

Industrial Relations  
Research Association

PROCEEDINGS OF THE  
1968 ANNUAL SPRING MEETING

*Columbus, Ohio*  
*May 2-3, 1968*

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*Edited by* **GERALD G. SOMERS**

**Industrial Relations Research Association  
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# Industrial Relations Research Association

## Spring Meeting

May 2 and 3, 1968

Columbus, Ohio

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IRRA 1968 Spring Meeting

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**PREFACE**  
to the  
**Industrial Relations Research Association**  
**Spring Meeting Proceedings**

The IRRA's spring meeting in Columbus emphasized three major topics in the field of industrial relations.

There was a principal concentration on the employment problems of the disadvantaged, including the role of private management, job search, training, job placement and incentives for welfare recipients. These discussions featured company representatives as well as younger members of the academic profession.

J. Douglas Brown presented a paper and led a spirited discussion on industrial relations aspects of academic administration.

Finally, a session on coordinated bargaining included the viewpoints of a union spokesman, a management representative and an academic economist.

The Association is grateful to authors of the papers and to the discussants for their prompt submission of manuscripts for these *Proceedings*. We are once again grateful to the LABOR LAW JOURNAL for publishing these *Proceedings* in their August 1968 issue for our members.

Gerald G. Somers  
Editor, IRRA

## SESSION I

# Management Experiences in Dealing with the Disadvantaged Minority Training and Employment

By R. V. CORNING

Vice President and General Manager,  
Lamp Division, General Electric Company

**T**ODAY OUR COMPANY IS FACED with significant challenges in its operations located in inner-city areas. These arise from the problems of urban decay, and we can expect to face these challenges on a broader scale as time goes on. There are deep social and moral issues involved here. But, in addition, there is the hard business fact that in these areas the high unemployment rates, the lack of employable skills and the generally undesirable conditions which prevail, combine to jeopardize our ability to get the people we need to operate in these locations—that is, unless we can find some answers to our problems.

It is quite obvious that neither morally nor practically can we solve our problems by relocating our plants. As these urban conditions become more widespread and critical there will be fewer and fewer areas of possible “refuge” and the costs of mass relocation are prohibitive — even if we were so inclined.

In the Lamp Division of G-E we are made acutely aware of the challenge by our personal involvement in a number of our plant areas. I shall try to picture for you something of what this involvement means, and more importantly, the approach the Lamp Division is taking in an effort to develop some answers.

You will recall the Newark riots of last summer and perhaps you remember the television shots of the police station around which it initially centered. Our Newark plant is just four short blocks away from that police station. The neighborhood is a ghetto, with substandard housing, a 100 per cent nonwhite population, and it's tough —very tough! And although our plant has been there since 1905, it is looked upon by many as an outsider.

Some of the problems of operating that plant are:

(1) It is extremely difficult to attract desirable employees from outside the area because of the environment.

(2) The unskilled labor which is available requires an unusual amount of training, and employees' attitudes and habits frequently leave much to be desired.

(3) Operating efficiency suffers as a result; improvement is possible with new equipment and better practices, but these must be introduced cautiously and gradually to avoid triggering a strike which could become a riot focused this time upon our plant instead of the police station.

Newark is perhaps an extreme case, but it differs in degree only from what we face in St. Louis, Memphis, and Cleveland, and in time these differences may well diminish.

Perhaps indicative of the process of change is the situation in East Cleveland, the home of Nela Park since 1913. Once an attractive suburb, East Cleveland is now an aging community facing rapid social change and physical deterioration. In 1960 the Negro population was 2 per cent. Today it is slightly over 40 per cent, and in the schools the increase has been from 5 per cent to 50 per cent. We have a big stake in this area. It contains our headquarters and our principal research, development and engineering facilities. And we are East Cleveland's major employer and its principal taxpayer.

The City of Cleveland itself has become known as a city with grave racial problems. In 1966 there was a very serious riot in the Hough area which, incidentally, is adjacent to the locations of two of our plants.

Fortunately these riots were not repeated during the summer of 1967,

nor after the tragic death of Dr. Martin Luther King. It seems obvious to me that much of the credit for Cleveland's relative calm recently should go to our Mayor, Carl Stokes. (This remark was made at the IRRA conference held May 2-3, 1968.)

### **Community Programs**

Following the 1966 riot a number of community programs have evolved directed to the objective of providing the disadvantaged unemployed with jobs and the ability to hold down jobs. These programs generally seek the involvement of all Cleveland business.

One of these programs is called Aim-Jobs. In it, unskilled, uneducated Negroes are employed and given a chance to develop on the job in an environment which expects and makes allowances for initial shortcomings of performance. This is a worthy effort and one in which we participate, but at best it can offer only a token gesture of solution toward the massive Cleveland problem.

### **Industry-School Combination**

We are now in the midst of plans by which we hope to add a new dimension to the attack on the overall problem. In brief, these plans involve using a General Electric facility to house a unique venture operated jointly by the forces of education and industry.

Our own involvement came about through the availability of a vacated facility in Cleveland of some 250,000 square feet, and a desire expressed to become directly involved in finding solutions to the problems of training and placement of the so-called hard core unemployables. Incidentally, the facility I mentioned is located right in one of Cleveland's ghetto areas.

We explored several avenues of approach with prominent business-



men in Cleveland, and with Dr. Paul Briggs, superintendent of Cleveland schools. Dr. Briggs pointed out that one large source of unemployables was the high school drop-out. Astonishingly, these boys and girls number about 4,000 per year in Cleveland. It was generally agreed that a program aimed at these young people might have a real chance to succeed and such a program has evolved. We visualize establishing a job center—we avoid any “school” connotation because these youngsters are allergic to such terms. This job center will provide: (1) basic education and special training including such subjects as money management, personal hygiene, and human relations; (2) skill training related specifically to job placement; (3) job placement in an industry operated shop right in the center; and (4) final job placement in industry.

We will donate the facility to the Cleveland Public Schools who will staff and operate it. Local industry, General Electric included, of course, will provide the shops where products are made or services performed, and the students will be paid for the work they do. In other words, the students will co-op by the day, half a day learning and half a day working. After a period of training and working, geared to each individual's capacity to learn, the center would channel the graduates into full-time employment in industry. For example, in Lamp we think we could absorb 50 to 100 of these young people each year in our Cleveland operations.

The Cleveland schools will do the recruiting job from the ranks of the high school drop-outs as these youngsters are known to them. Enrollment

at the start will probably be modest, but hopefully will grow rapidly. We see no problem in handling 500 boys and girls, and with experience think we might double that number.

We believe that the industry-school combination is an ideal one in this situation. Like other businesses, Lamp is not particularly adept at basic education or character training, but the school system is, or can be. The schools can provide some simple vocational skill training, but they cannot duplicate a real factory or business environment such as General Electric and other businesses can. In essence, what we are doing here is blending the unique competences of both industry and education.

We hope this proposed plan will make a substantial contribution to a severe urban problem. There are many problems remaining, however. People ask us if we can really expect to get productive employees, in spite of their training, if their home environment has not changed. Maybe not, but we can certainly try.

This project is simply an attempt to get at one facet of a broader problem where it appears we might have a good chance of success. We can't guarantee we will be successful. But, since our company really wants to do something constructive—really wants to make a tangible contribution, we probably will have to experiment and take risks.

As I said, we cannot guarantee the results of this experiment. No one can. But, in our judgment, it is certainly worth a real try. I, for one, am excited about our prospects for success. [The End]

# Effective Counseling and Training Approaches Fostered by Industry in Cooperation with a Government Agency: Plans for Progress

By ARTHUR M. DOTY

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Aluminum Company of America

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I HAVE THE PRIVILEGE of describing the Vocational Guidance Institutes Program sponsored by Plans for Progress. Briefly, Plans for Progress is a voluntary effort by the leadership of American business and industry to aggressively promote and implement equal employment opportunity.

The Program was conceived in 1961 as a cooperative adjunct to the President's Committee on Equal Employment Opportunity, which was then coordinating federal efforts in this area. When President Lyndon B. Johnson reorganized the federal equal opportunity programs in September 1965, he continued Plans for Progress as a voluntary effort, with administrative support furnished by the Secretary of Labor. Plans for Progress, its purpose, direction, and the active programs it conducts were strengthened by the recognition and status given by President Johnson's Executive Order No. 11246. Plans for Progress companies take the initiative by carrying out affirmative action policies and projects to end discrimination and increase job opportunities for minorities. Both individually and in concert, member companies carry out a wide variety of programs, involving community as well as in-plant action, to achieve the original aims of providing leadership in promoting and implementing the

concept of a fair chance for all employees and prospective employees.

Basically, Plans for Progress has been created so that American business can contribute to the solution of a major national problem and can promote better and more stable community conditions. One of the great strengths of Plans for Progress is that it is a voluntary program, dedicated to direct action on a broad front, to make job opportunities available to all Americans regardless of race, color, creed or national origin. In an effort to improve the effectiveness of high school guidance personnel in their vocational work with minority youths, Plans for Progress instituted a program to acquaint high school counselors and administrators with a current and comprehensive picture of the rapidly changing job market.

The vehicle for this program was a series of Vocational Guidance Institutes, patterned after a three-week pilot project sponsored by 12 Plans for Progress firms at Wayne State University in Detroit during the summer of 1964. The basic objectives of these institutions were:

(1) To increase the counselors' knowledge about changing employment conditions and opportunities, particularly for Negro and other minority youths;

(2) To assist in the establishment of regular communications between

school administrators and counselors and industrial personnel ;

(3) To enhance the educators' and counselors' understanding of the attitudes which "culturally deprived" youths have toward such matters as employment, education, family life, their place in society and the world beyond their experience.

Vocational Guidance Institutes, ranging from one week to six weeks, were held in 10 cities during the summer of 1965, with 484 participants. During the summer of 1966, Vocational Guidance Institutes were held in 17 cities, with a total of 800 people participating. In 1967, Institutes were held in 28 cities. It is expected that in 1968, Vocational Guidance Institutes will be held in 35 American cities at a cost of approximately \$380,000. It is expected that Plans for Progress companies will furnish at least \$225,000 of this amount.

Funds for the 1966 and 1967 programs were provided mainly by Plans for Progress companies. In 1965, some institutes were conducted with financial aid from the Office of Economic Opportunity and Department of Health, Education and Welfare. During the summers of 1966 and 1967, Plans for Progress supplemented the funds contributed by Plans for Progress companies by money obtained from the Economic Development Administration of the Department of Commerce.

Because it was important for us in Plans for Progress to know whether or not these Vocational Guidance Institutes were effective, we decided that we would ask a team of professional consultants, headed by Dr. Theodore Volsky of the University of Colorado, to make a thorough study to determine the effectiveness of this Program. His study was financed by

the Economic Development Administration of the U. S. Department of Commerce. A review of this Summary Evaluation is perhaps the most objective means of presenting the facts about the Institutes. The summary<sup>1</sup> follows:

*(A) Purpose and Scope*

A program of Vocational Guidance Institutes aimed at bringing together tomorrow's jobs and job-seekers by working with high school guidance personnel was carried on in 1966 for varying periods of time, ranging from five days to a year, in 17 specially selected cities.

The project was initiated, promoted, and supported by Plans for Progress, the national voluntary equal employment opportunity program of American business and industry. The Economic Development Administration of the U. S. Department of Commerce (EDA) supplied grant assistance.

The 17 Institutes trained nearly 1,000 guidance counselors, teachers, and administrators to counsel minority and disadvantaged youth more effectively. The goals of the Institutes included:

(1) Providing job opportunities for youth by making employees and schools aware of matching potential to job demands.

(2) Increasing the counselors' knowledge about changing employment conditions and opportunities, particularly for minority youth.

(3) Assisting in the establishment of regular communication between school administrators, teachers, counselors, and industrial personnel, including first-line supervisors and personnel directors.

<sup>1</sup>"A Summary Evaluation — Vocational Guidance Institutes," Plans for Progress,

1800 G Street, N. W., Washington, D. C., 1966.

(4) Enhancing the educators' and counselors' understanding of the attitudes which economically deprived youth have toward such matters as employment.

(5) Changing attitudes of educators in the areas of optimism, realism and commitment.

(6) Providing the basis for a continuing program through the year.

To determine the effectiveness of the undertaking, Dr. Theo Volsky of the University of Colorado was retained to make an independent evaluation of the Institutes. This report is a detailed summation of that work.

In making this testing Dr. Volsky and his evaluation team were guided by certain core objectives established by the Plans for Progress national office; that is, were the Institutes conducted in a manner consistent with goals stated as desirable for demonstration programs? Did the locations have certain common economic and social characteristics and did the Institutes place emphasis on action programs which could be reasonably expected to have some impact on the social debilitating aspects of these characteristics? Was the emphasis of action placed on areas containing heavy concentrations of minority or culturally deprived individuals who shared low expectations of employment opportunity?

There were three kinds of data upon which the evaluators could draw: (1) analyses of proposals, syllabi and other pre-Institute information which was made available; (2) survey data collected from program administrators, program faculty, participating industry and business personnel, Institute trainees and indigenous persons involved in the various programs (this information was collected at three stages—prior to the start of the Institutes,

during the Institute programs, and upon completion of the Institutes); (3) material gathered during on-site visits to each of the 17 Institute locations by investigating teams conducting intensive free-inquiry interviews with all of the groups involved in the program.

By utilizing pre-Institute, post-Institute and follow-up data, they were able to describe the movement and attitudinal changes accomplished by the various Institutes in such areas as: attitudes toward poverty; attitudes reflecting optimism, realism, and commitment; perception of the counselors' role in working with minority youths; and general knowledge of the world of work. Several instruments were developed to carry out this aspect of the evaluation.

#### *(B) Findings*

The results indicate that participants found the Institutes helpful and informative and that the Institutes did, in fact, affect both attitudes and behavior of the participants. This is most meaningful when comparisons are made with similar programs. Participants were overwhelmingly positive about the Institute programs in general. The most striking reaction was one of appreciation (and surprise) expressed by counselors, school administrators, social agency personnel and by members of the community at large relative to industry's initiative in proposing and supporting these Institutes. Gratitude was expressed repeatedly.

Through the many different impressions obtained in the evaluations, it becomes clear that all participants value the interest and initiative shown by industry, and the opportunity for increased communication between industrial and school personnel. They want to do what they can to nourish and foster further development of this

spirit of cooperation. Most of the positive accomplishments of the program were being maintained at the time of the four-month, post-Institute evaluation. In some cases these achievements had been strengthened. Where there were no provisions for continuing contact among the individuals concerned, however, evaluation revealed that positive attitudes were quickly lost or soured.

### *(C) Recommendations*

#### **On the role of business and industry in promoting counselor training Institutes:**

Business and industry play a role in the Institutes which could not be filled by any other group or agency. One of the most prominent results of the Institutes has been the positive reaction of participants toward industry for opening this door and expressing this interest in education.

As employers of the nation's youth, industry is in a unique position. No other organized segment of society has the kind of commitment and organizational ability that business has to lend to education in its efforts to prepare youth to enter into society and the job market. The aggressive interest of business and industry in the problems of education is one of the single most important reasons why the Institutes have succeeded. The continuation of this interest in the education and counseling of American youth is a vital element in improving education. At local levels, the business and industry base should be broadened to include greater representation from local industry for financial support, additional field trip opportunities and, most significantly, increased employment opportunity for minority youth affected by local programming.

#### **On the nature of the relationship between local Plans for Progress Councils and the national Plans for Progress office:**

Local Plans for Progress Councils look to the national organization for guidelines and financial assistance. Many local Plans for Progress council members feel reluctant to approach local companies for heavy financial underwriting year after year. They feel that contributions by their companies on both the national and the local level may be asking too much. A matching funds approach will probably work best with encouragement of local groups to broaden their local base by soliciting either manpower support or financial support from community-level business and industry. The national office should provide guidelines and review proposals of the local groups. These guidelines, however, should continue to be flexible enough to leave considerable control at the local level.

To help establish guidelines and to review programs in their light, it is recommended that an advisory and review board be contracted by the national Plans for Progress Advisory Council. The composition of this board would at least include experts concerned with the areas of poverty, minority unemployment, and behavioral change.

An Institute Speakers Bureau, coordinated at the national level, would be helpful to the local groups. Many Institutes were able to enlist extremely capable and captivating speakers. The identification of some of these speakers at the national level could make them more widely available to the various Institutes.

#### **On the selection of Institute directors and staff:**

The Institute director must be selected early and should be involved in the

Institute planning since he will be extremely important to its success. Early selection is important because competent educators often are committed six months or more in advance of the summer for which their services are sought. The Institute director must be a person with an established reputation at least within the area in which he or she is to work. He should be chosen for his enthusiasm and commitment as well as for his knowledge, administrative abilities, ability to work with the local educational system, and ability to work with local industry. Many Institutes overcame severe difficulties largely because of the personal enthusiasm and drive of the director. Each director should have one or more associates or assistant directors. There is too much work involved in conducting a smooth-running Institute for one man to handle.

**On the use of indigenous persons as program participants:**

From the results reported by the Institutes which involved youth in their programs, it is recommended that future Institutes should incorporate this technique. Minority youth were able to transmit the nature of their culture very clearly to the participants. Formal lectures and presentations seemed less effective in reaching this goal. The presence of the minority youth in the program also tended to give an Institute a continuing touch with the realities of the problem of minority unemployment. This procedure was especially helpful to those counselors who did not come from schools that were heavily populated with minority youth.

**On the Vocational Guidance Institute in the context of the community:**

In order to achieve the greatest effect for the funds to be expended, Institutes should be coordinated with the local, state, and federal programs.

Churches and other civic organizations may be enlisted as cooperating agencies at the local level, since they often are able to furnish space, manpower, or allied programs which will enhance the Institute. The broadest possible base of community support is essential for maximum effectiveness of the program.

**On the structure of Plans for Progress Institutes:**

The optimum length of Institutes would seem to be three weeks of intensive work with a planned follow-through. This follow-through is an essential feature for the maintenance of changes achieved during the period of intensive effort. It has been shown that the commitment and enthusiasm developed during the Institute dissipates in the ensuing months if it is not reinforced by follow-up meetings and transferred into concrete actions. One way in which concrete action can be implemented is for participants to plan programs to be carried out during the following year. Follow-up meetings of the group may then be focused on these projects.

Another aspect of the follow-up program should be the establishment of some means of communicating information or employment opportunities directly to school counselors. A constant flow of job descriptions and *current employment needs* should be maintained in order that counselors and other persons in the system remain well informed.

**On the content of Plans for Progress Vocational Guidance Institutes:**

In planning an Institute, a balance should be achieved in the emphasis placed on the need for attitudinal and motivational change in underprivileged persons, the need for broad-based change in the culture, the need for changes in school programs, and the need for changes in industry hiring practices

and training programs. The program format should achieve a balance in the use of viable lecture methods, meaningful field trips to industry, group interaction techniques, supervised interviewing practice, meaningful field trips to poverty areas, vocational counseling, and educational counseling.

Lectures delivered at the first year graduate school level are usually not well accepted; participants feel they are being "talked down to." They want to hear practical, experience-oriented lectures. The topic and the man is more important than whether he is from industry, government, or the academic world. An important factor to bear in mind is that the best speakers, especially those from academic settings, make their plans far in advance, and therefore must be invited as early as possible to insure their availability.

Field trips to industry must be carefully planned and carried out. *Participants want to see people at work and to talk with them about their work.* They are not as interested in the company's product or glamour. Small group discussions following the industrial tour have been found useful. It has worked out well to plan the follow-up discussion on the premises in order that questions the participants have about what they have observed can be answered immediately. As a feedback device to industry, evaluation forms have been completed and turned back in before the group leaves the plant. This approach has been valuable to both participants and the cooperating industry because it makes the dialogue between industry and education real, immediate and two-way.

Small group discussions have been found effective during many phases of the Institutes. After a certain amount of learning, participants want to be able to talk with their colleagues, to exchange ideas, and to reflect on their

experiences. Such discussions should have an experienced leader. When there is no leader, the uncontrolled intensity of the group interaction can produce interpersonal conflicts which overshadow the purpose of the discussion.

Supervised interviewing experience is an important mode of instruction which many counselors have not experienced in their training. The Plans for Progress Institutes can fill this need where it exists. When developing plans for this experience, and in guiding the experiences, the director and supervisors should check carefully the background and previous experiences of the participant and exercise as much sensitivity in his supervision as they expect the participant to develop. The educators should note however, training which focuses on traditional technique rather than *goal oriented* interaction is not likely to prove effective with the students in this program.

One of the most effective means found to enhance the dialogue between industry and education is a large group meeting where all participants meet with representatives of business and industry to compare, challenge and confront one another with problems and proposed solutions. Prior to using this technique, fears were expressed that it would not work at all or that it would get out of hand. Neither fear was realized. One person usually moderates these discussions; it is his responsibility to see that the discussion does not get out of hand. A preparation session has been used in order that questions could be formulated and the program outlined prior to the discussion. (Some of these sessions continued for six or more hours.)

Labeling of the group focus of the Institute was a recurring problem. Some individuals saw negative connotation where others saw none. Issues

about differences which made no difference operationally contributed to the weakening of some programs.

The young person who has already dropped out of school (or is about to drop out) or the delinquent youth who is unprepared for employment became a very real concern in many Institutes. These individuals were not seen as the legitimate concern of either of the involved groups—school or industry. Yet as individuals, they tended to personify the cultural problem. There must be a willingness to seek new solutions rather than the evidenced desire to make only old programs work.

#### On the selection of participants:

Participants should be selected from the broadest range possible. In order to establish and maintain a dialogue between industry and education, persons from many areas should be included. When a representative of one segment is missing, responsibility for a situation tends to be transferred to him. The persons present have difficulty achieving the proper perspective under these conditions. Participants should be chosen by the director, in cooperation with the school administration and industry for the achievement of optimal effects. Participants from all of the following groups should be encouraged:

(1) *Teachers.* These may be teachers of vocational education, vocational cooperative education, distributive education, English and social studies, or others according to the local situation.

(2) *School administrators and curriculum supervisors.* Persons in these positions are important because of their power to affect the counselor's role in the school system. Instruction units also often need study and change in light of the results of the Institute program.

(3) *High school counselors and placement counselors.* In some school systems the guidance counselor is discouraged from doing placement work because there are placement specialists. Persons in both roles can benefit from the program.

