financial security. Leonard Goodwin found (in Welfare Mothers and the Work Ethic) that, quite apart from financial reward, welfare mothers want to work; the poor want to work; youth want to work; everyone wants to work! And the Upjohn Institute (in Report of a Special Task Force to the Secretary of Health, Education, and Welfare) gave a measure of the consequences of failure to achieve self-support through work:

"The inability to support one's family constitutes a daily, unremitting reminder of failure that is too much for most men in that position to endure and sooner or later they leave. And how much more

biting this failure if the man is earning so little that, if he leaves, his wife and children then will be eligible for welfare and actually be better off -- not worse."

So it must be evident that Guaranteed Income Plans are not a viable alternative to job opportunity. They represent a poor compromise based on a reluctance to come to grips with the problem of persistent unemployment.

"Government as the employer of last resort" is another concept that merits little attention even though it draws a measure of current support among manpower economists. This concept calls for an artificial expansion of the public sector -- not as an answer to imperative social needs and demand -- but solely to provide work for the unemployed. It must be obvious that work of this nature has no permanence, produces little of real value, and transmits few if any job skills leading to regular employment. It can only be considered another compromise of dubious merit. The popularity of public sector expansion plans probably stems from the fact that they seem sure, quick, and easy. However, as long ago as the nineteenth century the English journalist,

Edward Dicey, warned about the hidden dangers of such illusions: "The beneficial effect of State intervention, especially in the form of legislation, is direct, immediate, and, so to speak, visible, whilst its evil effects are gradual and indirect, and lie out of sight."

It is clear, then, that the only permanent relief for unemployment must be found in an expansion of the total economy which must emphasize the private sector - where 82% of all current jobs can be found. At this point, however, the economist would warn that full employment must bring runaway inflation.

The "Phillips Curve" has probably been the most serious economic depressant of the last decade. It has made fashionable the thinking that a modestly high rate of unemployment may not only be necessary but, in the context of total national interests, may even be desirable.

It is hoped that the recession of 1969-70, when inflation actually accelerated, has put this myth to rest. Let's consider some thinking to that effect.

Howard Hallman (in Jobs For All: Employment and Manpower Programs For The Seventies) stated:

"By concentrating on the supply side (measured by the unemployment rate) instead of upon the demand side (as



defined by job vacancies) economists got into a mind-set which led them to accept an increase of unemployment as a byproduct of fiscal and monetary policies aimed at curbing inflation. However, if they had given more attention to demand, they might have expressed greater concern for ways in which job vacancies could be filled more effectively and thus reduce excessive demand without lowering the level of employment. In short, a manpower strategy to fine tune the economy would have been chosen instead of so heavy reliance upon aggregate demand to regulate the volume of jobs."

And the Upjohn Institute (in the Report of a Special Task Force to Secretary of HEW) found:

"Inflation is fueled by factors other than its relationship with unemployment. For example, if people anticipate inflation (whether or not it would necessarily occur for structural reasons) they will demand salary increases that will lead to further inflation. This 'inflation mentality' makes the trade-off between inflation and unemployment more adverse."

Let us summarize by saying that we conclude that: (1) national manpower policy must come to grips with persistent unemployment; (2) national economic policy must come to grips with persistent inflation; (3) the two goals are not diametrically opposed!



There is in our country at this time another national concern that is possibly even more pressing, more widely held, and more perplexing than the concern over inflation - we refer to the problem of welfare costs. In the Data Section we noted that the Upjohn Institute pinpointed lack of job opportunities as the major cause of rising welfare costs. Elsewhere in their report, they stated these findings:

"Thus the key to reducing familial dependency on the government lies in the opportunity for the central provider to work full-time at a living wage. The provision of this opportunity should be the first goal of public policy! ...It is unfortunate that so much of the reformist energies of the past decade or so have gone into the issue of guaranteed income and so little into the issue of guaranteed, rewarding work."

It is possible that the prospect of reducing welfare costs, alone, would justify the nation setting Universal Job Opportunity as the first priority objective of federal policy for the next decade.

The first step in any plan to provide job opportunities for all employable persons would be to define the term "employable". A person who can get a job at going wages and earn enough to support himself and his family obviously meets the definition. But some people, although they have useful job skills, may have

a true earning power that is less than the minimum wage, less than prevailing wages, or less than the income needed to support their families.

Some opinion holds that this latter group should also be considered "employable" and that we should provide jobs for them as well. For example, Banfield stated (in The Unheavenly City):

"Theoretically, at least, there is no reason why a family (or unattached person) earning too little could not be subsidized from public sources so as to bring its total income up to a level deemed adequate. This arrangement has an obvious advantage to the public: whatever the worker earns, however little, reduces the cost of his support".

The problem of defining "employable" was considered in even more detail in a recent California Employment Development Department program proposal for a California Self-Support Program. That proposal concluded that we should provide a job opportunity for any AFDC welfare recipient who had "productive skills":

"It is customary in Federal/State programs of employment assistance for AFDC welfare recipients, such as WIN, to assess the need for services based on a decision as to whether or not the client is 'job

ready'. This term is used to describe a client who can secure employment in the regular job market, at prevailing wage rates, and provide enough earned income to meet family subsistence needs.