(4) *Union representatives.* Because of the very important role which unions play in the American labor market, representatives of the unions should be included.

(5) *Junior high school counselors.* These counselors are seeing students during a critical transitional period. The Institute programs can stimulate a communication between junior high school counselors and high school counselors which typically does not exist. This cooperation is important to the schools' holding power.

(6) *State Employment Services counseling and placement workers.* These persons can benefit from the knowledge and data acquired in the Institute. Also, their inclusion increases communication to another segment of the chain of persons concerned with the employment of youth.

(7) *Industry employment interviewers and personnel officers.* Persons in such jobs have much to give other participants because of their unique position. They can also gain from the experiences because they may not share in the philosophy of their company. No matter how much the leadership of a company believes in opportunity for minority employment, by the time this philosophy has filtered down through the channels of communication, it may be lost. The Institute experience allows these persons to meet with others who are concerned with similar problems and provides points of contact useful to both education and industry. [The End]



# Achievements of an Industry-Operated Job Corps Center

By T. C. ALLEN

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International Telephone and  
Telegraph Corporation

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**O**EO ORIGINATED the idea of Job Corps in 1964 for the purpose of training young men and women to a job entry level sufficient to convert them from nonearners to productive, self-supporting citizens. Initially, the trainees selected were primarily the hard-core unemployed dropouts and/or those who couldn't make the grade in the regular public schools. This is still basically true, but any 16-21 year old can now apply. Selection, by and large, is only limited by the funds still available for this program. All candidates voluntarily join the program.

These comments, to follow, reflect what takes place at one urban Job Corps Center for men, namely, the Kilmer Center in Edison, New Jersey. There are five other urban centers for men, 20 for women, plus three special centers and 80 rural centers, located all around the country. They are not all alike except in overall purpose, and of course they do not offer these young men and women the same subjects at every center.

The training approaches were originally planned, developed and executed, insofar as possible, using the well-worn, tried and proven, teaching methods with as many new supportive techniques as the administrators thought practical at the time. Many of the innovative techniques are still being used, but most normal teaching applications have been subject to considerable experimentation and revision,

perhaps better referred to as customization to meet the need of this type of educational/training system.

The Kilmer Center offers academic courses in English, arithmetic, social studies and reading. In addition, vocational training is offered in the skill areas: *automotive repair* and service; *building trades*—carpentry and painting; *machine shop operators and setup*—for engine lathe, and grinder; *electrical or electronics*—for typewriter service and repair, basic electronics, electronics assembler; *electrician and electrician helper*—for industrial application (wiring, motor and lighting installation); *printing*—offset duplication machine, pressman and platemaker, and lithographic photographer; *welding*—as an arc welder and combination welder; *food service*—a very popular field, includes management techniques for hotel and restaurant—as a cook helper, cook, cook helper pastry I and II and short order cook; *transportation*—truck driver for light, heavy, tractor trailer and overall industrial truck operator as applied to any industry applications. In addition to these skill level programs, there is also a prevocational course for *building maintenance*. This is used to permit immediate training even before special training begins or while a trainee is awaiting his vocational assignment.

## **The Physical Setting**

At the Kilmer Center the trainees are called corpsmen, which of course relates directly to the Job Corps, but it is often associated with the environment of the Kilmer Center. Kilmer or Camp Kilmer is a partially

renovated army base which would still look familiar to those of you who served in World War II. The rows of barracks, administration buildings, gymnasium or rec building, chapel, dispensary, motor pool and garages, have been appropriately painted white outside, and on the inside, almost without exception, attractive color schemes are used in the dining halls, dormitories and classrooms. The old army olive green color is only evident in the everyday school-work fatigue clothes issued to and worn by all corpsmen in the Transportation School.

The element of regimentation, characterized by a camp is minimized throughout the classrooms, the vocational training shops, dining halls and dormitories. The dormitories are low one-story buildings housing 64 corpsmen, four to a room, with a TV lounge at each end of the building. The men are their own housekeepers, operating under the direction of a trained counselor who lives in. The corpsmen also serve, to a large degree, as their own disciplinarians for everyday problems arising between the men in their dormitory. This is part of the total indoctrination to the ways and means of some facets of our social compliance and compatibility. This self-responsible, self-discipline system is one of the original ideas established at Kilmer and has proved to be very effective. It should be noted that although the military post is still discernible, there are no MP's on the premises or guards at the entrances. However, lead corpsmen have, on their own, adopted a form of MP duty for week-ends in nearby towns to help assure and maintain favorable community relations.

### **Organizational Structure**

The self-control shown is also very effectively demonstrated through the elected student government, which in itself is an educational extra, but,

more importantly, assists in the building of self-confidence and personal character. The assistance this one function offers is indeed significant and very appreciatively accepted by the administrative staff.

The staff, who operate the Job Corps center, are extremely dedicated people. They face their responsibilities with normal and unusual challenges—every day of the week. The center is in business 24 hours a day, seven days a week. However, corpsmen do not have training on Saturdays or Sundays.

Obviously, a large number of young people aged 16 to 21, many lacking a purpose in life and laden with the roughest experiences we might imagine, are bound to offer a large size problem to any administrative and/or teaching staff.

Picture the following: in the camp-like environment, there are 1,700 young men; some are motivated to help themselves, while most of them are still being counseled and encouraged to find a way; the racial mixture is 80 per cent minority groups, including, through the entire group of trainees, about 10-20 per cent with Spanish as their basic language; many, if not most, are away from their home environment (regardless of what it represents) for the first time; newcomers on the average have seen a doctor and dentist once in 10 years; all are public school dropouts; and those who have held a job (only 30 per cent have ever held a full time job) averaged 83 cents per hour. They are now following a generally predetermined day schedule, rather than the unemployed freedom, come and go as you like status, and there are the extremes of those who are newly arrived (75-100 arrive every two weeks) to those who are nearing the completion of their one or two year courses. And, of course, the age difference, although only 16 to 21 years, gives you a

range of immature teenagers to mature adults, or vice versa. Stirring these factors together almost defies the imagination as to any projected result—but I hope you have a picture in mind.

Now, let's see what happens, both on the average and in some extreme cases. Kilmer Job Corps, operated by FEC, a subsidiary of ITT, celebrated its third anniversary on April 16, 17 and 18—with a Government Day, Education Day, and Industry Day. This was an impressive event that emphasized the cooperation of all three areas in making the Job Corps effective. The 300 men and women professional staff and 650 others are very proud of its operation, extremely dedicated to its purposes and constantly seeking to improve the means and ways to expedite the conversion and training of their product—the corpsmen.

### ***Academic and Vocational Selection and Placement***

The average corpsman has completed a little over eight years of school, but reads at the 5th grade level. Thus one of the initial steps is to ascertain each corpsman's schooling level to fit him into the academic classes at the most appropriate level. This is done primarily by testing and evaluating his math and reading ability. Although some classes will include corpsmen at various grade levels, the individual in all classes, academic and vocational, can progress at his own pace.

Those who test out above grade  $7\frac{1}{2}$ , who seem to possess the potential and are recommended by either their academic or vocational faculty, are encouraged to enter the General Educational Development School for the purpose of preparing for a high school graduate equivalency exam. To date about 1,100 corpsmen have enrolled in the courses, 500 have taken the State Exam, and 315 have passed. GED is part of the Kilmer training

center. However, this study puts an extra burden on the corpsman.

Then last, but not least, there is the vocational selection. This is by preference and personal choice of the corpsmen after some counseling with the vocational education staff. Physical limitations (color blindness, dexterity, etc.) sometimes cause changes, but the available skill areas are all open to the newcomer. He can change his program at any time, but with appropriate consultation to be sure a change is the best move to make.

The academic and vocational courses are separated simply with academic classes in the morning and vocational pursuits in the afternoon. In addition to these the corpsmen get complete and adequate orientation and counseling in the so-called facts of life surrounding employment—getting to work on time, responsibility to the other employees, how to complete an application form, and special emphasis on the advantages of relocation. The negative attitude on this last item had been the biggest reason many graduates did not get the best job upon graduation during the second year Kilmer was in operation. Most wanted to go home where too often jobs didn't exist.

But entwined in all three of the above phases, the basic emphasis is on developing the individual. The academic course material is current and carefully selected for the reading and grade level of the individual. In the reading center, reading improvement or, in fact, reading at all, is adroitly handled by an ex-public school teacher who has found several successful approaches to shaking the apathetic reader into doing himself the favor of *reading*. As in most study classes the one to one teaching situation is always superior. This is where the strong dedication of the teaching staff solidifies the

daily classes into productive experiences. "Not all classes are good, but we never stop trying," claims one instructor in the welding shop. Most classes have a one to ten ratio, and the levels or standards are adopted by each instructor, especially in the shops where perfection can be seen when achieved, but the courses are not graded. On the average a corpsman completes a course in 7½ months.

In addition to the classroom and shop training, Kilmer uses a program called Guidance Group Interaction (GGI). This is a daily meeting in each dormitory involving the corpsmen and group leader (who lives in the dorm). The meeting groups usually number 16 and cover the areas of morale, discipline, and character. The Deputy Director claims this to be the real social studies program. No topics are barred—and while some subjects concern routine housekeeping problems, it more often is directed to and about one or more individuals in the group, or the discussion to enact sanctions (or punishment) for misconduct. The men take this very seriously and are very candid, to say the least.

### **Achievement Facts**

To date 11,000 corpsmen have entered Kilmer and 3,600 have graduated; 3,050 have had jobs before leaving the Center, while 415 have entered military service and 150 have gone on to school or college. Those employed have averaged \$2.00 or more for starting rate. And some have started as high as \$4.50 per hour. The average training cost is about \$5,000 per graduate, but in reality this figure is much lower when you include the fact that many of the dropouts have obtained some new qualities and have the extra wherewithal to do more when they leave than when they arrived.

Of particular note achievementwise, corpsmen have reflected motivational and attitude changes for the learning process, the respect for others, the satisfaction of doing something well, the desire of praise for achievement, self assurance, and seeing a possible future of self reliance.

### **Conclusion**

As a businessman and taxpayer, I contend that the Job Corps Centers are good solely because they exist. However, they serve a real need that has been publicly recognized, and the products or the graduates should be recognized as a major achievement, even though there is a high loss of entrants. Job Corps Centers still face a 60 per cent dropout rate. But, as the Kilmer Center Administrative Director said, "We have an over 30 per cent retention and graduation rate of the 100 per cent public school dropouts."

Today we can more easily recognize the fact that regardless of background, these young people are individuals and must be dealt with or treated accordingly. Not babied—but given identity and individuality. Considerable support has been gained for the live-in, 24-hour-attention school system, and the possibility to study at one's own pace, even amidst others at varying levels of achievement is, paying off. Additional profits might come from this program if our public school leaders accept the results of Job Corps not as competition, but as a proving ground for new or different teaching techniques that have succeeded where the "accepted system" has failed.

One statement on a sign in the Kilmer Reading Center that is referred to quite often is: "The poorest man in the world is the man limited to his own experience. *Read.*" [The End]

# What We Are Doing on the Retail Front

By EUGENE F. ROWAN

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J. C. Penney Company, Inc.

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**T**HE TOPIC, "What We Are Doing on the Retail Front," can evoke a number of responses. I can narrate for you a chronicle of what is referred to as "affirmative actions," actions already taken by my own company and by other retailers as well.

In fact, one of our trade associations, the National Retail Merchants' Association, has begun to publish a newsletter, alarmingly, but I think, accurately, entitled "Crisis '68." The newsletter details specific examples of affirmative retailer activities in the area of the disadvantaged. My only real quarrel with the newsletter is that by adding "'68" to the title, they are probably being too optimistic.

But, rather than chronicling affirmative actions, I would rather look at some of the problems and raise some questions as to what the proper role of retailing may be in the entire area of the urban crisis. Before doing this, however, I will try to put the problem into its proper perspective.

First, let me try to clear the air by saying that the response of the retail industry to one of the greatest sociological problems in our country's history has been inadequate. Let me add further that the retailers don't appear to have a monopoly on inadequacy. This is probably a fair characterization of the responses of other industries and, indeed, of our entire society: schools, politicians, labor leaders, you name it. One measure of the inadequacy of our response to dealing with the disadvantaged is demonstrated by the following recent headlines:

"Milwaukee Store is Color-Blind"

"10 Buffalo Retailers Start Negro Training"

"Opportunities at Bullock's Grow under Negro Training Director"

"Macy's Appoints Negro Manager of Major Branch"

The fact that these appointments and actions are subjects for newspaper headlines means that we still have a long, long way to go. When this is no longer a subject for headlines, we will have achieved the sort of society that our Constitution suggests we should have.

The retail industry, for better or for worse, has been in the vanguard or caught up in the middle of many of the minority group activities of recent years, from boycotts of downtown shopping areas to lunch counter sit-ins, to specific community drives to meet head-on and cure the problems of urban disadvantage. For example, here in Columbus, Charles Y. Lazarus, President of F & R Lazarus, is Metropolitan Chairman of the National Alliance of Businessmen's JOBS Program, which is designed to recruit, train and employ 500,000 of the so-called hardcore unemployed throughout the nation. Donald Dayton, of Dayton's in Minneapolis, occupies a similar role in his city. Quentin Reynolds, President of Safeway Stores, is on the National Board of the National Alliance.

My own Board Chairman, W. M. Batten, last year chaired the corporate support committee of the National Urban League and succeeded in dramatically increasing financial contributions to that worthy organization. In Detroit, Joe Hudson, of J. L. Hudson, has chaired the New Detroit Committee. These are merely isolated examples

of retailer participation in private sector attempts to solve some of the problems of urban disadvantage. The question arises, however, as to whether or not the retail industry's *most* important contribution will be in the jobs area or whether, for the long pull, retailers might be able to make other more significant contributions.

### **The "Role" of Industry**

As an industry, we are no strangers to the pressures which have, from time to time, brought about change in given communities. All too often when the minority community became annoyed at the Mayor or the Police Chief, or the power structure, someone would suggest that they go down and picket the storekeepers. This reminds me a bit of a story I heard about Willie Sutton, the celebrated bank robber. While being examined by the prison psychiatrist after having been recaptured following his fourth or fifth bank robbery, Willie was asked why he robbed banks. "Because," Mr. Sutton quickly responded, "that's where the money is." It may be that minority groups decide to go down and picket the retailers because that's where the vulnerability is. Nevertheless, complaining about this is not going to change it. What we, as an industry, have begun to do is to take a closer look at the unique role we may have to play in the current urban crisis.

### **Location**

Most observers will concede that the problems of disadvantage are entangled in a vast seamless web of housing, education and jobs. The correction of the housing and educational problems will not come easy nor soon. Furthermore, in most cases, dramatic improvements in either area are not possible without jobs. So we will continue to see primary emphasis placed

on industry's role as an employer. Nevertheless, I would submit that retailing's role here is limited for a number of reasons. We do not, by and large, pay wages for rank and file jobs that are competitive with those that prevail in manufacturing and heavy industry. Our establishments tend to be smallish, offering little opportunity for mass employment and training. Our industry has closely followed the population mobility trends in this country since World War II. It has spread increasingly to the suburbs, thus making employment relatively inaccessible to inner city residents. Therefore, I suggest that one of the most important contributions our industry can make is to locate more establishments in ghetto areas. I suggest that when the neighborhood begins to deteriorate, we do not head for the hills, but see what we can do right there to stem the tide of deterioration. If we don't succeed in stemming the tide, I suggest that we remain, nevertheless, so that the disadvantaged can get decent merchandise at a fair price under reasonable credit terms.

My own company has tried this with some success. In fact, we have learned quite a bit from it. For example, in a deteriorating section of a major Midwest city, our store lease was about to expire and we were seriously considering closing the store which was, at best, marginal. The neighborhood in which the store was located, had turned, over a relatively short period of time, from roughly 80 per cent white, 20 per cent Negro to 80 per cent Negro and 20 per cent white. We decided to completely remodel and refurbish the store, and we developed merchandise assortment plans aimed at this particular market. This demonstration of our faith in the community all but eliminated a disturbing amount of vandalism, our credit ex-

perience improved, and shoplifting decreased dramatically. We also learned that our earlier deteriorating sales picture may have been largely our own fault because we had been offering merchandise in assortments and sizes that were not aimed at the market we were allegedly serving.

### **Consumer Education**

There is another area in which retailers may help the disadvantaged, and that is the area of consumer education. We, and others, publish large quantities of consumer education materials aimed at helping the consumer to make wise buying decisions. The material suggests not only what to buy, but also what merchandise characteristics to look for, how to buy, how to budget, and so on. And this mate-

rial, at least in the case of the Penney Company, is remarkably free of "commercials." There seems to be little doubt but that the poor do pay more, and it is possible that our industry may make a major contribution by enabling disadvantaged people to buy decent merchandise at a fair price, convenient to their residences, while at the same time, providing jobs in the markets served.

I often think that we tend to concentrate so much in the job area that we overlook other areas where an industry, because of its innate uniqueness, may be able to make a much more meaningful contribution. Probably the youngsters of today are right when they admonish each other to look for "our own thing." Let us do the same. [The End]

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## **A Public View of the Contribution of the Private Sector**

**By ABRAHAM H. RASKIN**

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*The New York Times*

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**T**HE MOST ENCOURAGING THING about this meeting, with its record of specific undertakings to deal with the needs of the disadvantaged, is that it seems to me to indicate that we are turning a crucial corner in our approach to creating jobs for those with too little skill, too little schooling and too little opportunity.

Our national tendency up to now has been to forget that our national slogan was *E Pluribus Unum* long before it was *Mea Culpa*. We are never going to get anywhere toward solving the problems of racial equality if our

primary spur is either fear or guilt. Or if we proceed on the theory that we are going to be bathed in gratitude for our eleemosynary impulses. This is a matter of survival and equity, in which every one of us has a vital stake.

Even now the intensity of our efforts tends to vary like a yo-yo with the acuteness of reminders that the alternative to action is chaos. It has long been apparent to us all that a revolutionary ferment is under way in every corner of our institutional society. Yet we still wait for the blowtorch before we bestir ourselves to make the changes needed to restore confidence that ours is a society wedded

to justice as well as law. The more deeply we implant the notion that an explosion is necessary to shake us out of our complacent ways, the more distrust we breed for the democratic process and the greater the danger that we will deliver ourselves over to a dictatorship of the disaffected.

From ghetto to university, the doctrine that power rules is gaining ground—or, more accurately, that the perversion of power rules. The answer does not lie in endless confrontations, much less in shrinking from confrontations when they become inescapable, but in defusing the trouble spots by essential reforms before the roof flies off. Otherwise, America's epitaph may be: "Everybody knew something was wrong but nobody was willing to act in time."

### ***Responsibility Assumed by Industry***

One of the encouraging indications that we will not be sitting on the curbstone watching our world go crash is the extent to which American industry—and more specifically the biggest of America's corporations and financial institutions—have assumed responsibility for extending the boundaries of hope and for speeding the pace of change.

Every report we have heard here today has reflected a heightened awareness that corporate responsibility includes the health of the community as well as the robustness of the balance sheet. In a real sense, no corporation can be strong or secure in a ravaged society. So an investment in social responsibility is as meaningful to the shareholders in a narrow sense as it is to all of us in our broader role as citizens.

But that is a concept that can be overstated to the point both of ludicrousness and of social harm. Indeed,

I think there is grave danger that just that is happening in the present Presidential campaign. And, to make clear I intend no partisanship, it is happening with every candidate from Richard Nixon to Eugene McCarthy. Everybody has suddenly become captivated with the idea that the task of rebuilding the slums, creating jobs and curing all the myriad afflictions that erupt in urban riots can be turned over to private industry and successfully executed at a profit. I think that idea is dangerous nonsense. Unless we get some balance back into the discussion, it can prove as damaging to public confidence in industry as it will to the joint assault we all, collectively, must make on the most fundamental and far-reaching job of social reconstruction America has had to face since The Great Depression nearly four decades ago.

### ***A Partnership Role***

The fact is that this is going to have to be a partnership effort on a tremendous scale for a very long time, with the bulk of the funds and the direction coming from government. I say this with no slightest desire to downgrade the contribution of the private sector, nor to suggest that there is any monopoly of wisdom at any level of government. We all know too well what a hash government can make of almost anything that goes into the reshaping of people's lives. But that awareness does not make it possible to abolish government or to pretend that in a society afflicted with such gargantuan problems we can hope that the multiplicity of private efforts, no matter how virtuously motivated, will magically add up to anything approaching a total solution.

Painful as the prospect may be, we are going to have to face up to a much more substantial use of the tax



system as a redistributive mechanism in our society. The President's Commission on Civil Disorders has indicated the dimensions of the challenges that must be met—both immediately and over the long haul in education, employment and housing. The Steering Committee Governor Rockefeller appointed to advise him on the mess that is public welfare—a committee made up of twelve of the country's foremost industrialists—has just recommended a negative income tax as a device for assuring that no American will have to live below the poverty line. One study group after another has urged that the government make up the deficit in jobs by providing useful work for all whom industry cannot employ.

In the City of New York alone we have lost 223,000 factory jobs since World War II. In the same period the city's Negro and Puerto Rican population has grown by more than a million. It is against that dimension of challenge one must measure the decision of IBM to build a plant employing 300 in good jobs in the Bedford-Stuyvesant ghetto. And I cite that example not to derogate it but because it is the most outstanding and creative we yet have to report in the nation's biggest city.

The employment problem is made tougher still by the revolution at both the top and bottom of the pay scale. In a period when all wages are running far ahead of productivity, it is not merely the skilled workers who are insisting on much more than anybody else gets. That upper middle class pressure in labor is being matched by an even more insistent pressure in the lowest job levels. Sanitation men in New York are now getting \$4.10

an hour, plus half-pay pensions after 20 years. Sweepers in the subway system earn \$3.25 an hour. On that basis factory pay levels are being pulled out of joint. The problems of motivation and training are vastly complicated. What would have been considered a good job, with prestige and promotional promise, just a year or two ago may now seem singularly unalluring to a young drop-out.

### *Changes and Designs*

Every challenge in this field is inter-related. Priorities and planning are an essential part of the task. New ideas are as important as money. No element of corporate or union practice can remain unaffected. The design of jobs must change, just as the design of schools and communities must change. The ghetto is not going to vanish in our lifetime and its people will never be content with the pace at which they move forward. There will be increasingly acute clamor for separatist solutions and an impatience with the whole idea of absorption into the majority society. New machinery for shared decision-making will have to be developed at every level. It is going to be a painful process, and there is no certainty that we shall make it at all.

What encourages me is the realization that, far more than any other society in history, we do have the physical potentiality to provide decent standards for every American and to exercise our obligations to the world community as well. And, with that, we have the kind of recognition reflected in this panel today that what we can do, we must do not merely because it is imperative but also because it is right. [The End]

# Rewarding Efforts of a Private Agency—OIC

By THACHER LONGSTRETH

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Greater Philadelphia  
Chamber of Commerce

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**A**LL OF US ARE AWARE of the increasing activity by corporations, particularly the larger ones, that are attempting to cope with the problems of the hard-core unemployed and economically underprivileged who live in our big city ghettos. As you know, naturally inspired organizations like the Urban Coalition and the National Alliance of Businessmen are also attempting to bring these disadvantaged Americans into the mainstream of the nation's economic life. We are first to admit, however, that *much* more must still be done to make a real dent in the massive poverty besetting too many Americans in our big city ghettos, regardless of present or historic causes.

## **Working with and Through Industry**

We of the business community are particularly eager to assist with self-help programs like the Opportunities Industrialization Center, an organization founded by a great American Negro minister, Reverend Leon H. Sullivan of Philadelphia. We of the Greater Philadelphia Chamber of Commerce are especially proud that OIC—which has spread throughout the country—was founded in our midst in February of 1964. At that time Reverend Sullivan recognized the fact that Negroes could and should help themselves.

OIC was launched in an abandoned police station which rented from the City of Philadelphia for \$1 a year. From that humble beginning, OIC has grown into a national organiza-

tion that is providing many, many new employees who enrich our vital resource of capable, competent manpower.

Although OIC is an independent organization, it has invited industry to be partners through financial and technical support. I would estimate that the Greater Philadelphia business community has put almost \$250,000 in cash and another \$250,000 in equipment into the outstanding self-help programs of Opportunities Industrialization Center. And every training area of OIC was checked and rechecked by industry. A more recent development has been a program under which individual companies contract with OIC to do preliminary training of potential employees of the company.

In Philadelphia alone, there are more than 1,400 people who are being trained in five OIC centers, and more than 4,000 people are on the waiting list. Ninety-six per cent of the enrollment is Negro, three per cent Puerto Rican and one per cent white. As is obvious, many whites need OIC to get a job as much as Negroes do. Since its inception in 1964, 11,034 have been enrolled in the OIC program in Philadelphia alone. And from that total, 4,516 have been placed in jobs, according to OIC records.

It is easy to see the value of this joint effort. OIC-trained-and-placed employees have added more than \$16 million annually in purchasing power to the Philadelphia economy alone. City, state and federal taxes have amounted to over \$3 million.

Industry, you see, is attempting to do something for citizens at lower

economic and generally unskilled levels. And industry's commitment to OIC is just one example of our overall attitude to the problem of hard-core unemployed. I would estimate that the Greater Philadelphia business community is spending \$10 million in direct out-of-pocket costs to train men and women for productive jobs that will lift them out of poverty. At least 150,000 jobs are being provided each year by private industry.

### ***Industry Training Programs***

Top executives from such corporate giants as Bell Telephone, Philco-Ford, and General Electric are committed to deep involvement in the problems of recruiting, training and placing thousands of young men and women in steady, productive employment.

Are you familiar with Philco-Ford's Training Program for the hard-core unemployed in which everyone is drawn from the North Philadelphia area? The Philco-Ford program, which operates under a federal subsidy, involves six weeks of training—with 50 per cent of the time being spent on general job and motivations education and the other 50 per cent on training the individuals for specific jobs in specific companies.

Philco-Ford's contract provides for training and placing in jobs 800 North Philadelphians during an 18-month period that began last Fall. Aside from the training, the program obviously requires and is getting a great deal of cooperation from hundreds of businesses and industries in order to succeed.

### ***First Pennsylvania Banking and Trust Company***

One of the programs at that company is known as BEEP (for Business Experience Education Program). This program, which is run with the

cooperation of the Philadelphia Board of Education, has 25 juniors and seniors working each afternoon during the school year for \$1.75 per hour.

The youngsters are drawn from high schools with predominantly Negro enrollment. They meet each Friday afternoon in the Board Room of the bank to discuss their week's experience and be briefed on various phases of the banking industry by key officials of the First Pennsylvania Banking and Trust Company.

The same bank has been making a direct and effective effort to attract more and more Negroes into its company. It wants to provide the training required to make them sufficiently skilled to take their place in the bank's regular payroll. A year ago the bank had 80 Negro employees. Today it has nearly 400.

Then there are companies such as General Electric, The Bell Telephone Company of Pennsylvania and the Philadelphia Gas Works that have community-wide programs to motivate and offer employment to high school youngsters who are willing to qualify for jobs. And I might add that the special programs are above and beyond regular training programs. These efforts are designed to reach Negroes who are not in—or even near—the main stream of community and economic life. Some industries, like Smith, Kline and French Laboratories, are assisting by helping to rehabilitate homes in sections close to the company's headquarters.

The Greater Philadelphia Chamber of Commerce has a full-time Executive Director who serves as head of our Equal Job Opportunities Bureau. It is his mission to talk with and convince small and medium size business establishments that it is in their own self-interest, as well as the community's, to employ Negroes.

Additional attacks on the problem were made by our Equal Job Opportunities Bureau through Equal Employment Seminars held in 1966 and 1967. These seminars attracted more than 100 companies, 24 public and private agencies and hundreds of interested participants. They were all eager to do their utmost to provide jobs for Negroes.

The Greater Philadelphia Chamber of Commerce is equally proud of the business community's cooperation with city-backed projects.

Last August, following Philadelphia Mayor James H. J. Tate's appeal to business, the Chamber employed three temporary workers who contacted area firms and uncovered 697 summer job opportunities.

### **Education Programs**

Of course there are many more constantly expanding programs. Philadelphia's Distributive Education Program, for example, has students go to school half a day and work the other half—and they get paid for their work. In our City's Cooperative Office Education Program, two girls share a similar schedule and alternate with one another—spending one week in school and one week on the job. And the Cooperative Technical Education Program, which is available to seniors, opens the doors of opportunity to youngsters who are technically inclined. Frankly, much more is being done by the business community than a great majority of citizens realize.

The latest project, of course, is the National Alliance of Businessmen, to

which I referred at the outset of my remarks. The Metropolitan Philadelphia program of NAB, which covers five southeastern counties of Pennsylvania and the New Jersey counties of Burlington, Camden and Gloucester, has as its goal 12,300 summer jobs for youths this year, and 7,000 permanent jobs for the hard-core unemployed by June of 1969. Individual business firms will use federal funds in training programs.

And the National Alliance of Businessmen will work through the Pennsylvania State Employment Service in placing hard-core unemployed in jobs developed through the new program. It is worth noting that the Pennsylvania Bureau of Employment Security is financed through direct taxes on business firms.

Individual leaders like Reverend Sullivan deserve all the recognition and encouragement we can give them. Reverend Sullivan received our Chamber's top honor last May at our William Penn Award Dinner when he was named one of the "Outstanding Americans of 1967." I recall to you a remark by Reverend Sullivan who said: "the day must come when the Negro must not only go to another man's factory for a job, but must build the factories to employ others." He and many others are dedicated to helping themselves and in helping the Negro do so, all of us are helping all of America.

Ladies and gentlemen, the battle against poverty has just begun—and we mean to keep at it! [The End]

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Local Arrangements Committee.—Central Ohio Chapter of IRRA. Co-Chairmen: Rankin M. Gibson—Lucas, Prendergast, Albright & Warren; and Robert C. Miljus—Ohio State University. Also on the committee were: Harry Mayfield—U. S. Steelworkers of America; William Papier—Ohio Bureau of Unemployment Compensation; Richard Sutton—Jaeger Machine Company; Howard D. Hughes—Federal Mediation and Conciliation Service.

# Academic Administration— An Industrial Relations View

By J. DOUGLAS BROWN

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Princeton University

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**A**MERICAN higher education is going through a period of dynamic change; not so much in its assumed traditional goals as in institutional mechanisms to meet those goals. Rapid growth in size and scope of operations has put great pressures upon the administrative structure of universities as distinguished from their boards of trustees as the embodiment of legal authority in the institution and from the individual faculty members as the direct agents in teaching and scholarship. A few of the factors in this dynamic change may be listed:

(1) The increasing size of many universities which make informal, traditional arrangements for determination and implementation of policy tardy, inadequate and uncertain.

(2) The rapid expansion of graduate instruction and organized research, which greatly increases costs and encourages wide differentiation in faculty interests compared with the older integrating emphasis upon undergraduate instruction.

(3) The proliferation of fields and sub-fields and of types of programs at all levels of instruction and in scholarship and research.

(4) The greatly increased relative cost of supporting services and facilities such as libraries, laboratories, computers, research staffs, admission, counseling, maintenance and secretarial services, and fund raising.

(5) The increasing identification of the faculty member with his discipline on a national basis and less with a

single institution. This has been the result of increased specialization, organized research, government involvement, high demand, and vigorous inter-university competition for excellence (or the image of excellence).

(6) The increasing self-identification of students as consumers to be satisfied, rather than as junior members in a community of scholars, and also as constituting a self-conscious political segment of society.

(7) Perhaps most powerful of all, the sharply rising costs in terms of faculty and staff salaries, supplies, services, structures and facilities in a type of industry—education—which cannot offset these costs by the efficiencies of mass production which are possible in the norm-setting, manufacturing industries of the country. Costs are automatically related to the total economy; whereas, income is related to the willingness of our people to divert a higher and higher proportion of public and private funds to education.

## **Effective Administration**

These and many other changes have had fundamental effect upon the kind of administration needed in American higher education and particularly in the university. The days of passive administration and muddling through are over! The American university has left the quiet lagoon of pre-war times and is in a stormy sea of crosswinds and crosscurrents. There must now be far greater emphasis upon an effective administrative structure with close, centralized coordination, in contrast to the more relaxed, decentralized

and even semi-autonomous direction which has existed in many institutions. This is bound to give greater relative weight to the administrative structure of the university—organizationally and in terms of influence—than in the past. The shift in relative weight is bound to be, I am convinced, to some degree, at the expense of trustee influence in institutional operations and of the degree of influence which some faculties have assumed they have had on policies outside their immediate concern as teacher-scholars.

The changes I see developing will have unfortunate influences upon the climate of industrial relations in universities as communities of teacher-scholars *unless* the latter understand and adapt themselves to the necessary change. Just as in larger corporations, the center of direction in our universities has moved toward professional management. Institutional planning and control is not an amateur business.

The critical question will be, how far does the individual professor want to be an element in management and how much would he prefer to become, in the main, a high level, employed, professional staff member under benign but hierarchical authority? There is a real danger that our universities will become too much like large industrial research organizations with elaborate systems of what is essentially economic control. The threat to academic freedom and pluralistic initiative in the pursuit and transmission of truth is obvious.

The avoidance of these dangers will require the greater understanding of all concerned—trustees, administration and faculty—of the special nature and the special problems of a university as a complex organization of people that must in a time of stress maintain its integrity and effectiveness in

both educational and economic terms. These special problems are a proper subject of study for the student of industrial relations because organizational structure and processes, policy development, and human relations are more intimately interrelated in a university than in any other type of institution.

### **Command-Response Balance**

A university, as a human organization, is almost unique in its position in the scale of what I would call the *command-response balance* in policy determination and implementation. All successful organizations tend to come to a workable balance between command and response, a balance which is closely related to function. An army platoon in action might typify the extreme of emphasis upon command. A ladies aid society might typify the extreme emphasis upon response. American industry has shifted considerably over the years from emphasis upon command to the cultivation of and respect for response as operations have become more complex and employees more skilled and organizationally self-conscious. But compared with industry, the university, because of its fundamental concern for academic freedom and pluralistic initiative in the search for and transmission of truth, has always given great emphasis upon response in its functioning as an organization.

The nub of the question before us is: how far and how can the university's reliance upon response be preserved in a time of many countervailing pressures for change as well as of severe economic stringency? Can the university continue to rely upon a slow-moving consensus of a faculty with its complex special interests and its tendency to deal in ideas rather than specific viable solutions? Must it give greater control of policy

to its students? Must the command structure, or as more delicately termed, the executive leadership, of a university in the persons of the president, the deans, and the chairmen take greater responsibility for decision and act more like executives and less like mediators and moderators?

There is great need in the American university, in the face of present conditions, to restudy, revise, and implement organization, rules and procedures whereby response from all concerned—faculty, students and others—can be better channeled and balanced, in institutional terms, by the mature and integrative judgment of those responsible for administration of the total operation. In arriving at a new balance, whether self-consciously or not, I am strongly of the mind that there must come a greater degree of what I must bluntly call “command” than many faculties have considered acceptable. Perhaps it will soften the unpleasant overtones of the expression “command” if I substitute the expression *responsible* executive leadership. Also, for the professors present, I will add that it is not so important to them *who* exercises command as *how* the decisions, to be implemented equitably and effectively, are reached. (A faculty committee can be very arbitrary and dictatorial.) When the ship is in rough seas, it is well to know that there is a captain and not a committee on the bridge even though a committee helped plan the cruise.

### ***Differentiation and Integration***

Another fundamental balance of great significance in the determination of university organization and operation today is that of *differentiation* and *integration*. These countervailing tendencies are at work in all human organizations, but are critically present in an organization which in its very name, “university,” indicates its en-

deavor to bring diverse areas of knowledge into combination and mutual reinforcement. Response-centered organizations tend to over-differentiate. Command-centered organizations tend toward monolithic rigidity. The control of the accelerating differentiation into fields and sub-fields of knowledge has become one of the most difficult problems faced by the academic administrator. It is, unfortunately, a problem in which he usually receives least help from a faculty in which most individuals are predisposed to permit free movement into greater and greater specialization and differentiation. The easy acceptance of increasing differentiation on the part of a faculty is not limited to personal scholarship, but unconsciously spreads over into undergraduate and graduate curriculum, appointments, organized research programs, library expenditures, and physical facilities.

The control of differentiation and the constant reinforcement of the countervailing need for integration is primarily a function of executive leadership—command, if you will. This fact reinforces my conclusion that the administrative structure and operations of the American university need restudy. Such a re-examination is now urgently necessary to assure sound *educational* policies at both the undergraduate and graduate level. It is needed to assure the *economic* integrity, even the financial survival of many institutions. It is also needed to assure institutional personality in dealing with crises such as we are observing in New York and observed earlier at Berkeley. The American university can well become a complex of job shops, a vast system of trade schools, or, to use another analogy, a massive, spreading bush instead of a majestic tree with roots, trunk and branches. Something would then have disappeared from the great concept of a corporate com-

munity of scholars seeking fundamental truth and educating leaders for its society and time.

It may be asked, why introduce the problem of differentiation and integration into an industrial relations discussion? The reasons are two: the effects of disintegration in the American university would have grave consequences on the status and relations of the teacher-scholar in the university—his industrial relations. And second, the solution of the problem of controlling excessive differentiation, as well as assuring a proper balance between command and response, lies in the field of those of us who profess interest and some competence in the fields of human organization and relations.

It is in the nature of a university that no clean line can be drawn between participation in management and the climate of industrial relations between "management" and "employee." Only in the specific issues of salaries and benefits can the faculty step aside from its participation in management and only then with much difficulty. The morale, incentive, cooperation, and general effectiveness of a faculty are closely related to how and how much the individual member is able to participate in the determination of his way of life in teaching and scholarship. Experience has shown that few full-time professors will willingly accept the position of hired hand, even for generous compensation. Men become teacher-scholars in universities for many reasons, but the most persistent reason is the relative freedom from the conforming pressures of hierarchical authority, no matter how benign.

### **Illustrations**

Time does not permit the detailed application of the concepts I have introduced, the command-response bal-

ance and the differentiation-integration balance, into the many aspects of university administration in which they are significant. Brief illustrations of the many aspects of university administration and industrial relations to which these concepts apply include:

(1) *The planning and control of faculty positions.* Here the counterpressures of specialization and financial capacity meet head on. In my experience, the administration, after full consultation, must make the tough decisions.

(2) *The weighing of the qualifications of individuals.* For appointment to approved positions or for promotion, the wise administration encourages the fullest possible responsibility on the part of the department and central faculty committees.

(3) *The determination of faculty salary levels.* The best administrations tend to push up levels as fast as they can in the light of funds available for all salaries and of the obvious facts of individual competition. The greatest influence are losses of valued personnel or the inability to hire new personnel of high quality. Response from the faculty constantly comes up through every worried chairman. While scales can be fully discussed with a faculty committee, *individual* salaries are the critical element and do not lend themselves readily to "collective bargaining."

(4) *Benefits and services.* These are of joint concern. Retirement annuities, the most costly, are institutionally necessary to prevent superannuation of staff. The working out of the pattern of benefits within available resources is a matter of consultation, but the administration must assure both feasibility and equity.

(5) *Duty time and teaching schedules.* This, I am convinced, is so involved in the economy of the institution and in the need for inter-depart-



mental equity that the administration again after full consultation, must make and implement the hard decisions.

(6) *Leave policy and individual leaves.* The over-all policy is related to institutional tone and growth. Of course, there should be full consultation, but the administration has to assure the availability of funds as an investment in faculty development. The decision as to who can profit from leave best should be placed squarely upon the departments, within assigned quotas.

(7) *Curricular planning and control.* Again a balancing of educational policy and financial feasibility, the academic administrator and experienced faculty committee should resolve this difficult problem together, under evolving policy and with full knowledge. Such committees should be small and never "town meetings."

(8) *Student discipline.* This is a joint responsibility of faculty, students, and administration with the faculty taking strong and sustained leadership. Education is discipline of both the intellect and the emotions. The key to whatever degree of success is possible is the long and careful development of procedures to obtain consensus under evolving norms and precedents.

I will not stop to discuss policies and procedures in respect to organized research, outside consulting and employment, faculty discipline in individual cases, appeal procedures, and faculty-trustee relations. Enough to say again that the constant interweaving of the concepts of command and response and also of differentiation and integration in organization and policy determination becomes very clear to one after 20 years as a professor and 21 years as a dean of faculty.

### **The Committee**

I will concentrate in the time remaining on one very pervasive element in university organization—the committee.

The committee in a university is an essential mechanism for channeling response through participation in policy development and implementation. It is also a means of assuring coordination and control in an institution which is highly differentiated in fields, interests and activities. No single executive at any level can possess the knowledge necessary for judgment concerning curriculum, appointments, research programs, student relations, facilities or the allocation of resources in a complex university. Despite the usual comments on any campus about committee activities, they are an irreplaceable mechanism in university administration. The academic department is itself essentially a committee. Most faculties are dependent upon committees to have any continuing effective influence upon university policy. Without committees, the channels of response and coordination would become confused and unordered.

The best test of the importance of committees in university organization is to visualize the reaction of the faculty if they were suddenly eliminated. The normal gripes of those who now grumble about too many and too long meetings would turn into sullen rebellion against "arbitrary authority." The task is to make committees more effective in balancing command and response as well as in balancing the forces of differentiation and integration.

In my experience, only three types of committees related to the management of a university are truly effective: advisory, legislative and quasi-judicial. I have set aside for the present discussion the type of committee which is solely concerned in relations between the faculty as "employees," the administration and the trustees. An advisory committee should not legislate and a legislative committee should not judge individual cases. An advisory committee helps the execu-

tive in considering changes in policy. A legislative committee helps to shape policy into rules acceptable to the faculty in its areas of concern. A quasi-judicial committee interprets rules and policy equitably and wisely, one hopes, in specific situations or individual cases. While these three types of committees have definite functions which should not be confused, there are basic principles which should be recognized in the operation of all three to assure their effective contribution to university administration.

### **Leadership and Coordination**

The essential factors in university committee operations are *leadership* and *coordination*. Coordination by a group of academic specialists giving little time to the study of facts and issues tends to be ineffective, frustrating, and sporadic. Coordination under the insistent pressure of a chairman using the authority of status to get quick results or rubber-stamp approvals develops either resistance or indifference. Long experience indicates that a committee functions best under the leadership of a chairman who balances *command*—executive-responsibility—and *response in the very process* of committee deliberations. He must plan and enter upon committee meetings with the facts, issues, and possible, administrable solutions in mind. But he must also be convinced that response—diverse and often inconsistent—is an essential element in academic administration. The chairing of faculty committees is a special art in which both management and industrial relations are inextricably interwoven. The university committee and its effective functioning is a focal point in the command-response balance.

The requirements for leadership of university committees strongly imply that their chairmen should, in almost

every case, be the executive who must implement policy rather than a professor casually selected or even formally elected for the job. If committees are to remain effective channels of response and also supports to wise policy covering wide areas of specialization and activity, they deserve the best of professional leadership. The university executive, whether president, dean or chairman, should have the knowledge, experience and maturing art to gain consensus based on facts and related to effective implementation. He must be fully aware of the educational and economic implications of any decision. While seeking solutions to issues which are equitable solutions, he must not be merely a moderator, a mediator or even an arbitrator. He must be a responsible leader who is willing to reflect on occasion in the degree necessary, the element of command which all organizations must have to survive. But, at the same time, he must, through constant reinforcement of the principle of the common interest and the common purpose of faculty and administration, avoid a climate of bargaining.

With the complex problems, both educational and economic, facing American universities today, the tough facts of life must be brought into the deliberations of every academic committee. If faculty members are unwilling to consider these facts and to participate in meeting them under the responsible, impartial and informed leadership of appointed administrative officers, they will truly be living in an ivory tower. They can choose insulation from reality and become monks maintained in a monastery—at least for a time. If they want to help assure the educational and economic well-being of the institutions which make their way of life possible, they will restudy their role in university management and welcome the

development of a stronger and more responsible administrative structure.

### **Conclusion**

Academic freedom and pluralistic initiative in the search for truth are precious ingredients in our society. They are not automatically inherent attributes, even under democratic capitalism. They must be nurtured and safeguarded constantly! In our present time, they must be framed in viable economic structures—universities. The

effective administration of such institutions is vital, and no bland, sentimental confusion between academic freedom and traditional faculty prerogatives in determining university policy should be allowed to undermine such administration. How to prevent this is a problem of institutional organization and industrial relations that should concern every professor in and friend of higher education, especially if industrial relations is his chosen area of intellectual concern. **[The End]**

## SESSION II

# Paths from Poverty to Employment

## Job Search Among Negroes

By ALICE HANDSAKER KIDDER

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RECENT UPHEAVALS IN URBAN AREAS of the United States have shifted attention from the broad issue of employment discrimination *per se* to emergency programs of job-creation for the "hard-core" unemployed. Some thought, however, must be given to the continuing if less spectacular inequities based on race at *all* occupational levels. The fact that black professionals and hard-core unemployed live side by side raises the possibility of a demonstration effect. An increase in well-being of professional nonwhites through improved relative incomes can have an immediate impact on the poverty group.