"Using this definition poses problems for a manpower service agency on two counts. First, a client's family size - and resulting income needs - may be the deciding factor in whether a marginal worker is 'job ready' by this definition although it doesn't affect his actual job skills. Secondly, fluctuating labor supply and demand - during different parts of the nation's economic cycle - may alter the 'job ready' status of a specific client, again without changing his vocational skills.

"These problems may partially account for the low success rates of employment programs for welfare recipients. For example, in younger family units, family size may increase at a faster rate than vocational skills (even though the family head is in a federal training program), thus precluding the client ever becoming 'job ready'. Related to the problem of economic cycles, training programs may last long enough to span a significant change in the local



economy; if the change is downward, the original training plan may now be inadequate to the client's needs; if the change is upward, the client may drop out of training to accept new found opportunities for employment that are not 'training related'.

.....

"In the CSP project, the client with 'self-support' skills is, again, one who can find employment in the regular job market, at prevailing wages, and provide enough family income to meet family subsistence needs. However, a client who does not qualify for this classification would not necessarily need formal training as long as he possesses 'productive skills'.

"A client with 'productive skills' is defined as one who has a true earning capability in the regular job market, without the constraint of minimum or prevailing wage levels, to provide an increase in family income (through the \$30 plus 1/3 income disregard) plus offset the client's cost of working.

"Thus the primary goal of CSP is to provide a vehicle whereby an AFDC family head with productive skills can realize the value of that productivity in the private sector job market, without adversely affecting minimum wage, prevailing wage, or other economic factors...."



It should be quite clear that, theoretically, any plan to maximize this nation's productivity must include provisions to utilize the output of our growing (because of rising minimum wage trends) number of marginally productive workers. It is also true that such an objective can only be achieved by "biting the bullet" of governmental wage subsidies in the private sector. The idea of private sector wage subsidies is currently unpopular. Recent federal legislation (Comprehensive Manpower Act; Amendments to the Social Security Act) encourage wage subsidies -- but only in the public sector. Yet Banfield, in three paragraphs from The Unheavenly City, clearly makes the case for private sector participation:

"It would appear that the way to solve the unemployment problem in the city is to allow the price of all labor, including the least valuable, to fall to a level at which it will all be purchased. If a ditchdigger's work is worth no more than \$1.00 an hour to anyone and if a fifteen year old dropout's work is worth no more than 50 cents an hour, these should be their wages. The point is that low-value labor must be priced no higher than it is worth if those who can use it are to have an incentive to do so".

"One way to provide work and on-job-training for low productivity workers would be to compensate private

employers from public funds for the losses they would incur by employing them at the minimum wage".

"One advantage of this arrangement is that it would top a limitless number of job possibilities; another is that employers would have incentive not to waste the labor in 'make-work' projects".

The conclusion of this paper, then, is that the creation of a sufficient number of jobs to provide work opportunities for all employable persons will require appropriate action by both private industry and government to expand our total economy - with emphasis on growth in the private sector.

The role of private industry in this effort should include:

1. Increased investment of risk capital to stimulate growth of the nation's economy and employment.
2. More realistic screening, selection, training, and promotional practices to improve utilization of the nation's labor force.
3. More ready acceptance of joint responsibility, with the federal government, to combat inflation through sound management, marketing, and fiscal policies. \_

The third target might require some direct government control but it is expected that the first two objectives could be accomplished without any additional government intervention

in private business, as they would result naturally from the recommended government action spelled out below:

1. The first responsibility of government in job creation should be to modify and repeal over-burdensome taxation and labor legislation in order to create a more beneficial climate for private business and, especially, for small business.
2. The government should accept a similar responsibility to encourage, through tax changes and other legislation, a substantial increase in the private investment of risk capital.
3. Finally, the government should, at the earliest possible moment, begin wage subsidies in the private sector, for the marginally productive, in lieu of welfare and other programs that subsidize idleness.

In our earlier discussion on private sector wage subsidies, we noted that the concept is currently unpopular with Congress. Their reluctance seems to stem from a concern that private firms would "profiteer" at public expense. We conclude their fears are groundless.

Private firms are vendors to the government (at all levels) for billions of dollars annually in goods and services. Yet our free market, competitive bidding system prevents those firms from profiteering. All that is needed to build an



equitable wage subsidy plan is that we stick to the free-market system. The California Self-Support Program proposal, in these passages, offers a subsidy plan model that stands the test of equity:

"The previously discussed concept of 'earned wage subsidies' will allow the use of public assistance funds to provide wage supports, instead of welfare, by subsidizing jobs in the private sector...this will enable private employers to offer jobs at the true 'market value' of the work to be performed...This has the effect of involving local employers in a 'job bidding' system by which the 'wage value' of needed work can be established through a free-market process and the work that has the highest market value gets done..."