### *The Issue*

What factors account for racial disparities in wages, family income and occupational levels? Work done in recent years at the aggregate and micro-economic levels stresses lack of training and/or education<sup>1</sup> on the one hand and employer prejudice on the other.<sup>2</sup> Gary Becker, for example, traces lower Negro earnings to discrimination by employers. The Becker analysis leads some to believe that more stringent enforcement of anti-discrimination legislation will narrow racial earnings differentials.<sup>3</sup> Though evidence to support this contention may be cited, relative income of Negro male high school graduates was only 70 per cent of income for comparable whites in

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<sup>1</sup> See Anne Krueger, "The Economics of Discrimination," *The Journal of Political Economy*, October, 1963, Vol. LXXI, no. 5, pp. 481-486, esp. p. 483; also Earl J. McGrath, *The Predominantly Negro Colleges and Universities in Transition*, Bureau of Publications, Teachers College, Columbia University, New York, 1965.

<sup>2</sup> Gary Becker demonstrates the theoretical connection between discrimination in employment and racial wage differentials. The key to Becker's analysis is a discriminatory utility function attributed to employers, which includes a distaste for dealing with Negroes. Employers must be compensated, in the form of lower wages to Negroes, for having an integrated work force. Gary Becker, *The Economics of Discrimination*, University of Chicago Press, 1957.

<sup>3</sup> See William M. Landes, "The Effect of State Fair Employment Laws on the Economic Position of Nonwhites," *American Economic Review Papers and Proceedings*, May, 1967, Vol. LVII, 2, pp. 578-590.

Massachusetts, a state which, with the Massachusetts Commission Against Discrimination, has formally opposed job bias since 1946.

Researchers have thus far paid little attention to the possibility that racial differences in job search may play a role in the unequal distribution of job opportunities. This paper attempts to compare patterns of job search by race, assessing the contribution of this factor to racial wage differentials. The study of job search, furthermore, sheds light on the mechanism of job discrimination.

### The Sample

Comparative data were drawn from matched samples of 200 black and 144 white labor force members in Boston, Massachusetts. Sample members were interviewed in 1965-66, when the overall unemployment rate in the Boston Standard Metropolitan Statistical Area (SMSA) ranged from 4.0 to 3.6 per cent.<sup>4</sup> The universe for each racial group consisted of individuals between the ages of 20 and 50 who lived within the core city area. Black sample members were drawn at random from census tracts 50 per cent or more non-white. Using figures for median educational attainment and distance from downtown Boston, matched white census tracts were selected and a random sample interviewed. The median income for tracts in the black community ranged from \$2,700 to \$5,500, compared with a range of \$3,500 to \$6,000 for white tracts. It is apparent, then, that results of this study should have application in analysis of job-seeking behavior generally, and not simply job-seeking behavior of the poor.

<sup>4</sup> U. S. Department of Labor, *Manpower Report of the President and a Report on Manpower Requirements, Resources, Utilization and Training*, U. S. Government Printing Office, Washington, D. C., 1967, p. 263.

### Discrimination and Job Search

Despite a standardization of educational attainment, the two samples were separated by a wage differential of approximately 60 cents an hour. Further, productivity factors accounted for only about one-third of the racial difference in wages. A racial wage differential of 40 cents an hour remained after standardization, through regression techniques, for differences in educational level, training, age, sex, unionization and length of time on the job.

Whereas the results of discrimination showed in wage inequalities, the *experience* with job discrimination<sup>5</sup> was reported by only a small minority of the black sample. Less than 10 per cent could give the details of such experience within the last 10 years. Moreover, no one in the sample had attempted to fight a case through available legal means, such as the Massachusetts Commission Against Discrimination or the NLRB. Though a majority failed to encounter discrimination, the apparent wage effects of discrimination *were* present for most black respondents.

It therefore appears probable that Negroes understand the social patterns of discriminatory employment, and place self-imposed restrictions on job search. Though few black respondents had encountered job bias directly, *anticipation* that discrimination would occur if one attempted to break into white job categories was widespread. Anticipation of discrimination could be considered a powerful influence in the labor market behavior of black job-seekers. Many who reported no

<sup>5</sup> Job discrimination is defined as any instance where the refusal to hire was believed by the respondent to have been made on the basis of race, with the added condition that two equally qualified persons (one white, one black) have applied for the job.

personal instances of discrimination asserted the concrete existence of such discrimination. Only 20 per cent of the black respondents did not anticipate discrimination against Negro applicants with qualifications equal to those of white applicants, across skill levels. Many who had never experienced discrimination ranked in the highest quartile of intensity in anticipating discrimination.<sup>6</sup> A number of individuals made the point explicitly in the interview: "The job I had I wouldn't have had no trouble;" (domestic) "I only go where I know I have a chance." (stitcher)

In such a framework, anti-discrimination legislation becomes nugatory, except as a potential threat. If this assertion is correct, one may hypothesize that black workers develop techniques for screening out biased employers, in response to higher rejection rates in job search.

### **Racial Differences in Job Search Success**

This survey suggests that the black worker does search more intensively for a job and suffer higher rejection rates than does his white counterpart. "Success" of job search, defined by the number of individuals ever rejected for employment, clearly differs between the races. Fifty-eight per cent of the whites interviewed, as opposed to only 35 per cent of the blacks, claimed they had never been turned down for a job. The appar-

ently higher rejection rate for black workers may reflect differences in preparation. It does not reflect a higher proportion of unskilled workers in the black sample, since racial differences in turndown rates appear at all skill levels. As a corollary to this point, the black worker typically engages in more *intensive* job search. Sixty per cent of the black sample reported making more than three attempts on an average job hunt. Only 31 per cent of the whites made such a statement.

Job search by black workers is relatively *intensive* in terms of effort. How *extensive* is this search geographically and occupationally? To examine this question, the concept of integrative job search will be defined.

### **Integrative Job Search: Incidence and Results**

Integrative search *by occupation* obtained if the respondent at any time in the last 10 years had applied, successfully or unsuccessfully, for a job in an occupation in which Negroes were substantially under-represented in the experienced civilian labor force.<sup>7</sup> Integrative search *by geographic area* describes search in any part of the Greater Boston area, except in sections occupied principally by Negroes or in areas immediately contiguous to those communities (downtown Boston, Back Bay, Brookline, South Boston and Jamaica Plain).<sup>8</sup>

<sup>6</sup> Anticipation of discrimination, and intensity of anticipation, were measured on a scale which contrasted relative chances for equally qualified Negro and white applicants competing for similar jobs. The question was asked for various skill levels. Intensity was measured by the average relative difference in chances that was perceived, based on race; each occupation had equal weight.

<sup>7</sup> Negro labor force participation rates relative to those for whites were calculated from 1960 census data for the Boston SMSA.

<sup>8</sup> If a person, at any time in the last ten years, applied outside of these geographical areas, he was considered to have practiced geographically integrative job search. Similarly, if a person applied at any time in the last 10 years for an occupation where Negroes were under-represented, he was listed in the category of "integrative job search." It was possible, of course, that a person's job search could have been integrative in both respects. This combination was listed separately.

Empirical findings confirm the hypothesis of self-limitation of job search. Sixty-four per cent of the Negro sample had always applied for "Negro" jobs as the categories "nonintegrative" and "geographically integrative only" combine to show. There are many women, for example, who serve as domestic help, and have never applied for anything else. Others have always been janitors or caretakers. Some shunt back and forth between cook and laborer jobs, stockroom help or car washers. For the majority in this sample, then there is a time-worn path followed without any attempt to exit into the world of "white" jobs.

The reluctance to pursue occupationally integrative job search does not simply result from the fact that many "white" jobs lie in the suburbs. Interview data show that there is *no greater tendency for whites* living in the center city to apply for jobs on the periphery. Thirty-eight per cent of the Negroes and 28 per cent of the whites have at one time or another in their careers applied for jobs in the suburban belt. The fact that Negroes have geographically extensive job search relative to whites weakens the commonly-held belief that Negroes, as relative newcomers to the Boston labor market, are not as aware of the location of high-paying jobs as are whites. In fact, in a direct test of knowledge of the labor market, a majority of the Negro sample stated that wages would be higher in the suburbs than in downtown Boston.

It is interesting to note that black workers accomplish their geographically integrative job search despite a substantially lower rate of car ownership. Roughly 30 per cent reported owning cars, as compared with slightly over 50 per cent for the whites. Relatively more Negroes than whites rode to work in car pools, compensat-

ing somewhat for the lack of private *and* public forms of transportation. Nonetheless, the total proportion traveling to work in cars is substantially higher among whites. Though poor transportation facilities must be considered, survey results show that it is not the prime reason for self-limitation of job search.

### **Sources of Job Information**

At this point, placement officers may conclude that, since many jobs, open to all regardless of race but defined by rather precise qualifications, seem to go begging, the fault may lie in part either with inadequate training or with sources of job information. Little will be said about training, aside from the comment that what training black workers have received seems largely to have been utilized in their *current* jobs (which, of course, begs the question of what training might be needed for jobs aspired to by such workers). Sources of job information *do* help to determine the extent of occupational and geographical job search. Does the fault then lie with the unwillingness of the Negro community to make use of existing institutions or in the quality of jobs available through present sources? Formal sources, such as the United States Employment Service and private employment agencies, are supplemented in the ghettos by civil rights organizations, church information channels and Negro-oriented employment agencies, such as the non-profit Boston organization, Jobs Clearing House. Informal sources include referrals by relatives and friends and, of course, applications at the gate.

The study showed that Negroes turn to formal sources of job information *more* frequently than do whites. The Massachusetts State Employment Service, known to a majority of both samples, was used proportionately more

by Negroes, and this was true at all occupational levels except among professionals. For example, though 92 per cent of the Negro craftsmen had at one time or another used the state employment service, only about one-third of the white craftsmen had done so. The corresponding figures for laborers, 57 per cent versus 29 per cent, reinforce this conclusion. Apparently, there is little difficulty in persuading Negroes to use the public employment service. By contrast, a much higher percentage of whites said they would be unwilling to use the Massachusetts State Employment Service (35 per cent, as opposed to 17 per cent of the Negro sample); most who were unwilling claimed that jobs listed with the MSES were inferior in wages and working conditions. Even among the unskilled whites, there appeared a strong aversion to using the state employment service among almost half the group.

A legal requirement that all vacancies be registered with the state employment service would, if these conclusions are correct, aid the Negro in his efforts at job search. A large portion of the black work force uses the public employment service. Yet it is clear that in some cities few job vacancies, particularly in high-paying ranges, are ever listed with the employment service.<sup>9</sup> It appears that the informal job information system outside the reach of the public agencies perpetuates the unequal distribution of high wage jobs by race.

The private commercial employment agency provides an alternative source of job information. Thirty-two per cent

of the Negro sample and 19 per cent of the white sample reported that they had used private employment agencies. Over one-third of the Negro users found these agencies "very expensive." There seems to be some advantage to this source of job information, however. About one-half of Negro users rated the speed of acquiring a job through a private agency "very quick." Lower wages of Negroes cannot, therefore, be attributed primarily to a relative unwillingness to use more expensive sources of labor market information.<sup>10</sup>

Since Negroes are more willing than whites to use formal organizations, there has been little difficulty in developing a roster of Negro unemployed in organizations specifically designed to aid the Negro in his job search. For example, within 16 months of its opening, Jobs Clearing House had registered 3,500 Negro job seekers, of whom 80 per cent were unemployed at the time of registration.<sup>11</sup>

Given the existence of discrimination in the Boston labor market, both races may be using optimal job search techniques. Whites, who rely more on informal sources, have higher wages, *ceteris paribus*, than do whites who use formal sources. The opposite is true for the black work force. Of course, formal sources may not be best for Negroes in *all* circumstances. The problem involves different initial conditions between the races. Whites, with friends in a variety of potential jobs, benefit from informal contacts. Negroes, perforce, require more formal help to overcome their initial disad-

<sup>9</sup> A study conducted in Rochester, New York, in 1965, found that about 20 per cent of openings with local companies were in fact listed with the employment service. *Congressional Record*, 89th Congress, 1st Session III No. 98 (June 1, 1965) 11761, citing a survey reported in National Industrial Conference Board Record, May, 1965.

<sup>10</sup> Cross-checking of information sources verified that respondents had, in most cases, actually used the sources they claimed at one time or another.

<sup>11</sup> John J. Puma, "Negro Employment in the Boston Labor Market," Unpublished Masters Thesis, Massachusetts Institute of Technology, June 1965, pp. 39, 42.



vantage based on the historical distribution of jobs by race.

### **Discrimination in Job Search**

The experience of those few Negroes who do venture beyond past patterns confirms to the black community the existence of potential labor market discrimination. About half the Negro applicants who make an attempt at integrative job search finish the hunt unsuccessfully. Their chances of success are markedly inferior to those of whites, even where qualifications are largely standardized. On occupationally-integrative job search, Negroes average a little better than *half* the white rate of success, 45 per cent as opposed to 81 per cent.<sup>12</sup>

### **Policy Implications**

What must be done to remedy this very special kind of inequity? It is difficult to rely on crash programs of employment relief; many black respondents in this sample hold jobs, live above the poverty level and lead stable lives. The analysis so far suggests that Fair Employment Practices Commission (FEPC) legislation may do little to affect anticipation of discrimination. Can other types of strong government action be justified, when at the same time a multitude of explosive problems demand priority?

It may be argued that the employed, experienced members of the black community provide the key to social stability in the long run. These individuals have a greater chance of movement upward through the occupational structure than do the marginally-committed "hard core" unemployed even given massive government assistance. Experienced labor force members who move vertically provide, in the short

run, openings at lower skill levels for those normally unable to compete.

Of course, inflation, or at least a surge of aggregate demand, may "pull" the less-qualified into a work force starved for manpower at all levels. The fact remains, however, that decades of growth and social change, in which black Americans have entered higher and higher levels of the occupational structure have not wiped out the separation of jobs open to blacks *within each skill level*. The destruction of this barrier should eliminate the wage-income differential noted by so many investigators.

FEPC legislation seems to be virtually worthless in a system where self-limitation of job search and natural reluctance to become involved in legal proceedings restrict the reporting and prosecuting of actual cases of discrimination. Private industry must become aware that "job search" is a two-way street. Workers may hunt employment, but when society demands that racial differences in employment opportunity be eliminated, employers must seriously consider search for workers on their part. This is not a new idea. Firms have always recruited highly-skilled and professional personnel at the source: college and graduate schools. And certain companies *have* seen the need to hunt out workers for less-skilled jobs in the urban black community.

The specific nature of such an attack is relatively unimportant. The government could sponsor or subsidize special recruiting efforts (or make failure to take such action costly through appropriate taxation). Efforts to improve or develop low-cost transportation between industrial suburbs and the core cities will be imperative. Part-

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<sup>12</sup> Note that the white and Negro samples were standardized for educational attainment, and the job search here considered

only those individuals who were looking for a job for the first time in an area in which they had had no previous experience.

nership proposals, in which small business in the urban community receives financial and technical assistance from established concerns, can lead to improved job potential. But the simple fact of positive action will be most

vital in changing attitudes. Initial demonstration by firms of nondiscriminatory hiring will in itself change job-seeking behavior, thus ending over a period of time the inequities of racial earnings differentials. [The End]

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## Training and Job Creation—A Case Study

By STEVEN MARKOWITZ

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Center for Manpower Policy Studies

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**T**HE CONCENTRATED employment program may be best characterized at this point as a demonstration program—a demonstration of what could be, or perhaps what should be done if a total commitment was made to find, train and bring into the mainstream of American life this nation's so-called hard-core unemployed. It would be a case of self-deception if one were to judge the program at this point as a final solution. It is a direction, a promise, albeit a hopeful promise, that deserves further attention.

One reason for the troubles in the poverty and manpower programs was lack of top-level and local-level planning and coordination. The three departments, Labor, HEW, and OEO, were feuding in Washington and back in the slum areas a multitude of agencies, organizations, and community action programs were each going in separate directions. No wonder the response of private industry was so pathetic. The interested businessman faced a multitude of uncoordinated programs. Representatives of the different agencies in some cities would

not even sit in the same room with each other. A potential enrollee might desire to go into one particular program but be forced to join another because it was the only one operating in his neighborhood. Standards for enrollment in a program differed from one side of a city to another.

The Concentrated Employment Program was rushed into existence to change all this and to provide instant results. The initial intent of CEP was to involve the private business sector in the slum unemployment problem. In addition, the program in 19 cities and two rural areas,<sup>1</sup> was designed, theoretically, to pool the talent, combine the programs and centralize the administration of all manpower programs under one roof in each particular area. This would provide the enrollee with the program best suited for him, cut the fragmentation of resources, and by providing one centralized, organized manpower agency, entice the business community to jump into the battle against hard-core unemployment.

The purpose of this paper is to report on the performance of the Concentrated Employment Program in one particular city—Houston, Texas—and

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<sup>1</sup> Atlanta, Baltimore, Birmingham, Boston, Chicago, Cleveland, Detroit, Houston, Los Angeles, Newark, New Orleans, New York, Oakland, Philadelphia, Pittsburgh, San An-

tonio, San Francisco, St. Louis, Washington, Northern Michigan and the Mississippi Delta.

to make suggestions for its improvement. In order to determine if my conclusions had some general validity, I compared my basic findings on the Houston Concentrated Employment Program with those of the one in Washington, D. C.

### ***The Houston Experience***

Houston, the nation's sixth largest city, is a city of extreme contrasts. It is experiencing a very high growth rate and, as a result, a very tight labor market. The wealth seems incomparable. On the other hand, unemployment in the poorer areas (6-10 per cent in the target area) is very high and the slums have to be rated among the nation's worst. But the jobs are there—it's up to the Concentrated Employment Program to get the people into these jobs.

In accordance with Labor Department directives, the Harris County Community Action Agency (HCCAA) was named the sponsor of Houston CEP, which then drew up a proposal that was accepted by Labor on June 28, 1967. Actual operation, however, was delayed until September 5. From the moment the program was funded in June it was beset by troubles. HCCAA was the outcome of a shotgun marriage of two previous rival community action agencies. Infighting abounded and many thought it remarkable that calm prevailed long enough for a proposal to be written. The city of Houston has little faith in HCCAA, the business community wants little to do with it and to an outside observer it seems intent on strangling itself. A recent study by OEO scores HCCAA for its ineffectiveness and internal divisions.

The Concentrated Employment Program in Houston operates in 22 Census Tracts in the inner city and is open only to residents of this area who are

at least 16 years of age and whose family income does not exceed the Federal Poverty Guidelines.<sup>2</sup> This means both unemployed and underemployed residents qualify. A very basic underlying principle of CEP is the outreach concept. Rather than sitting back and waiting for applicants (a policy which favors highly motivated people who could probably get jobs on their own, and/or a female-male ratio of about 10 to 1), CEP in Houston, maintains nine outreach centers which supposedly use indigenous personnel to actively go out and seek those who have dropped out from society.

Once an applicant is accepted into the program at the Outreach Center he is called to the CEP center (after a period of time depending on bottlenecks and program openings—usually from two weeks to a month), where he receives medical/dental examinations and treatment. He is then given any supportive services necessary ranging from day care for his children to legal aid.

The enrollee's next step is an interview with the Texas Employment Commission unit (TEC) for counseling and evaluation. TEC has contracted to do all interviewing, testing, counseling, referrals to training, job development and placements. The decision to use the State Employment services as the vehicle of delivery was made on the federal level. This arrangement was decided on due to "its (TEC's) long history of accomplishment and experience in the area." This is somewhat debatable and, as will be pointed out, this operational setup, that is, the state employment service having such a vital position, is a major weakness in the program.

To supplement the evaluation made by TEC, a client may be referred to the Evaluation and Assessment Unit

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<sup>2</sup> Family of one—\$1,600; family of two—\$2,000; family of three—\$2,500; family of

four—\$3,200; family of five—\$3,800; family of six—\$4,200.

(EVA). This is a unique feature of Houston CEP, devised and entirely run by CEP personnel, and certainly one of its strong points. EVA observes and evaluates clients under actual work experience which is probably a more realistic test of employment potential and skills than a rigid written test.

After evaluation is completed, TEC refers the client to either direct job placement or to another component of the program. Many clients' next step is a four-week orientation program which is designed to acquaint the individual with good work habits. This includes job interviewing, grooming, responsibilities of an employee, and, for some, an initial awareness of the mores and conduct of the middle class world. A large number of applicants are enrolled in eight-week basic education classes which try to raise the educational standards of all CEP enrollees. In addition there are English classes for the many Mexican-Americans in the program.

After these preliminaries, a client, depending on his age, education, desires, and TEC evaluations, is moved on to any one of the following components of CEP: MDTA-Vocational Training, Neighborhood Youth Corps (NYC), MDTA-On-the-Job Training (OJT), New Careers, or Special Impact. (The Special Impact funds are utilized as a holding action, that is, to employ those already in the program but for whom vacancies in the other programs are not open.)

The Houston Independent School District (HISD) has contracted to run vocational training classes in a variety of fields.<sup>3</sup> The classes are well run and enrollees are, by and large, eager and willing. One major criticism is that many of the trades taught are the traditional low level ones which are

becoming less appealing in terms of interest and employment potential (for example, shoe repair). On the whole, CEP suffers from a lack of real contact with the job market in Houston. Job placements and business support would surely rise if classes were geared to actual market conditions and, hence, workers trained for areas of direct need. Most obvious are the many skills shortages in the gargantuan oil industry in the Houston region. All the trades now being taught are aimed at the small/medium sized firms and service industries, that is, those areas where minorities would have the best chance of being employed even without CEP. In addition to personal limitations and institutional rigidities, the scope of trades taught is also limited in some cases by social factors. There is, for instance, a shortage of skilled air-conditioning repairmen in the area; CEP may not capitalize on this however as white Houston housewives will not allow a Negro repairman into their homes.

The Neighborhood Youth Corps component of CEP is a subdivision of the Houston NYC program, Job Opportunities for Youth. The stated purpose of the program is: "To evaluate, counsel and prepare youth to meet the demands of the business community and be productive wage earners." It is open only to school dropouts between the ages of 16 and 22 and is designed to prepare and motivate youth toward either returning to school, obtaining full-time employment, entering into a higher level, more sophisticated program or possibly enlisting in the military service. NYC enrollees work part time in nonprofit organizations to receive work experience and orientation to the job world. They also attend classes (at the CEP cen-

<sup>3</sup> Clerk-Typist, Nurse Aid, Home Nurse Aid, Custodial Service, Hotel and Restaurant Cooking, Duplicating Machine Operator,

Automobile Mechanic, Automobile Paint and Body, Shoe Repair, Furniture Repair, Alterations and Tailoring.

ter) to work toward a high school degree.

Two shortcomings of the program must be noted: (1) only a very small percentage of the NYC enrollees are male (a problem which is experienced by all CEP components and which will be discussed in greater detail later), and (2) as of now, work stations are only in nonprofit organizations, that is, hospitals and public and community agencies. This type of work atmosphere gives the enrollees a narrow view of career possibilities. This is especially damaging as the host agencies are under no obligation to hire the enrollees for permanent positions once their NYC training is over. Only a commitment by the business community to cooperate and provide NYC slots in private industry, coupled with some moral or contractual obligation to hire the enrollees they have trained, will allow one to see any real progress arising from NYC in Houston.

The On-the-Job Training component of CEP in theory should be one of the strong features of Houston-CEP. But, for a variety of reasons, OJT is far from successful. The prime difficulty is a shortage of men coming into the CEP program. Most OJT slots developed by the contracting agency are for men, which therefore leaves many of them unfilled. The Texas Employment Commission jealously distributes the small number of men available and OJT suffers for it. Because of the preponderance of females in the program, it has become necessary to develop job slots to fit the individuals rather than filling acquired slots with available clients. Many employers, growing impatient over the failure of CEP to fill their OJT slots, have withdrawn

their offers. This inability of CEP to fulfill its commitments certainly does not help its image with the business community.

The New Careers section of Houston CEP must be judged at this point to be one of the more successful and promising components of the entire program. It is working well and performance is beyond expectation; but an observer must be wary of premature optimism.

New Careers, a result of the Nelson-Scheuer amendment to the OEO legislation, is a program designed to provide "training and job upgrading for adults from a poverty background in the field of human services." The ideal New Careers program converts a relatively uneducated person with an empty future, through massive doses of education and a series of career steps, into a trained, self-respecting para-professional in areas of extreme labor shortages in the public services. The goals are perhaps a bit far-fetched, and possibly unreachable. The experiences in Houston as evidenced by the performance and enthusiasm of the New Careers enrollees and the highly favorable reactions of the participating agencies, make the program deserving of support.

At the Houston New Careers headquarters, all enrollees are at least 22 years old and, unfortunately, also mainly female. New Careers runs its own education and orientation program which has achieved remarkable results.

After graduating from the orientation program, a trainee is interviewed by, and if accepted, assigned to one of the many host agencies.<sup>4</sup> The trainee spends

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<sup>4</sup>Harris County Child Welfare Office, City Health Department, Harris County Center for Retarded, Hedgcroft Mental Health Clinic, Houston Speech and Hearing Clinic, County Juvenile Probation Department, Day Care Association, City Water

Department, Baylor Medical School, Texas Employment Commission, Lighthouse for the Blind, Easter Seal Foundation, Child Guidance Center, Houston Public Library, YMCA, Vocational Rehabilitation, Social Security, and School for Retarded.

20 hours a week at the host agency preparing for a career ladder, and 20 hours at the New Careers center continuing his education. After the first three months, the ratio of training to education increases.

Each host agency is under contract to provide a detailed career ladder, all necessary training and evaluation, and to assume one-half of the trainee's salary during his second year in the program and 100 per cent of the salary in the third year. Response to New Careers is varied. At one extreme the Houston Speech and Hearing Clinic and other health facilities cannot seem to get enough trainees. On the other hand, the Police Department will not even discuss the matter. The agencies that have cooperated have all been extremely enthusiastic about the performance of the trainees and have indicated a desire to continue and expand the program.

There are enough problems to temper initial enthusiasm. (1) There is the usual scarcity of males in the program. (2) To really make any great headway, the number of slots and host agencies must be expanded.<sup>5</sup> (3) For the trainees to move beyond the entry level, low skill levels of the "career ladders," very much greater and more intense doses of education will be required. (4) Future contractual commitments of the host agencies (especially in the area of salary obligations) are predicated on the assumption that these agencies will have the budgeted funds necessary. There is no guarantee in this area and if their funds do not materialize, the New Careers program is likely to collapse.

This briefly describes the CEP as it now operates in Houston. Its strong point obviously is its centralization and unification of the various manpower components. Final judgment

of its effectiveness depends on how well it performs this task and ultimately how many unemployed and subemployed people obtain decent jobs as a result of it.

### **Administrative Problems**

A strong centralized administrative body is a necessity if this program is to exist. Unfortunately, too many factors, largely political, prevent the directors of CEP from having a firm grip on operations. There is the usual, to be expected, political infighting between the several factions which obstructs smooth cooperation in the administrative staff itself. In addition, the local Community Action Program, the Harris County Community Action Agency, is a political body suffocating on its own inertia. A primary recommendation would be the divorce of CEP from HCCAA to hopefully cut down on the factionalism and continual bickering. Optimally, the Manpower Program should be coordinated with the entire anti-poverty effort, but conditions in Houston seem to dictate the reverse.

An even more important problem in this area is the weak control CEP has over the agencies contracting to run the various components of the program. These agencies are too autonomous within the overall framework and often work at odds to the total manpower effort. The major concern of some of the agencies is to fulfill the terms of their contracts in terms of numbers and dollars, thereby losing sight of the goals of the program. The fear of losing slots and/or not fulfilling contract terms is overwhelming. If less pressure and emphasis existed here, and greater stress was put on team action to get people trained and into jobs, the program would very greatly benefit.

<sup>5</sup> Possible areas of expansion: Houston Independent School District, Police De-

partment, Red Cross, Department of Welfare, Hospitals, and Federal and State Agencies.

The next area of friction is with the Texas Employment Commission. Those familiar with the Texas political lineup know that TEC is firmly in what is now called the "establishment." It is an old-line organization aligned with the conservative elements in the state government and in big business. Enlightened ideas such as outreach and abolishment of strict job qualifications are beyond the traditional views of this organization. As there are no alternative delivery systems in existence, the only possible action is to change TEC. The conservative, inflexible ways of TEC must be singled out as the one most serious shortcoming of the administrative setup of Houston-CEP.

### **Operational Problems**

Within the actual operation of the program, the major problem is the over-abundance of females. All CEP programs suffer from this problem while special conditions in Houston make it worse. Several approaches suggest themselves: (1) A much greater effort must be made by the outreach to contact and bring in men. Continual encouragement and follow-up is necessitated. The Houston CEP framework does not incorporate the famous Chicago JOBS-Now coach system. The success of the close coaching system in the Houston New Careers program warrants its use throughout CEP to find and retain males. (2) The CEP outreach centers and program components should be operated at night to encourage the enrollment of the underemployed. The possibilities of financial incentives to offset other short-run job alternatives should be explored. (Another alternative would be to close individual components to females; this was rejected when it was realized that a great percentage of these women were the family breadwinners.)

The key to the success of the program in Houston or anywhere in America is job development and placement. Efforts and accomplishments in this area of the Houston manpower programs are scant. At this point CEP and its contracting agencies are primarily concerned with keeping the program functioning and fulfilling contract specifications. Meager, half-hearted efforts are made to get the big-business community actively interested and involved, but so far no really significant progress has been made.

The big powers in Houston, mainly the oil and large manufacturing companies, have shown little interest. The reasons are numerous. Houston is not the most liberal city in America; there are many Horatio Algiers who feel a moral responsibility only to their stockholders, if at all. Cooperation on the part of big business in Houston cannot be called anything more than tokenism.

Big companies do not want or need the financial returns of hiring, say, OJT trainees. Paperwork is bothersome; taking money from the government smacks of socialism; and possibly most important of all, they fear that it is an open invitation for the Internal Revenue Service to inspect their books.

The many economic incentive plans, for example, tax breaks, contract preference, etc., are not the answer. They will not bring big business into the struggle to employ the impoverished in Houston. Only a massive effort and strong pressure from the federal government could possibly do it. The President's recent announcements in this area are a beginning. Since that time there has been a step-up in the hiring of MDTA graduates by these firms.

With all these obstacles, just how well has Houston-CEP performed? Table I indicates the total cumulative

flows to date in the individual components as opposed to the total number of slots budgeted. The figures show that 81 per cent of the clients of CEP are female. (In addition, it should be noted that 2.0 per cent of the enrollees are Anglo-Americans; 16.0 per cent are Mexican-Americans; and 82.0 per cent are Negro.) Several other conclusions may be drawn: (1) The numbers are relatively low (compared to budgeted slots) at this late stage of the fiscal year. This is due to the delayed opening of the program. (2) A large number of people are being interviewed and never make it into the program. This is a result of the bottlenecks and delays within the operation. (3) The OJT component is vastly underutilized due to conditions previously described. (4) As the Houston CEP

program operates now, the most successful facet is the MDTA-Vocational Training Section. Even with the rather restricted number of skills taught, it has the most to show in terms of graduates and job placements. The cost per trainee (plus initial capital outlay but not including trainee allowance of \$1.60 an hour) in the MDTA program ranges from \$143.25 in the Home Nurse Aid section to \$784.83 in the automobile mechanic classes which is lower than all other training components of CEP.

It must be recognized that even if Houston CEP is a complete success—all trainees employed in good jobs—we are still no closer to an actual end to the problem. If all goals are met, less than 3,000 people will be in jobs by June 30, 1968. This is only 2.5

**TABLE 1**

**Cumulative Performance of the Houston Concentrated Employment Program**

<i>Component</i>	<i>No. of Slots Funded</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
Intake and Assessment		983	3602	4585
(a) Initial Counseling and Interview		755	2443	3198
Total Orientation	2200	79	522	601
Basic Education	480	48	229	277
(a) Part time		17	163	180
MDTA-Vocational Training	480	80	160	240
NYC	400	83	220	303
New Careers (closed)	250	24	234	258
Special Impact (current)	200	56	163	219
MDTA-OJT	500	28	57	85
Direct Job Placement		137	148	285
Referred to other programs		5	3	8
Job Placements				
(a) MDTA-Vocational Training (120 graduates)		22	60	82
(b) NYC (22 graduates)		5	17	22
(c) New Careers (no graduates)		0	2	2
Drop-outs from all Program Components (Does not include those who did not respond to program openings.)				80
<b>Total: either in current training; graduated from CEP, or placed on job (other than through direct job placement).</b>		415	1748	2163



per cent of the total number of people who are eligible, that is, those who meet the federal guidelines in the target area for CEP services, and the target area is only one small part of Houston. If the Concentrated Employment Program is to become a vehicle in eradicating hard-core unemployment, the Kerner Report's estimation of the total cost of the war on poverty looks realistic.

### ***The Washington Experience***

The Concentrated Employment Program in Washington, D. C., (WCEP) is run roughly the same as the one in Houston.

The local Community Action Program in Washington, the United Planning Organization (UPO), is similar to the one in Houston in its administrative difficulties. There are the ever present factions and mediocrities plus the specter of the running battle between OEO and the Department of Labor hanging over their heads. Being in the same city with the national offices is a benefit when instant advice and technical knowledge are needed (something very much missing in Houston), but it can be a burden when high level conflicts filter down.

UPO plays a much greater role in the operation of WCEP, than does HCCAA in Houston. UPO, for one thing, is a much stronger body and enjoys very much more prestige in the community. While the Houston CEP would function better without the hindrances of the slow moving HCCAA, WCEP could not possibly exist without the UPO.

The D. C. Employment Service is only slightly more progressive than the Texas Employment Commission. It appears that the state and city employment services all over the country are too traditional and inflexible for their role in CEP.

Because of the great power of the UPO in Washington, WCEP does not experience any of the centralization of control problems that Houston CEP does. The problem of a scarcity of males in the program is as great, if not greater in Washington. The job development and placement picture is equally dreary. The problem is very different than the one in Houston, though. In Washington there just are not enough jobs for uneducated, unskilled people as there is only a very small manufacturing sector. The task is more one of job creation than job development.

The answer in Washington appears to be more public employment. A good example of this is the NYC program in Washington. All NYC enrollees are trained for jobs in the Department of Defense which has indicated a willingness to hire permanently all graduates of the program.

One great roadblock to this possibility is the relatively inflexible Civil Service Commission. Since the Civil Service Commission exists to protect the merit system, entry requirements are not easily waived. Whatever jobs the federal establishment does provide are either marginal or temporary. Federal budget and employment ceilings and temporary "freezes" also reduce the ability of the government offices to cooperate with WCEP. Only when entry requirements and personnel restrictions are waived for the disadvantaged can we begin to think of the government as the ultimate answer. With the unlimited potential of government services expansion, construction, and development, no one in Washington need be unemployed.

### ***Implications for the Future***

The original primary intent of CEP was the involvement of the business

community, with the coordination role secondary. As the program has evolved, business participation has not materialized in the hoped for magnitudes, thus leaving centralization and coordination as CEP's major accomplishment. This is not to say that CEP, the Houston experience in particular, has fully succeeded in this area. As of now CEP provides only a crude outline of the general manpower program of the future—intertwined with

a multitude of thorny problems of the present.

True success can only come when these problems are overcome. The employment services must be rejuvenated, the local poverty organizations must be streamlined; the business community must make good on its promises; and most of all, those who could most benefit by CEP must be convinced that it is a real source of hope. [The End]

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## The AFDC Amendments of 1967: Their Impact on the Capacity for Self-Support and the Employability of AFDC Family Heads

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“YOUR COMMITTEE is very deeply concerned that such a large number of [AFDC] families have not achieved independence and self-support, and is very greatly concerned over the rapidly increasing costs to the taxpayers. Moreover, your committee is aware that growth in this [AFDC] program has received increasingly critical public attention.”<sup>1</sup>

These concerns motivated the House Committee on Ways and Means and the Congress to pass the controversial 1967 public welfare amendments to the Social Security Act. This paper

describes, explains and speculates about the effects of some of the key amendments on the capacity for self-support and on the employability of adults in the AFDC and AFDC-UP<sup>2</sup> programs.

The basic conclusions of the paper can be stated now: If the amendments are to be evaluated in terms of the number of AFDC families that will achieve total financial independence as a result of their implementation, or in terms of their effects on the various financial costs to the taxpayers associated with financially maintaining and servicing AFDC families, or in terms of the likelihood of their reducing public criticism of the welfare pro-

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<sup>1</sup> United States Congress, House, Committee on Ways and Means, *Social Security Amendments of 1967*, 90th Congress, 1st Session, 1967, House Report on H. R. 12080, p. 96.

<sup>2</sup> AFDC-UP is a component of the Aid to Families with Dependent Children (AFDC)

program in 22 states. In contrast to most other AFDC units, AFDC-UP units are typically headed by a male. The program was established in May 1961 to provide federally supported assistance to children of unemployed parents. Henceforth in the paper, mention of the term AFDC will relate to both AFDC and AFDC-UP.

gram in the near future, the amendments can be expected to fail. If the amendments are to be evaluated in terms of their effects on the employability of AFDC family heads, there may be some hope for success. Basically, then, the Congress and welfare administrators should educate the public to the effect that making welfare recipients "employable"—capable of working for pay for one or more hours per week—is an attainable objective for large numbers of recipients; whereas making large numbers of them capable of total self-support is not.

### **Amendments Which Affect the Financial Position of AFDC Families**

*The "Freeze"*—The most pleasant way of identifying the most controversial amendment is calling it the "Limitation on Federal Sharing in AFDC." This amendment is simply an attempt to prevent the growth of the AFDC rolls by denying federally subsidized assistance to certain families, even if they are in need of financial support. And because the "freeze" would deny federal funds to certain new AFDC families, the Ways and Means Committee views this amendment as an added incentive to the states to implement the "constructive programs"—training, placement and other rehabilitative services—that the Congress has authorized to remove present AFDC families from the rolls. What the Congress has first failed to realize, and what will hopefully be clarified below, is that the most strenuous efforts by welfare departments and employment services are unlikely to remove many current recipients

from the rolls; and thus in terms of inducing new openings for waiting needy families, the "incentive" provided to the states by the freeze is irrelevant. The second possible misconception of the Congress may lie in the notion that the prevention of the growth of the AFDC program is a legally or practically attainable objective.

The "freeze" will work in this manner: each state will be required to determine the average number of children under 18 receiving AFDC because of the absence of their fathers from their homes during the first three months of 1968. The ratio of this average number to the total number of children under age 18 in the state on January 1, 1968 will fix a ceiling on the *number* of children in the state who can receive federally supported AFDC (because of the absence of their fathers) from July 1 to December 31, 1968 and on the *proportion* of children in the state who can receive AFDC (because of the absence of their fathers) in the future;<sup>3</sup> the maximum *number* of such AFDC children may rise or fall in the future as the total under 18 population in the state varies on succeeding January 1's. Children who may become eligible for AFDC because of the death or incapacity of their fathers or who may become eligible for AFDC-UP because of the unemployment of their fathers will not be affected by the limitation on federal aid. Affected children and their parents may also obtain welfare that is wholly financed by their state or local governments.<sup>4</sup>

Now will the "freeze" work? Will it halt the growth of the AFDC rolls?  
(1) It is being challenged in the

<sup>3</sup> One would expect some states, to the extent that they can control the flow of applicants, to flood the rolls up to March 31, 1968. Newspaper accounts indicate that this is, in fact, happening.

<sup>4</sup> For an excellent summary of how the freeze and the other 1967 amendments will work, see: "Staff Paper on the Social Security Amendment of 1967," distributed by the Social and Rehabilitation Service to state welfare administrators on February 9, 1968.

courts on the grounds that any of three suggested means of coping with it are on various grounds illegal: (a) establishing waiting lists is illegal, according to the Social and Rehabilitation Service, because the Social Security Act requires that AFDC be furnished with reasonable promptness—usually within 30 days after application—to all eligible individuals; (b) cutting grants of current AFDC cases to spread the limited welfare pie among more waiting hands is alleged to violate Congressional intent that grants to AFDC families be increased to reflect increases in the consumer price index; (c) having the states adopt more restrictive eligibility rules is alleged to be inconsistent with the purpose of the Social Security Act that federal aid be given to all families that fit into the federal welfare categories and are in financial need.<sup>5</sup> Obviously, if the “freeze” is upset by the courts, it cannot prevent the growth of the AFDC rolls. (2) With regard to the more bountiful states, the freeze may only transfer the burden of the increasing number of AFDC-like cases from the federal to the state and local governments.<sup>6</sup> (3) If the courts accept the legitimacy of the freeze and if the states do not accept a transfer of the burden, poor families may have other alternatives in some states: where males have previously chosen to desert to get their families on AFDC, they may now choose to return and try to establish eligibility for AFDC-UP. In fact, the 22 states that now have AFDC-UP programs and the remaining 28 states should be induced by the freeze to expand or initiate

<sup>5</sup> National Welfare Rights Organization, “NWRO Position on the Proposed Georgia AFDC ‘Freeze’ Plan and the HEW Freeze Guidelines,” Poverty/Rights Action Center, Washington, D. C., February 1968.

<sup>6</sup> United States *Congressional Record*, 90th Cong., 2nd Sess., 1968, V. 114, No. 13.

the AFDC-UP programs, since the freeze applies only to AFDC cases in which the father is absent because of divorce, separation, desertion, or illegitimacy, and not to those in which the father is dead, incapacitated, or unemployed. In sum, in the event of any of the above three situations, the growth of the welfare rolls will at most be slowed but will not be halted by the “freeze.”

Between September 1966 and 1967, the AFDC rolls grew by roughly 14 per cent or by over 150,000 cases to a total of 1,244,000 cases. Indications are that the growth in the AFDC program has been even more marked since September 1967.<sup>7</sup> And there is no reason to believe that the rate of growth would fall substantially in the absence of the freeze. The freeze may thus result in serious hardship for a large number of families. But, Elizabeth Wickenden has noted,<sup>8</sup> the freeze cannot legally result in denying aid to any eligible children. She thinks the only possible outcome, if the states fail to fully assume the likely burden of growing numbers of previously eligible families, is that grants to all AFDC and AFDC-UP families will be cut. And, she claims, if the number of otherwise eligible families grows, if the states must somehow accept these cases, and if the states spend more on AFDC families than they will obtain federal re-imburement for, they will regularly cut grants to all AFDC families; unless, of course, the freeze has the impact that Congressman Mills suggested:

“It is there to get the states to act on the other provisions of the bill

<sup>7</sup> United States Department of Health, Education, and Welfare. Social Security Administration, *Social Security Bulletin*, January 1968, Table M-23.

<sup>8</sup> United States *Congressional Record*, 1968, as cited in footnote 6.

requiring them to do something to reduce dependency and to take people off welfare who should not be there. It is as simple as that . . . We are furnishing a prod to obtain some results from the state welfare agencies.”<sup>9</sup>

In discussing the next welfare amendment, it should become clear that the freeze is unlikely to have the main “prod” effect that Congressman Mills intended. Large numbers of AFDC families are unlikely to be removed from the welfare rolls to create new openings or to preclude the reduction of assistance grants.

*Exemption of Earnings*—The general rule<sup>10</sup> in the AFDC program, with respect to the treatment of earnings in the determination of family “need,” has been to consider all net<sup>11</sup> earnings as available income. That’s the welfare jargon for reducing assistance payments on a dollar-for-dollar basis as the earned income of a recipient increases. We might call this reduction a 100 per cent “welfare tax rate.” The obvious result of this confiscatory tax rate is to reduce the financial incentive to work of those recipients who cannot net an earned income—or a total money income—that exceeds the family’s monthly assistance requirements. (In some cases, of course, the result is the concealing of earnings.) Thus, the Congress has de-

cidied to reduce the welfare tax rate to zero per cent on the first \$30 of monthly earnings and to 66 $\frac{2}{3}$  per cent above \$30 of the combined net earnings of the nonstudent members of an AFDC family. Any AFDC child who is a part-time or full-time student will be able to retain all of his earnings. Other working members of the AFDC unit—in most cases it will probably be only the family head—will pool their after-tax and after-employment-related-expense earnings and have those earnings taxed at the zero-66 $\frac{2}{3}$  per cent rates.

The hope is obviously that AFDC mothers and AFDC-UP fathers will now find it rewarding to obtain even part-time work and search more assiduously for full-time work. There have been two local experiments with reduced welfare tax rates. In Denver and Cleveland the effects of the reduced welfare tax rates were studied with some care.<sup>12</sup> In both projects, the market response of AFDC family heads to the change in the welfare tax rate was found to be slight. Whatever measure was used to describe the effects of the change in the tax rate indicated that the results pointed in the expected and desired direction but were statistically insignificant. It should be added that the experiments were seriously defective in design and in implementation.

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<sup>9</sup> United States *Congressional Record*, 1968, as cited in footnote 6.

<sup>10</sup> In recent years, the exceptions to the rule have become considerable in number. In addition to the special projects cited below, recipients participating in poverty programs have been allowed to retain \$85 plus  $\frac{1}{2}$  of all dollars above \$85 earned each month in the programs; since 1962, children in AFDC families have been allowed to retain \$50 of monthly earnings up to a maximum of \$150 for three children in one AFDC unit; and in a number of states that pay less than 100 per cent of the AFDC requirement, recipients are allowed to earn

the difference between their maximum actual payment and their unit’s “need.”

<sup>11</sup> Since 1962, the states have been required to allow recipients to retain earnings that cover employment-related expenses. I also suspect that they generally do not reduce benefits when earnings have been previously subjected to social security or other taxes.

<sup>12</sup> Denver Department of Welfare, *The Incentive Budgeting Demonstration Project*, Denver, Colorado, December 1961; Cuyohoga County Welfare Department, “Employment Incentives and Social Services: A Demonstration Program in Public Welfare (first-draft),” Cleveland, Ohio, 1966.

Whether the reduced tax rates will have a sizable impact on the national AFDC caseload is something that cannot be determined now. The new tax rates need not take effect in all states until July 1, 1969. When they do, some recipients will be induced to search for work earlier or more intensively than they otherwise would have done. Whether the "tax cut" reduces total assistance costs depends, of course, on the extent to which presently nonemployed recipients obtain employment.

Initially, of course, the new tax rates will raise costs as presently "taxed" earnings of the already employed recipients become "tax free." For example, for the 15 per cent of AFDC mothers who were employed in December 1961,<sup>13</sup> most or all of their earnings resulted in offsetting decreases in their assistance payments. Under the new rules, assistance payments to them will most probably increase. Again, though, whether total federal assistance payments decline or increase as a result of the new tax rates depends on the (unknown) elasticity of work effort of the entire AFDC caseload.

The major source of concern of welfare departments should be the impact of the new earnings exemptions on those recipients who, in the absence of such an exemption, would have become employed and left the welfare rolls. The concern should result from the inescapable arithmetic of income maintenance programs: as you raise the minimum payment in

the absence of other income to be more humane, and as you reduce the "tax rates" on earnings that are built into the program to provide financial incentives to work, you raise the level of income at which the program payments are reduced to zero. For example, in the case of an AFDC mother who now receives \$2,500 per year in assistance payments, reducing the welfare tax rate from 100 per cent to the zero-66 $\frac{2}{3}$  per cent combination of the new law results in her being allowed to get some welfare payments until her earnings reach \$4,110—her new "breakeven" level of income.

A glance at Tables 1 and 2 will give the reader some feel for the problem at hand. Ten states that made payments equal to 100 per cent of family need in the absence of other income were chosen to indicate the breakeven levels of income under the old and new welfare tax rates and the hourly wage equivalents of those breakeven income levels. Data for 1967 are available on the *maximum* payment made to an AFDC family of four, composed of an incapacitated father, a mother, and two children.<sup>14</sup> Data for 1961 are also available on what AFDC units of different sizes with no nonassistance income were able to receive in assistance payments in the selected states.<sup>15</sup> The 1961 data were used to provide index numbers to develop the 1967 data for 3, 5, and 6 person AFDC units. The monthly data were transformed into annual data. Data on maximum rather than average payments were used because

<sup>13</sup> United States Department of Health, Education, and Welfare, Bureau of Family Services, *Study of Recipients of Aid to Families with Dependent Children, November-December, 1961: National Cross-Tabulations*, Table 18, Washington, D. C., August 1965.

<sup>14</sup> United States Department of Health, Education, and Welfare, Bureau of Family Services, Social and Rehabilitation Service, "Old-Age Assistance and Aid to Families

with Dependent Children: Tables on Percent of Basic Needs Met for Specified Types of Cases, January 1967," Washington, D. C., August 1967.

<sup>15</sup> United States Department of Health, Education, and Welfare, Bureau of Family Services, *Characteristics of Families Receiving Aid to Families with Dependent Children, November-December 1961*, Table 40, Washington, D. C., April 1963.

only the former are collected; and because data on average payments *available* to units of given size with no other income would not include allowances for employment-related expenses. Current AFDC payments data would include employment allowances only for presently employed AFDC recipients. If, as a consequence of the implementation of the 1967 amendments, much larger numbers of recipients find jobs, average *available* AFDC payments will in a sense increase because these recipients would be given such allowances. (Actually, what would increase is breakeven levels of income; and it is breakeven levels of income under the old and new welfare tax rates that are wanted in columns 1, 4, 7, and 10 in Tables 1 and 2.) These allowances seem to vary between \$20 and \$40 per month for expenses other than child-care.<sup>16</sup> It is thus implicitly assumed that any difference between average and maximum payments *available* to AFDC families are fully accounted for by this factor. This is probably a conservative assumption.

The numbers in Tables 1 and 2 indicate, for example, that an AFDC mother of three children in North Carolina had to earn over \$1,773 in 1967 to remain off welfare at a level of income that exceeded her assistance income. As soon as the new earnings exemption or welfare tax rates take effect, she will have to earn over \$3,020 to be removed from

welfare. She has to earn 70 per cent more once the new amendment takes effect. Surely there are some women in that state who can work 2,000 hours per year and earn more than \$.89 per hour but cannot earn more than \$1.51 per hour; or can work only 1,500 hours per year and net more than \$1.18 but not more than \$2.01 per hour. Some simple arithmetic will indicate, moreover, that since the earnings exemptions, or the new welfare tax rates, will be uniform in all states, the percentage increases in breakeven income levels will be largest in the low wage and low AFDC payment states.

Some conclusions to be drawn from the above are: (1) For the roughly 50,000 AFDC mothers and 45,000 AFDC-UP fathers who earn their way completely off welfare each year,<sup>17</sup> the task of doing so will now be much more difficult; not only because of the increase in their breakeven levels of income, but because wages in jobs that they can hold are low and may decline in the face of what may be a sizeable increase in the unskilled labor force that will result from forcing large numbers of AFDC recipients to search for work.<sup>18</sup> (2) Previous research of mine has indicated that even if AFDC and AFDC-UP family heads had no child-care problems and even if jobs commensurate with their limited skills were available on a year-around basis, roughly 60 per cent of the AFDC mothers and 30 per cent of the AFDC-UP fathers could not

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<sup>16</sup> Leonard J. Hausman, "The 100% Welfare Tax Rate: Its Incidence and Effects," unpublished Ph. D. dissertation, Department of Economics, University of Wisconsin, 1967, pp. 81-82.

<sup>17</sup> Leonard J. Hausman, as cited in footnote 16, at pp. 176-177. See also the series of tables published semiannually by the Social and Rehabilitation Service, "Reasons for Opening and Closing Public Assistance Cases"; and the similar tables published by the California Department of Social Wel-

fare, "Reasons for Discontinuance in Public Assistance Cases."

<sup>18</sup> The new amendments compel welfare departments to compel all AFDC-UP fathers and all AFDC mothers for whose children suitable child-care can be found to search for work. It is hard to know what the increases in the labor force participation rates among these persons will be because no one knows what they are now and no one can predict how the compulsory search-for-work policy will be administered.

TABLE 1

Approximate Annual Assistance Requirements and Hourly Wage Equivalents of  
Requirements for AFDC and AFDC-UP Units in Selected States

<i>AFDC and AFDC-UP Unit<sup>a</sup> Size:</i>	<i>3 persons</i>			<i>4 persons</i>			<i>5 persons</i>			<i>6 persons</i>		
	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)<sup>b</sup></i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>	<i>(11)</i>	<i>(12)</i>
<i>State</i>	<i>Annual Assist- ance Require- ments<sup>c</sup> (\$)</i>	<i>Hourly Wage Equiv., 2,000 hours<sup>a</sup> worked (\$)</i>	<i>Hourly Wage Equiv., 1,500 hours worked (\$)</i>									
(1) Conn.	2,606 <sup>e</sup>	1.30	1.74	3,084	1.54	2.06	3,559	1.78	2.37	3,997	2.00	2.66
(2) Ill.	1,845	.92	1.23	2,173	1.09	1.45	2,569	1.28	1.71	2,952	1.48	1.97
(3) Kan.	2,252	1.13	1.50	2,808	1.40	1.87	3,370	1.69	2.25	3,920	1.96	2.61
(4) Md.	1,613	.81	1.08	2,058	1.03	1.37	2,461	1.23	1.64	2,684	1.34	1.79
(5) Mont.	2,084	1.04	1.40	2,628	1.31	1.75	3,046	1.52	2.03	3,564	1.78	2.37
(6) N. J.	2,822	1.41	1.88	3,360	1.68	2.24	3,951	1.98	2.63	4,536	2.27	3.02
(7) N. Y.	2,693	1.35	1.80	3,146	1.57	2.10	3,731	1.87	2.49	4,263	2.13	2.84
(8) N. C.	1,537	.77	1.02	1,773	.89	1.18	2,003	1.00	1.34	2,190	1.10	1.46
(9) Wash.	2,158	1.08	1.44	2,512	1.26	1.67	2,927	1.46	1.95	3,271	1.64	2.18
(10) Wis.	2,160	1.08	1.44	2,618	1.31	1.75	3,050	1.53	2.03	3,513	1.76	2.34



(Table 1 footnotes.)

<sup>a</sup> Data are available on the average monthly amount of requirements for AFDC units of different size and composition. For example, in AFDC units of 5 persons, there could be an incapacitated father, a mother, and 3 children; or a mother and 4 children; or an unemployed father, a mother and 3 children—in which the unit would be an AFDC-UP case. Monthly requirements vary by unit size and unit composition in a given state. The 1961 data used here to form index numbers to apply to the 1967 data do not distinguish between units of given size but of varying composition. Since the relationships among AFDC and AFDC-UP units of varying size and constant composition are probably very similar for differently composed units, and since the table is being used for illustrative purposes only, use of these data seems reasonable. Source: United States Department of Health, Education, and Welfare. Bureau of Family Services, *Characteristics of Families Receiving Aid to Families with Dependent Children, November-December 1961*, Washington, D. C., April 1963.

<sup>b</sup> Headings for columns 4-6, 7-9, and 10-12 correspond to headings for columns 1-3.

<sup>c</sup> Data are derived from data on the maximum monthly payments available to a family composed of father, mother, and 2 children. The data were transformed into annual data. Data on maximum rather than average amounts paid to the families were used to allow for increased payments that accrue to an AFDC unit for employment-related expenses when a member becomes employed. Source: United States Department of Health, Education, and Welfare. Social and Rehabilitation Service, "Old-Age Assistance and Aid to Families with Dependent Children: Tables on Percent of Basic Needs Met for Specified Types of Cases, January 1967," Washington, D. C., August 1967.

<sup>d</sup> If a person worked 2,000 hours per year, that is, 40 hours per week for 50 weeks, his average hourly earnings would have to be whatever figure appears in this column to equal his maximum annual assistance payments.

<sup>e</sup> As an illustration of how the data were developed for 3, 5, and 6 person units: in 1961 in Connecticut an AFDC or AFDC-UP unit of 3 persons averaged 84.5 per cent of the monthly requirements of 4 person units in that state. In 1967 in Connecticut, a 4 person unit headed by an incapacitated father received a maximum of \$3,084 per year in assistance; 84.5 per cent of \$3,084 is \$2,606.

TABLE 2

Approximate Annual Breakeven Levels of Assistance, Under New Welfare Tax Rates,<sup>a</sup> and Hourly Wage Equivalents of Breakeven Levels for AFDC and AFDC-UP Units in Selected States.

<i>AFDC and AFDC-UP Unit Size:</i>	<i>3 persons</i>			<i>4 persons</i>			<i>5 persons</i>			<i>6 persons</i>		
	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)<sup>b</sup></i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>	<i>(11)</i>	<i>(12)</i>
<i>State</i>	<i>Annual Break- even Levels of Assist- ance  (\$)</i>	<i>Hourly Wage Equiv., 2,000 hours worked  (\$)</i>	<i>Hourly Wage Equiv., 1,500 hours worked  (\$)</i>									
(1) Conn.	4,269	2.13	2.85	4,986	2.49	3.32	5,699	2.85	3.80	6,356	3.18	4.24
(2) Ill.	3,128	1.56	2.09	3,620	1.81	2.41	4,214	2.11	2.81	4,788	2.39	3.19
(3) Kan.	3,738	1.87	2.49	4,572	2.29	3.05	5,415	2.71	3.61	6,240	3.12	4.16
(4) Md.	2,780	1.39	1.85	3,447	1.72	2.30	4,052	2.03	2.70	4,386	2.19	2.93
(5) Mont.	3,486	1.74	2.32	4,302	2.15	2.87	4,929	2.46	3.29	5,706	2.85	3.80
(6) N. J.	4,593	2.30	2.73	5,400	2.70	3.60	6,287	3.14	4.19	7,164	3.58	4.78
(7) N. Y.	4,400	2.20	2.93	5,079	2.54	3.39	5,957	2.98	3.97	6,755	3.38	4.50
(8) N. C.	2,666	1.33	1.78	3,020	1.51	2.01	3,365	1.68	2.24	3,645	1.82	2.43
(9) Wash.	3,597	1.80	2.06	4,128	2.06	2.75	4,750	2.38	3.17	5,267	2.63	3.51
(10) Wis.	3,600	1.80	2.07	4,287	2.14	2.86	4,935	2.47	3.29	5,630	2.82	3.75

<sup>a</sup> Breakeven levels of assistance, under the welfare tax rates, are those at which assistance payments are reduced to zero as a consequence of the accrual of earnings or other income to the welfare unit.

<sup>b</sup> Headings for columns 4-6, 7-9 and 10-12 correspond to headings for columns 1-3.

earn more than their old breakeven incomes.<sup>19</sup> If these heads are to be rehabilitated under the "WIN Program," the new employment and rehabilitation program for AFDC recipients which is discussed below, the task of removing them entirely from welfare will now be so much more difficult. (3) And following from these first two points, the foolhardiness and irrelevance of Congressman Mills' intention that the "freeze" serve as a "prod" to the states to implement rehabilitation programs and to thus open new AFDC slots for the waiting needy can be clearly seen: earning hourly and annual wages, like those indicated in Table 2, is unquestionably impossible for large numbers of recipients, given labor market conditions and the amount of money that will be invested in rehabilitating them. (4) None of the above implies that earnings exemptions and rehabilitation efforts are not necessary and desirable; nor does it imply that these tools cannot reduce total welfare payments. What it does imply is that they cannot open up new total welfare slots to the legitimately needy and that the freeze should not be thought of as compatible with or supplementary to these measures.

*Medicaid*—With respect to amendments to the Title 19 program, Medicaid, the intention of Congress was to cut costs and save the taxpayers' dollars. But intended effects and actual effects, again, may be very different. The Medicaid amendments put a ceiling on the income a family could have and be defined by a state as "medically needy," that is, ineligible for cash payments but eligible for government financed medical care in and out of hospitals. New York State,

for example, to the extreme irritation of Congress, had gone so far as to define a family of four with after-tax income of \$6,000 as medically needy. Now a state will only be reimbursed for medical expenses of families whose net income is no more than 133 $\frac{1}{3}$  per cent of what their welfare payments would be if they had no other income. Moreover, states will be required to provide more medical services to the categorically (financially) needy than to the medically needy, although they will be permitted to treat the two groups similarly.

Now consider the possible combined impact of the Medicaid and earnings exemption amendments. Take two female-headed families of four in New Jersey. In family A, the mother earns nothing and receives \$3,200 per year in assistance. In family B, the mother nets \$4,500 per year from her steady secretarial job. If the family A mother is placed in a job by the WIN Program that nets her only \$3,360 per year, she still receives \$1,200 in assistance, and her total money income is \$4,560 per year. Family A now has a higher money income than B and, since A is still on welfare and since B's income exceeds 133 $\frac{1}{3}$  per cent of \$3,200, A gets full Medicaid benefits and B gets none. The family B mother might discover that it is reasonable to deliberately reduce her earnings to increase her income.<sup>20</sup> If there are many families in B's position, the Congress may again find its attempt to reduce costs resulting in increasing costs and mounting welfare rolls. This discussion of the Medicaid amendments also accentuates the inequities that are continually being built into the assistance system.

<sup>19</sup> Leonard J. Hausman, as cited in footnote 16, at pp. 101-111.

<sup>20</sup> The Social and Rehabilitation Service will establish guidelines to attempt to pre-

vent such persons from leaving their jobs "without good cause" and then becoming eligible for assistance. This may be a difficult matter to police.

## **Amendments Which Affect the Employability of AFDC Family Heads**

The Departments of Labor and of Health, Education, and Welfare have been given joint responsibility to develop a three-part "Work Incentive Program" (WIN) to increase the employment and enhance the employability of recipients.<sup>21</sup> The first part of WIN will involve attempts to place recipients in private sector jobs and on-the-job training programs. The financial inducement is the application of the new welfare tax rates to earnings. For recipients who cannot be placed in the private sector but who do indicate promise for retraining, a multifaceted rehabilitation program is to be developed. There are supposed to be few limits placed on the amount of rehabilitation offered to individual recipients. Trainees will receive up to \$30 per month in addition to their regular grants in training allowances.

The third part of the WIN program, designed for recipients who are neither immediately employable or trainable, will be "special work projects." Recipients will be assigned to nonprofit agencies to man newly-created jobs and earn a "wage" rather than receive welfare. The welfare department will actually subsidize the wage by transferring part or all of the recipient's assistance grant to the agency. The recipient will thus receive a paycheck; and this paycheck

will either exceed the regular welfare by at least 20 per cent or will be supplemented by an additional welfare check so that the sum of the paycheck and the new welfare check exceed the old welfare check by 20 per cent to provide a financial inducement to the recipient.

Will the WIN Program succeed? Will it increase the employment rate, the financial independence rate, and employability of AFDC recipients? It must be remembered that in many ways WIN is an old program under a new label. Welfare departments have been running parts two and three of the WIN program under the labels of "Work Experience and Training" and "Community Work and Training" for the past few years. These programs have been sharply criticized for providing little training and meaningless work experience, and for bringing few recipients to independence.<sup>22</sup>

What may improve WIN's chances of success are the facts that participation in it will more often be compulsory if eligibility for assistance is to be maintained;<sup>23</sup> it will be managed by the employment-oriented labor departments rather than by welfare departments; financial incentives to recipients will for the first time be universally provided; and the administrative agencies will have had the experience of the previous programs to assist them.

On the other hand, what may limit the chances of WIN's success are the

<sup>21</sup> For an excellent summary of how the Work Incentive Program will work, see: "General Description of The Work Incentive Program Under Title IV of the Social Security Act," distributed by the Bureau of Work and Training Programs, Department of Labor, on February 5, 1968.

<sup>22</sup> Sar Levitan, *Antipoverty Work and Training Efforts: Goals and Reality*, Ann Arbor, Michigan, Institute of Labor and Industrial Relations, University of Michigan, August 1967, pp. 66-103.

<sup>23</sup> No one can be sure of the number of persons that will be forced to participate in parts two and three of WIN—simply because as of this writing the Congress has not appropriated a dime for the program. The administrators' hopes are that 102,000 persons will participate in fiscal 1969, a number which may be obtained without any compulsion. Compulsion will probably be most frequently used in forcing recipients into the labor market rather than into the other parts of the WIN program.

facts that there may be very limited demand in the private sector for the recipients' labor; when jobs are available they may be only low wage, dead-end, "dirty work" jobs; the rehabilitation and special works projects will have very limited resources available to them, thus only few recipients will be eligible and those that will be admitted may not obtain meaningful services;<sup>24</sup> since assignments to WIN will be compulsory for most recipients, this may result in some areas in the improper assignment of AFDC mothers, whose children lack adequate day-care services, to improve the image of the welfare agency as being "anti-coddling"; also, to improve their image and increase federal funds available to them, the local employment services may be more interested in placing recipients quickly rather than decently and permanently

and thus recipients will again end up doing dead-end, dirty work.

Lastly, in regard to predicting WIN's chances of increasing the proportion of recipients who attain financial independence, a comparison of the numbers in Tables 2 and 3 may be helpful. The data in Table 3 reflect the hourly wage rates of recipients who completed MDTA programs. Even if they found 1,500 or 2,000 hours of employment, few of them could have attained financial independence as heads of typical welfare families. Thus, again, even if the WIN Program and other amendments result in increasing the employment rate and the employability of recipients, they are unlikely to result in the reduction of the welfare rolls. They may, however, result in the reduction of total assistance payments to the total caseloads and they may, in a benefit-cost framework, be sensible amendments.

**TABLE 3**

**Post-training Earnings of Public Assistance Trainees Who Completed MDTA Programs, Through October 1964**

<i>Straight-time average hourly earnings</i>	<i>Male</i>	<i>Female</i>
Median Earnings:	\$1.91	\$1.45
Per cent distribution	100.0	100.0
\$0.50 - \$0.749	.7	1.4
0.75 - 1.149	5.0	16.4
1.15 - 1.249	.4	8.1
1.25 - 1.499	18.3	30.2
1.50 - 1.749	17.6	19.7
1.75 - 1.999	12.4	15.0
2.00 - 2.499	22.4	8.1
2.50 - 2.999	16.2	.8
\$3.00 and over	7.0	.2

Source: United States Department of Labor, Manpower Administration, *Training of Public Assistance Recipients Under The MDTA*, Manpower Evaluation Report No. 6 Washington, D. C., United States Government Printing Office, April 1966, p. 28.

<sup>24</sup> Sar Levitan, as cited in footnote 22, pp. 92-97. Levitan found that in the Work Experience and Training program the re-

cipients often received little or no training and other rehabilitative services.

## Conclusions

Even if the "freeze" is allowed to stand by the courts, the new welfare program will, at most, result in a decline in the rate of growth of the AFDC program. As noted, it may result in increased growth in the AFDC-UP component of AFDC. Little discussion has been directed towards the costs of the entire welfare program. Suffice it to say that past research has indicated that there *may* be nonemployed "employables" on the rolls who may be induced by financial incentives (and perhaps case-worker compulsion) to work;<sup>25</sup> but that given labor market conditions and their skills, they are incapable of

total self-support. Thus, these recipients could partly reduce their welfare payments once all the 1967 amendments are implemented. However, to bring the already employable and the presently nonemployable to a position of self-support probably requires large, though possibly profitable,<sup>26</sup> expenditures. Total expenditures for the maintenance and rehabilitation of welfare recipients cannot, therefore, easily be reduced in the short-run. And if neither the growth in the rolls nor the total expenditures on recipients can be reduced, public criticism of the assistance program is not likely to decline. The public demands quick, costless solutions—and such solutions simply do not exist. [The End]

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# From Poverty to Employment

## A Discussion

By MARK ERENBURG

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Indiana University

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**A**FTER LISTENING to the preceding presentations, I am convinced a discussant never gets an even break. He always finds himself in a dilemma which can take on outrageous proportions. He may be a close friend and colleague of one or more contributor—questioning the propriety of scathing criticism. He may hold somewhat intransigent ideas about the topic—turning the discussion into an exposition of personal prejudices and obscuring objective appraisal of the papers presented. Or, the time allocated may be too short to develop meaningful discussion, producing instead, hol-

low praise and disjointed comment. While some discussants may avoid one or more of these pitfalls, I am faced squarely with all three.

Even with my disadvantage here, I cannot, in good conscience, alienate my friends before your eyes, damn their work with faint praise, nor tell you how I would have written their papers. I propose, instead, to discuss the major practical problem common to these three papers: how can we help the disadvantaged obtain jobs. Specifically, I want to comment on the role of motivation in job search and employment.

Putting aside for a moment the problem of employability, our lack of ability

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<sup>25</sup> Leonard J. Hausman, as cited in footnote 16, at pp. 122-161.

<sup>26</sup> Worth Bateman, "An Application of Cost-Benefit Analysis to the Work-Experience Program," *American Economic Review*, LVII, May 1967, pp. 80-90.

to motivate "employables" to search for and obtain training and employment is obvious from the conclusions drawn in these papers. Mr. Hausman examines the relationship between the new welfare tax rates, rising levels of welfare payments, and the incentive for welfare recipients to seek employment. He also discusses the motivating forces behind participation in the Work Incentive Program. Mr. Markowitz examines a Concentrated Employment Program and wonders how more male workers could be induced to participate, ultimately to obtain employment. A partial answer is provided in each paper. Just as Mr. Hausman sees financial incentives as a tool for increasing employment rates of welfare recipients, Mr. Markowitz finds the MDTA-Vocational Training Section of the Houston program its most successful facet—a facet which offers a financial incentive for participation.

Job search, rather than actual employment, is the theme of Mrs. Kidder's paper. But here too, the role of worker motivation is evident. Her findings lead to motivational questions: How can qualified Negroes be motivated to seek jobs in predominately "white" occupations? How can Negroes be motivated to prepare themselves for jobs in predominately "white" occupations? How can Negroes be motivated to overcome high rejection rates and fear of discrimination, to increase the persistence and scope of their intra- as well as inter-occupational job search? All three papers, then, implicitly or explicitly ask my original question: How can we further motivate the disadvantaged to seek jobs, training, and stable employment?

### ***Motivation Defined***

Before an attempt to answer that question can be made, motivation must be more explicitly defined. Psychologists believe that people possess stable

personality characteristics called needs or motives which are aroused by cues from the environment to produce a particular type of behavior. In general terms, assuming similar class, physical and social characteristics, and opportunities, different individuals will react differently in the same situation, depending on the strength of various motives (for example, achievement, affiliation, and power motives), and the degree to which these motives are aroused.

Of particular interest here is achievement motivation, an aroused tendency to strive for success in situations involving an evaluation of one's performance in relation to some standards of excellence. Achievement-oriented behavior, the outward manifestation of achievement motivation is thought to be a function of the latent achievement motive itself and several cues for arousal: The expectation or probability of success if a particular action is undertaken, the subjective value of the individual places on this success, and extrinsic motivation, the strength of the tendency to act that is attributable to the influence of other motives and incentives that are not intrinsically related to the evaluation of performance. To bring theory and reality together, I will define achievement motivation here as an individual's willingness and tendency to develop and exploit opportunities, to persist, and to excel in labor market behavior which can lead to success or failure.

A priori, it appears that other things being equal, individuals exhibiting high achievement motivation would be more likely than those with low achievement motivation to search for a job at all, to search more intensively and extensively, would be more likely to accept training as a means for obtaining a job, would persist on jobs they find, and would strive to move upward in the occupational hierarchy. Indeed,

current research lends support to many of these hypotheses.

At the same time, disadvantaged groups dealt with in each of these papers have been found to possess, in general, low achievement motivation levels compared with other groups in the labor force. Negroes and Mexican-Americans, because of social and religious background, tend to exhibit behavior oriented toward obedience and fatalism rather than achievement and competitiveness. To the extent that welfare recipients are Negro, they too possess a relatively low level of achievement motivation. And as with Negroes, welfare recipients typically have had, through no real fault of their own, a high proportion of fatherless families, a large number of children, low education levels, and low socio-economic status. They cannot help but make invidious comparisons with the white community. These characteristics have been found to produce low achievement motivation levels for individuals possessing them—individuals like Negroes, Mexican-Americans, and welfare recipients (although the cause-effect relation is certainly not one-way). The motive itself does not develop, the expectation of success in the labor market is small, and the value placed on success is low.

The related questions of how to move people off of the welfare roles, how to encourage participation in training programs, and how to narrow discrimination-based wage differentials by expanding job search patterns resolve themselves into the question of how to elicit achievement-oriented behavior or achievement motivation. Answering this last question involves changing the achievement motive, changing the expectation of success, changing the subjective value of success, changing extrinsic motivation, or changing some combination of these factors for disadvantaged individuals. (Time is too

short to discuss the relationship between changing achievement motivation and other forms of motivation, especially failure-avoidance motivation.)

All three contributors have alluded to some of these changes. Hausman and Markowitz have implied that financial incentives would increase the motivation to take training or seek employment. That is, achievement motivation can be increased by changing extrinsic motivation with money. Kidder implies that by forcing employers to list all vacancies with the Employment Service, motivation to use the service and job hunt success may be improved. She would have us increase the expectation of success and thus raise achievement motivation. Both means to change behavior patterns can be effective, given time.

But psychological research now in progress suggests there is a way to increase the latent achievement motive itself and to increase the subjective valuation of success in the labor market. A program of achievement motivation training is now being developed. It has had considerable success with various groups of workers and businessmen in this country, Mexico and India. It is an intensive, relatively short (1-3 weeks plus follow-up) course treating groups as large as 25, which aims to encourage self-confidence, stimulate and reinforce achievement thinking, elicit and reinforce achievement-oriented behavior, develop self-understanding, encourage personal goal-setting and planning, and to provide group supports. I hardly have to indicate what the impact of such training on the disadvantaged might be.

### **Conclusion**

All three contributors have been pessimistic about job opportunities for their target groups, because of discrimination, lack of employer cooperation, and lack of skill, and rightly



so. But even if effective training programs are developed, discrimination reduced, and jobs created, we still face the problem of motivation. Financial incentives may be one way, albeit an expensive way, to raise achievement motivation levels. Improvements in sources of job information and guarantees of employment are factors external to the individual and will take time to change expectations of success and raise motivation levels. Achievement motivation training, though, appears to be a direct, relatively fast and inexpensive means for improving aspiration levels, persistence, and competitiveness in the labor market.

Each paper presented today certainly has provided useful insights into the employment problems of disadvantaged groups. Together they reflect the scope and intensity of our efforts to assist the poor in the labor market. But for me, these papers also strengthen my conviction that those of us in the "man-

power shop" had better go back to Psychology 101 to reevaluate and expand our knowledge of human motivation. Given our past efforts and desires, we will be able to provide jobs and effective training programs, but we must also be able to motivate the disadvantaged to move into the slots we create.

We must consider the whole individual, providing not only opportunities, but the motivation to take advantage of them. A combined program of financial incentives, improved job information and matching techniques, increased efforts to reduce job discrimination and achievement motivation training for the disadvantaged, together with current and expanding efforts to provide realistic opportunities, appears to be the most complete, effective, and realistic way to elicit "desirable" labor market activity.

**[The End]**

## SESSION III

# Coordinated Bargaining

## A Union Point of View

By DAVID LASSER

International Union of Electrical, Radio and Machine Workers

**W**HERE A NUMBER OF UNIONS deal with a single employer, coordinated bargaining tries to meet employer coordination with union coordination. It has had its greatest growth and appeal in those areas where labor has felt a sense of frustration from the practice of independent union-by-union, or plant-by-plant bargaining. It has been spurred and inspired in situations where on the 'big national issues of pension and insurance, wages, holidays and vacations, etc., unified interunion action was felt necessary to secure greater progress.

Where there was no coordination between unions, it was a simple matter for the employer, acting from a centralized policy and power base, to cut the bargaining into small pieces and to control the situation. The typical military maneuver was used in first conquering the weakest of the unions, getting settlements, and then moving on to the stronger.

In the past 15 years, a number of efforts were made by unions to engage in coordination. Most of them failed because unions and members had not been ready or willing to discipline themselves to deal with the complex problems necessary to make it successful.

It was not until the GE-Westinghouse experience in 1966 that coordinated bargaining began to come of age. Since that time, the Industrial Union Department of the AFL-CIO, which has been directing this activity, has used the GE-Westinghouse framework to systematize its activities in this field.

If unions want to get together to exchange contract information and other experiences, an IUD committee will be set up for that purpose. If, however, they wish to engage in coordinated bargaining, approval must be obtained from the presidents of the unions involved. The purpose is to determine whether or not the unions are serious in the endeavor and are willing to cooperate in allotting manpower, perhaps, finances, and carry on those activities necessary to make true coordination a success. If this is agreed upon, an inter-union policy committee

will be set up, a program of demands developed and the machinery created by which they will publicize and carry on their activities.

Coordinated bargaining has operated differently in a number of varying situations, for example:

(1) The GE-Westinghouse picture where the bulk of the organized employees involved are under a master agreement and where, generally speaking, the major company benefits are uniform for all bargaining units.

(2) As in Union Carbide and the copper industry, where no master agreements existed and where there has been a large number of unions with single plant bargaining and a wide spread of expiration dates. However, there was a good deal of uniformity in parts of the agreements, such as in pensions and insurance.

(3) Where only a few unions are involved who have had a history of cooperation on a formal or informal basis. The IUE and the UAW, for example, have engaged in coordination for some time. Each has representatives in the bargaining sessions of the other and consult with regard to program and bargaining developments. This has worked without objection from General Motors.

The two Packinghouse unions have coordinated since 1956. In 1966, an early agreement was reached that was praised by all parties.

(4) The situation involved in so-called conglomerates, such as Gulf & Western, White Consolidated, Ling-Temco, where the products of subsidiary companies vary widely and there has been no tradition of similarity in the benefits between them.

### ***The GE-Westinghouse Experience***

Since the GE-Westinghouse 1966 experience illustrates many of the problems involved in serious coordinated bargaining on a large scale, I would

like to deal with it in detail. The experience was remarkable in a number of ways. Problems developed in almost every area which we had not faced before and, as a matter of fact, may not have been faced in other recent important negotiations.

General Electric boasts that it deals with "100-odd unions." Only the IUE and UE have national agreements; the others are all local agreements held by a considerable number of unions. However, the 11 unions in the AFL-CIO coordination have about 80 per cent of the organized workers.

The 1966 coordination to break GE's "one and only one offer" technique was the result of a number of fruitless attempts that had been made over a period of ten years. In the period 1960-66 of GE's successful "one and only one offer" technique, the wage increases, for example, were not much higher than the increase in the cost of living. In many areas the agreements were substandard in terms of those in comparable industries.

### ***Procedural Policies***

Our legal advisers informed us that in attempting to break this, we had certain freedoms, but also certain limitations. While we could coordinate our bargaining, we could not insist that employers bargain with us jointly, nor could any of us give up our freedom to come to an acceptable agreement. While some of these limitations did not accord with the realities of bargaining, we stayed within them.

The main features of our activities were:

(1) We secured a firm commitment of support not only from the leadership of our own unions, but also from the leadership of the AFL-CIO. The result was a top policy committee composed of the presidents of the 11 unions involved, with George Meany, president of the AFL-CIO, as Chair-

man. He participated in all major activities, throwing not only the moral weight, but the financial and organizational weight of the AFL-CIO into the breach. This was the first time he had been so deeply involved in a national negotiation.

(2) We set up an organizational structure that could operate over the many fields of activity we would face. A Steering Committee of one from each union was made responsible for the actual operations. Effectively operating subcommittees on Bargaining Goals, Economics, Publicity and Education, and our Legal Problems were established and did the burden of the work.

(3) Strong and enthusiastic support for our program and aims was needed from the rank-and-file members. This was particularly necessary since General Electric's principal method of bargaining was to launch massive propaganda campaigns to bring rank-and-file pressure upon the union officers to accede to the company's offer. By several national conferences, a series of 17 grass roots meetings across the country, and numerous publications to the membership, we generated a real rank-and-file support.

(4) We limited coordination nationally to those items where the contracts of all unions were relatively uniform. This involved such major issues as pensions and insurance, holidays and vacations, wage increases, employment security items, union security, and arbitration. The other issues were left to the local bargaining.

(5) An atmosphere of mutual confidence and trust between the unions had to be developed. We knew that past rivalries and suspicions could not be erased immediately; therefore, we agreed that all decisions would have to be by unanimous agreement. As a matter of fact, we did reach all agreements without taking a single vote!

(6) It was important that coordination exist also at the bargaining table. The fact that bargaining in General Electric alone was going on at 60 different locations, in addition to that of IUE, gave the company the opportunity to play off one local group against another.

(7) Our effort to enlarge the IUE negotiating committee by representatives of other unions met with a walk-out on the part of the company. It required an injunction issued by a federal judge and finally upheld by a Supreme Court Justice to compel General Electric to deal with IUE on the basis of the bargaining team selected by us. We believe this is the first time that an injunction has been used in this particular aspect of bargaining.

(8) We needed a speedy and effective means of communication between all the places where bargaining was taking place. The practice of General Electric is to send out by teletype its own summary of the day's negotiations which is distributed to the employees in the morning. This could be very damaging at times of crises.

We, therefore, established our own teletype communication network run by some 17 regional coordinators. This system was so effective that some of the plant managers began to depend upon our material, for they knew it was more likely to be unbiased than the stories put out by the company headquarters!

(9) We also needed coordination between our General Electric and Westinghouse negotiations, since Westinghouse's bargaining usually followed that of General Electric by two weeks. The company normally waited for a GE offer and then matched it minus a few pennies. Through our teletype system and meetings of our Steering Committee, we succeeded in this coordination.

## Government Panel Intervention

Government intervention also added new and novel elements. As an alternative to a threatened Taft-Hartley injunction to apply to most of the GE operations, if no agreement were reached by October 2, the President asked for a two-week extension of the agreements. He requested both parties to meet with the Secretaries of Defense, Commerce, and Labor, in Washington in an attempt to resolve the issues. Therefore, in a basement of the Labor Department, these three men of such great power sat for two weeks with the Director of the Conciliation Service and both parties.

The IUE bargaining team was recognized as including not only IUE, but also the representatives of the other unions. Actually, it would have been impossible to have broken down the Government Panel's activities to some 60 bargaining tables.

The final agreement increased the value of the earlier offers by 5 to 7¢ an hour, and the government "wage guideline," that GE said was already too high was effectively breached. For the first time in a number of years, GE's doctrine of "one and only one offer" was shattered.

While we did not get everything we wanted, there was a general feeling among our membership that the coordination had paid off handsomely. This was not only in terms of the actual benefits received but, as importantly, in terms of the dignity and self-respect in being able to bargain on the basis of equality with this giant.

We are now in the process of developing our plans for 1969. Not only can we plan and build in a more methodical manner than in 1966, but also, utilize our experiences to do a much better job.

## Management Objections

From the beginning of the GE-Westinghouse coordinated bargaining effort, a large section of management launched a violent attack on the whole idea. Their arguments covered these points:

(1) It is illegal to permit unions to enlarge their certification by coordinating their bargaining activities. We believe that the legality of what we have done has been pretty well settled by NLRB and court decisions, and, most recently, in the injunction issued by a federal court in the 1966 GE case. It is no more an enlargement of our certification than for employers to get together and do the same thing.

(2) It deprives the member and his local union of the opportunity to bargain and removes the decision making process several steps away. However, we must first ask whether the members of local unions dealing *separately* with large corporations have had a chance to bargain effectively.

GE admitted in the federal court hearing that plant managers had little power to bargain on many questions and, as a matter of fact, on most questions that involved money or matters of principle. One local union official in the copper strike stated: "I know what it is to bargain against a giant when you are all alone. It is like an ant crawling up an elephant's leg."

(3) The additional power given unions through coordinated bargaining makes strikes more likely. In a speech before the NAM, December 9, 1966, F. A. O'Connell, Director of Industrial Relations for the Olin-Mathieson Chemical Corporation, said: "Let us make no mistake about it. The development of coalition bargaining and the Board's blandly permissive attitude towards it poses the greatest threat in recent years to industrial peace. Coalition bargaining by virtue

of the strength and boldness it gives unions, not only ensures more strikes, but the very extent of the coalition threatens that those strikes will be more widespread and damaging—possibly even longer and more violent than ever before.”<sup>1</sup>

We can all remember such statements made by management when every advance in labor’s rights has taken place. The fact is that these collisions have always taken place where new matters of principle are involved on both sides. It occurred on the right to organize and get agreements, on paid pensions, on paid vacations, on matters of employment security, union shop, etc. We should recognize that following these collisions, both sides have an opportunity to take a second look and determine how they can cooperate in a practical way, instead of engaging in wars of extermination.

### **Plant-by-Plant Bargaining**

One interesting technique has been worked out by a number of companies and unions where plant-by-plant bargaining exists. All the unions are represented on the committee of the union where the first bargaining takes place. The settlement arrived at, presumably one agreed to generally, is then applied to the other unions and plants with appropriate local modification. This happened in the case of Revere Brass, Rohm and Haas, Quaker Oats, American Home Products, among others.

Coordinated bargaining has been practiced widely on the part of employers dealing with single unions, notably in steel, railroads, trucking, building construction, garments and publishing. And it is generally known

that a high degree of coordination existed between the “big three” auto companies in their negotiations with UAW. I would judge that this also existed between the copper companies during the recent negotiations.

In one report the American Trucking Association Industrial Committee complained that its multi-employer bargaining had not been satisfactory. They said that: “Basically, the trucking industry positively favors multi-employer bargaining. It does not desire a return to individual company bargaining.” Then talking about *its* “rank and file” employer membership it said: “In too many places . . . the people had no authority to make policy for the company, much less for the industry. Many groups experienced top management defections from the industry front.”

Now if we only translate the words around, perhaps this might be a statement of a union!

The reason they needed their coordination was “to effectively counter the vast power of the Teamster’s Union.”<sup>2</sup>

In another report the Associated General Contractors of America complained about *rivalry* between unions saying that this “often does have a material effect on negotiations.” They make this very interesting statement which should be pondered by management: “Sometimes and perhaps too often, local union leadership has relied on the Landrum-Griffin Act for an exaggerated feeling of autonomy to arrive at settlements not properly in the public interest; or ignoring too long the wise and enlightened counsel of their national leaders, thus prolonging strikes unnecessarily and uneconomically.”<sup>3</sup>

<sup>1</sup> “Bargaining Techniques and Trends,” *BNA Reports*, p. 14:41.

<sup>2</sup> “Bargaining Techniques and Trends,” *BNA Reports*, p. 14:51.

<sup>3</sup> “How to Improve Collective Bargaining in Construction,” Associated General Contractors of America.

As a matter of fact, in spite of publicity statements, employers realize that it is often union leaders on top who have to act as restraint upon demands of locals. The document says also that the Contractor's Committee should "secure the assigning of bargaining rights for as many employers, including non-members of the particular craft as possible"!

### **Retrospection**

Like some commercial companies, GE has apparently learned little by its 1966 experience. The company will still rely on massive propaganda campaigns rather than bargaining. It also calls for "restraints on excessive union power through appropriate labor law reform." One of its objectives is "approaches to pursue in limiting the scope of bargaining units (on both sides of the table). . . ." If it succeeded in this objective, GE would maintain control of its own bargaining units while fragmenting those on the union's side.

Even in the absence of coordinated bargaining, unions face a great disadvantage against employers. By law and by good practice unions must operate in accordance with the wishes of large groups of people of varying interests and win their voluntary support. However, top management can hand down a policy that must be obeyed at all levels. The stockholders are the silent and practically voiceless members.

There is no question but that in coordinated bargaining and attempting to reach an agreement between a number of unions, great difficulties arise. But this is merely an extension of the trouble of reaching an agreement within a single union where there are not only a number of bargaining units but separate interests

involving young people and old, men and women, those in the north and the south, the skilled and the unskilled.

### **International Coordinated Bargaining**

Another necessary extension of coordination is to the international field. Great American corporations are becoming international with a worldwide chess board to move production sales, employment and so on. Unions will have to meet this problem by coordinating their activities with those in other countries. The International Metal Workers has established a committee on international companies' councils to be headed by the president of our union, Paul Jennings. We will attempt to coordinate unions that deal with companies such as General Electric, Westinghouse, RCA and many of the international giants of other countries.

Coordinated bargaining is no panacea for the bargaining process. It is a tool which adapts itself to the facts of modern industry and one which can be used wisely or poorly by either side. Certainly, the development of the skills to use the new tool are in their infancy. With the growing complexity of corporations, the diversity of the unions that deal with them, and the multiplicity of new problems, this instrument will continue to grow and will be perfected.

For example, the IUD has suggested that the unions must tighten and perfect their own organization to deal with the great corporations. They propose a study of the possibility of inter-union bodies that not only bargain together but have their own finances to deal with strike situations.

[The End]

# Coordinated Bargaining

## A Snare—and a Delusion

By EARL L. ENGLE

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### Union Carbide Corporation

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**T**HE RECENT strike settlements in the copper industry—after their more than eight months of labor troubles—adds another chapter to the Industrial Union Department's program for coalition bargaining. By coalition bargaining I mean attempts by unions to impose joint negotiations for distinct bargaining units, where in the past there have been separate negotiations. While the last chapter in the IUD's program of coalition bargaining (the copper industry) is still fresh in your minds, possibly I should drop back for just a minute to review the first chapter.

#### *Establishment of the IUD*

When the AFL and the CIO merged in 1955, Mr. Reuther, leader of the CIO, insisted on the establishment of the Industrial Union Department (IUD) as the *quid pro quo* for the existing organizations of AFL craft unions, such as the Building Trades Department. The Industrial Union Department lay substantially dormant for a few years, but in the early 60's signs of activity began to appear. Among others, we believe that one of the reasons for this was Mr. Reuther's need for a more active political base within the AFL-CIO. In any event, the IUD has been the prime mover for the coalition bargaining effort.

There is nothing illegal in the use of the *coordinated* bargaining technique, provided that the parties in a truly *vol-*

*untary* sense *mutually agree* to use it. It is an entirely different situation, however, when one of the parties tries to force the other to accept *coalition* bargaining—and herein lies the rub.

Some companies and industries *by mutual agreement* with unions, have accepted this bargaining format, and have used it for a number of years. This may have developed in some situations because the parties felt that it would be mutually advantageous, but other employers were, in effect, forced to accept it. They were in a position where they did not have the opportunity, or the ability to resist—and to yield was the least devastating of the available options.

#### *Resistance to IUD's Coalition Bargaining*

In the last few years a number of unions, under the direction of the IUD, have tried to force companies and industries to accept coalition bargaining. The IUD is reported to have in existence today about 90 coordinating committees whose purposes are to bring about coalition bargaining in their respective companies or industries. A number of companies such as American Home Products, American Standard, 3M, Olin Mathieson, Rohm and Haas, Campbell Soup, the copper industry, and Union Carbide have already faced this demand. To my knowledge, only one company, American Home Products, has agreed to the IUD's program of company-wide coalition bargaining, covering, as I understand, its pension and insurance program. The other com-



panies have resisted—and successfully so—the IUD’s program to bring into being company-wide settlements that would provide common terms of agreement, common expiration dates, and generally common contract provisions covering the key monetary considerations. This resistance has not been an easy road, nor inexpensive, but I’m sure that these companies concluded—as did Carbide—that the short-range costs were far less detrimental to their future as viable businesses, than were the long-range disadvantages and costs of coalition bargaining.

In 1965 the Industrial Union Department formulated a program for coalition bargaining by eight International Unions to deal with Union Carbide in 1966-67. Developments reduced the unions involved to the Steelworkers; the Oil, Chemical and Atomic Workers (OCAW); and the International Chemical Workers. Our company has traditionally bargained on a local plant basis, and we had about 100 labor contracts with about 20 International Unions or their local affiliates. Carbide decided again that maintenance of sound industrial relations on a local basis was a worthy objective—one whose value outweighed the risk of strikes which were likely to occur if we opposed the IUD program for coalition bargaining. I say “again” because we had successfully resisted attempts at multi-plant bargaining by OCAW in 1957, and the Steelworkers in 1959. The threat in 1966-67 was a far greater one than we had experienced in 1957 or 1959.

Hitting just the high spots, this is what Carbide experienced in resisting this IUD coalition effort:

(1) At one point in time we had 11 plants on strike—plants that accounted for about 20 per cent of the total number of our hourly employees

in the United States. The *shortest* of these strikes lasted 44 days and the longest went 246 days.

(2) We locked out 1,200 employees at one plant, hoping, forlornly as it turned out, that this action would convince employees, their unions, and the IUD that we were determined to resist coalition bargaining. We hoped to avert the many strikes which we knew were destined to occur if coalition bargaining was pursued.

(3) We saw the president of OCAW refuse to allow employees at one plant to vote on a strike settlement which a majority of their local union leaders had proposed to management. We are told he said a vote would violate their pledge to the IUD, and that if a vote were taken, he would lift their local union charter.

(4) We saw the Steelworkers’ international headquarters repudiate one of its district directors who had reached a “handshake” agreement for one of our plants, and tell him that he no longer had authority to make agreements with us.

(5) We saw this same Steelworkers’ international headquarters set up a picket line at one of our plants eight days after the local union negotiating committee had signed a wage reopener agreement—a settlement which had been solidly ratified by the local membership.

(6) We saw the IUD and the hierarchy of several international unions use every device and power at their command to persuade the federal government to force Carbide to the multi-union, multi-plant bargaining table.

(7) We saw the General Council of the NLRB cooperate fully with OCAW in an unsuccessful attempt to require us to reopen the plant where we had locked out employees—while at the same time, summarily dismiss

our charge of unfair labor practice at this same plant, where the union had continuously refused to bargain in good faith.

(8) And last, but hardly least, satisfactory settlements were negotiated at each of the 11 struck locations, *and each of them* on a local plant basis. There were no joint negotiations. The new contracts ranged in duration from 12 to 38 months, with expiration dates running from November 1, 1967, to July 1, 1970, and with differences in the money settlements.

### **Losing Local Union Power**

Coalition bargaining is "a snare and a delusion." It *does not* promote improved collective bargaining nor better employee-employer relationships. *It is not* in the best interest of employees, employers, nor the public.

The November 20, 1965, issue of *Chemical Week* quotes Jack Conway, the IUD's executive director and Mr. Reuther's right-hand man, as saying: "The ultimate goal of coordinated bargaining is to *force* companies to negotiate major economic items on a national level."

At IRRA's 1965 annual meeting in San Francisco, Mr. Conway delivered a paper in which he discussed the IUD's master plan. Among other things Mr. Conway said: "and I may add that as we move towards coordinated bargaining we have found it *vital* for the *top leadership* of the International Unions involved to *make the key policy planning and strategy decisions*. Coordinated action is important not only for successfully applying pressure against the company, but also for *maintaining and strengthening relationships within the committee*." The committee to which he refers is one made up of officers of the IUD and the International Unions involved.

In the early stages of IUD's planning for their confrontation with Carbide, they asked each of the local plant unions involved (some 24 of them) to have a resolution adopted by its membership, signed by the officers, and returned to IUD. Among other things, this resolution pledged them to *consider the views and advice* of the IUD committee before accepting any final company proposal for contract settlement.

*It did not* "per se" prohibit the local union from reaching an agreement (this would have raised some legal questions) but we were later to find that this document *was* to be construed as having transferred to the IUD committee the local committee's right to reach and execute an agreement. We were convinced from the beginning that the IUD's program was designed to transfer all of the decision-making power from the local union to the hands of a select few of the top union officers—simply stated, a power grab by the top union hierarchy. Our experiences of 1966-67, and the IUD's pronouncements to which I have just referred, leave no doubt in our minds as to the correctness of these convictions.

We believe that the aggrandizement of the power of a few IUD and International Union officers through coalition bargaining will effectively stifle true collective bargaining. It moves the negotiations away from the plan, from the sight of the problems that are peculiar to that particular location, and of prime importance to those particular employees. It moves these considerations into a negotiating arena where they are normally submerged by philosophical and political objectives of union officers who are frequently *highly insensitive* to the wishes of the individual employee. As negotiations proceed, hopefully, deci-

sions will be made and issues resolved. But in coalition bargaining, these decisions will be made by a few of the top union officials, and at the *central bargaining table*, not at the local plant bargaining table which is *the only forum* where the individual's voice is effectively or persuasively heard. Our interest is in a satisfied employee—not a satisfied international officer at the expense of the individual employee.

You are well aware of the IUD's position, and its usual demand, for bargaining on "local issues" at the local plant site—a demand which is always heralded dramatically in an attempt to keep the employees in line. But this, too, is a delusion.

### **"Best Interest of the Employee"**

The timetable for the local bargaining to which they refer varies—sometimes it is done before, sometimes after, and sometimes concurrent with the national or company-wide bargaining. But it is always separate bargaining, and generally with a totally different committee. Those of you who have bargained with unions recognize the pitfalls of this approach. The dramatic, and the principal "money" issues are bargained at the central bargaining table. The concessions which the company makes on these items may resolve "all issues" at the central bargaining table, but having made the concessions here, there's little or nothing left of a dramatic nature to use at the local bargaining table. Thus the company is "boxed," and many of the various issues important to the employee groups at the local plant are left unresolved. The company is subjected to double jeopardy—national strikes, *and* local strikes—and frequently an employee will find himself on strike in support of a national issue, or one for employees at some

other location and an issue in which he has no interest. Those of you who are familiar with the bargaining in the auto industry, the electrical industry, and others, know what I'm referring to.

Another argument to employees, by the proponents of coalition bargaining, says that this is the only method by which the employee can get his fair share of the pie. I'll not bore you with detailed comparisons, but if you're interested, I suggest that you compare the compensation of our employees—both wages and benefit plans—with that of their industrial counterparts. And our situation is not unique; we, and other major companies who bargain on a local plant basis recognize the realities and necessities of being responsible businessmen and good employers. Our employees make these comparisons regularly and skillfully *and in terms of what's important to them*. They have *fared* well and generally recognize it. When they compare themselves with employees of other companies in similar industries they find themselves among the leaders, and these gains came without the ruinous losses attendant to prolonged strikes frequently present in the coalition bargaining situations. Except for those years when we have been confronted with multi-plant, multi-union bargaining, our strike losses have been modest. This is advantageous to both the company and the employee—and the employee's career earnings will show it.

There's still another facet of the coalition bargaining approach which is detrimental to the best interest of the employee, the company and the public, and it too needs to be recognized. Coalition bargaining increases immeasurably, and in most cases virtually insures "third party" intervention—another roadblock to effective

tive collective bargaining. This third party is generally government, in one form or another, and its intervention, even though generally undesirable, is understandable.

Rarely do local negotiations at Car-bide involve a bargaining unit of more than about 2,000 employees. Negotiations or strikes for this size of group of employees will seldom have a significant impact on commerce, or the public, and therefore, do not whet the appetite, or create the need for government intervention.

Such negotiations are not cluttered or disrupted with issues that are foreign to that local plant, that may be of a crusading or philosophical nature or that may have their genesis in political considerations of top union leadership. Nor do the interests of the individual employee—otherwise frequently submerged by national issues—get lost in the shuffle. Bargaining is on the basis of the employees' interests and wishes *at that plant* and in relationship to the conditions prevailing in *that* community, and the industry of which that plant is a part.

This provides the company the best possible opportunity to know, and to satisfy to the extent that is reasonable and consistent with good business judgment, the interests of the employees at *that* location. This in turn provides the company with the best possible return on its expenditure for wages and benefits.

### **IUD's Destruction of Coalition Bargaining**

Now, let's change the negotiating pattern from the local plant to the one dictated by coalition bargaining. Many thousands of employees who are working in many different plants, and possibly in different industries, and certainly in different geographical

areas of the country are now to be bargained for at the central bargaining table. There may be a dozen or so principal issues at the central bargaining table, and these are *presented* as the "must" demands—the issues that are of paramount importance to *all* the employees, and the issues for which *all* the employees are willing to strike. Does this sound familiar, *and reasonable*? Are we talking about the wishes of the employees, or are we talking about the wishes and the politically oriented needs of the top union leadership?

Next, add to these demands at the central bargaining table the many, and in some cases literally thousands, of "local" demands that are also to be resolved if strikes are to be averted. Bargaining becomes chaotic, unrealistic, and even totally meaningless in terms of the individual employee's concerns, and in large measure it ceases to serve its intended purpose. The strike or threat of a strike now takes on different proportions. Large numbers of employees are involved; the strike would have a serious impact on the economy; needed, and possibly critical production would be lost, and in many cases large segments of the public would be hurt, or at least seriously inconvenienced. The public will probably be highly vocal about its wishes, and most important, the public has the votes.

Is it any surprise that government becomes involved—even as a virtual third party at the bargaining table? In this kind of situation is there any way by which government can stay out? And if there is no way for government to stay out, is there any way by which true collective bargaining can be preserved? I am convinced that coalition bargaining, if it is allowed to develop as the IUD has blueprinted it, will destroy true col-

lective bargaining, will create a few "all powerful" labor leaders, and would eventually substitute the corporate state for free enterprise. This end serves no useful purpose for *any* of the parties—most labor leaders included.

Part of the IUD's grand strategy, as related by one of their officials, calls for reduction of the 100 or more International Unions which exist in the U. S. today, to about 10. This, they say, is necessary if they are to be successful in dealing with companies as they are now developing, the conglomerate company, and that as the present union leadership retires or dies, that it can and will happen.

Where does this lead us—if we permit it to happen? Does it mean that in time we will have the effect of one International Union dealing with all industry at one time? In this event is anything short of a government-controlled economy possible?

Up to this point we've talked about Mr. Reuther's IUD plans for the United States. But it appears that the IUD's sights for coalition bargaining are set even higher. As Victor Riesel, in his column of April 24, 1968, reports in part: "The Detroit redhead is about to join the 'Cliveden set,' circa 1968, and turn the old Astor estate in Taplow, Buckinghamshire, 25 miles up from London, into an international labor school. Report is that the United Auto Workers will join Britain's three biggest unions in renting the vast grounds

from the Socialist government's National Trust. It is the way of Walter Reuther's new world. His new set is replacing the old. He is going global. He envisions world-wide unions, coordinating their bargaining across vast continents, tackling major corporations with a concerted assault at a single moment, wherever they have plants."

### Conclusion

Nevertheless, coalition bargaining, whether domestic or global in design, can be contained *if* those companies which have bargained locally are willing to make the necessary investments in their future and that of local bargaining. And to date most of them have been willing to do so.

Carbide's confrontation with IUD was expensive, but we view this as a sound long-term investment. It cost the company about \$35 million before tax, and the employees lost about \$20.5 million in wages. If these costs preserve for the company and the employees, local plant bargaining, then the investment will be well worthwhile.

If other managements reach the conclusion, as we did, that coalition bargaining puts an unreasonable amount of power in the hands of a few top union officials who probably cannot, and who *will not* be responsive to the wishes of the employees (much less the best interest of the company) then they can ill afford to take a position different from the one which we took and not make the necessary investments for the future. [The End]

# Coordinated Bargaining

## An Economist's Point of View

By GEORGE H. HILDEBRAND

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**B**ARGAINING SYSTEMS are a response to the environment in which they function. If by reason of changed conditions or of inadequacy relative to the parties' respective purposes, a given system is perceived by one or both sides to be an inappropriate mechanism, pressure will develop to bring about a more effective arrangement. The analysis of the evolution of bargaining institutions from the standpoint of stimulus and response, pioneered by John R. Commons over 50 years ago in his classic study of the shoemakers, applies well to the phenomenon of coordinated bargaining.

I view coordinated bargaining as an attempt by unions to alter certain existing bargaining systems primarily to increase their bargaining power, that is, their ability to extract more concessions from the employers with whom they deal. Coordination as such, of course, is nothing new. It began with the city building trades in the '80s and '90s; it was introduced to the railroad industry by the operating crafts starting in 1902; and found use in West Coast pulp and paper in 1934.<sup>1</sup> More recently, it has been widely extended by the Industrial Union Department of the AFL-CIO to deal with a variety of special situations in manufacturing. Even here there was ample precedent in meat packing, farm implements and aerospace.

Cooperative bargaining efforts by unions can extend all the way from tacit collusion among separately negotiating organizations to a formal alliance involving common demands, common negotiations and a common settlement.

### *Bargaining Program Systems*

Taking the IUD program as it has evolved since April 1964, one can identify the following typical situations: (1) Several locals affiliated with one or more international unions and bargaining traditionally on a plant-by-plant basis join together in an effort to obtain joint company-wide bargaining. Such attempts were made with a mixture of success and failure in American Home Products, Wilson Sporting Goods, and Union Carbide. (2) Two or more international unions, bargaining nationally with multi-plant concerns frame common demands, perhaps in alliance with locals of other unions, to strengthen their bargaining position by an effort to curtail the employer's ability to use divide-and-conquer tactics. An example here would be the coalition formed by IUE, IBEW, and many plant locals of other unions, to deal with General Electric and Westinghouse. (3) A key international industrial union bargaining separately at the successive stages of production in a vertically integrated company forms an alliance with a competing international and with a diverse group of craft unions in a program of common company-

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<sup>1</sup> See Harry A. Millis, ed., *How Collective Bargaining Works*, New York, New York, Twentieth Century Fund, 1942, especially

the papers by William Haber on construction and Harry D. Wolf on railroads.

wide demands with common expiration dates, to gain in strike effectiveness. This was done in copper under the leadership of the Steelworkers, in a coalition that started from a tradition of decentralized bargaining and that embraced the four major producers.

In all three variants, one finds bargaining systems that contain the following ingredients in varying degrees: multiple unionism, decentralized bargaining, incomplete organization of the relevant product market by any single union, and a company-wide unit of employer policymaking in bargaining and labor relations. Numerous other cases correspond generally to this pattern.

### ***Bargaining Effectiveness***

I now venture the following hypothesis: as a general proposition, the effort to introduce coordinated bargaining is an admission of union weakness under the systems hitherto prevailing. The common employer view, that coordination is a bid for more union power is correct. But the source lies more in weakness than in existing strength.

To be an effective bargainer in behalf of its pecuniary and regulatory purposes, any union seeks to extend its organizational reach to embrace all sources of supply for a common product market. It must encompass all competing plants of a given employer, and all competing employers in the market. This is the meaning of the traditional slogan, "taking wages out of competition." Only when wages and benefits are made uniform for all competing sources of product supply can a given union adequately check the ability of buyers to substitute against the plants most favorable to the union.<sup>2</sup>

Consider now some of the types of bargaining weakness which coordination seeks to overcome. (1) Two or even three internationals having parallel jurisdictions may deal with different competing plants in a given industry, some of them belonging to the same employer. This is the situation in aluminum, meat packing, farm implements, and until very recently, domestic copper. Absent coordination, differential wage settlements are likely. This will widen differences between high- and low-cost plants, with ensuing employment and bargaining disadvantages for certain locals. In this situation, coordination is a feasible remedy from the unions' point of view. Indeed, it becomes all the more attractive when compared to the alternative solution, the very difficult device of union merger.

(2) A given corporate giant with multiple plant operations may have some plants organized by one international, others by another, and perhaps others without any union, and these plants may be substitutes for one another as regards product lines. Collaterally, the company may also enjoy two other advantages: local plant contracts with divergent expiration dates. If there is no coordination between the unions, strikes by either one will be incomplete and largely ineffective. Even with coordination this weakness can be overcome only by seeking common expiration dates, which in turn will require a chain strike in the first instance. It should also be noted that divergent expiration dates can be a weakening agent in the parallel union case previously cited.

(3) The corporate conglomerate can be an independent source of union weakness, particularly when it is the

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<sup>2</sup> Internal union politics can be another reason for seeking wage uniformity. How-

ever, the main thrust derives from the discipline imposed by the product market.

product of recent mergers. Product diversity involves different technologies and different skill mixes. Thus there is a strong likelihood of multiple unionism, with different organizations involved according to particular plant and product line. In consequence, any long-established conglomerate is likely to have a plant-by-plant local bargaining system. Such fragmentation and decentralization make it extremely difficult to mount effective strikes. The reason is that just as product diversification is a method of hedging risks in the product market, the fractional bargaining system to which it gives rise enables the firm to reduce the overall risks deriving from strikes and from settlements with given unions.

Recent high levels of merger activity involving the formation or enlargement of conglomerate corporations exacerbates these sources of union weakness. Prior to its acquisition, a component smaller concern may have been effectively organized by a single major industrial union. After absorption, the locus of business decision-making power shifts upward to the central offices of the absorbing corporation. In this shift of managerial power, the union now finds itself a unit in a decentralized group of labor organizations, and thereby loses negotiating effectiveness. It must confront a unified management that is able to take a local strike because it has hedged its risks by assembling a product conglomerate, in the process establishing or extending a decentralized system of local unit bargaining.

In military parlance, the conglomerate corporation can fight on interior lines

<sup>3</sup> Harold M. Levinson, "Unionism, Concentration, and Wage Changes: Toward a Unified Theory," *Industrial and Labor Relations Review*, Vol., 20 No. 2, January 1967, pp. 198-205.

<sup>4</sup> The source of such gains lies in two considerations: the greater ease of raising

against a diverse set of weak opponents, each acting independently and hence vulnerable to divide-and-conquer strategies. Even without conglomerate status in production, the multiple plant concern that bargains on a local basis enjoys a similar strategic advantage, although this can be reduced if a single international has effective representation in all of the relevant plants.

Economists have long been puzzled by an apparent paradox: that whereas highly concentrated oligopolistic industries should be a source of relative wage advantage, once they are organized, nevertheless various craft unions who deal with a large number of relatively small employers in a given trade have done just as well or even better than their industrial union counterparts. Examples may readily be found in motor trucking, longshoring, building, printing and publishing. Harold Levinson resolved most of the question by pointing out that such crafts have certain large advantages: spatially delimited product markets, effective organization of each of these markets, weak individual employers that cannot take strikes, and the ability easily to organize new firms. Coalition arrangements lend further strength to these organizations.<sup>3</sup>

By contrast, Levinson observed, it is much harder for a union initially to organize an oligopolistic firm, and even more to do so effectively enough fully to exploit the richer pickings that concentration potentially offers.<sup>4</sup> To extend his analysis, I suggest that the emergence of the IUD attempt to achieve coordination indeed indicates

product price and the difficulty of entry of new nonunion firms. However, the successful craft union can acquire similar advantages by bargaining with the entire group of competing firms en bloc, and by easily organizing any new entrants into the trade.



that some of the industrial unions have been particularly handicapped in their bargaining effectiveness, a proposition that might be tested by examining comparative wage and benefit gains over time in the target companies, relative to larger aggregates in the craft and industrial fields. And we have also seen that there can be several of these handicaps: incomplete coverage of duplicating plants, parallel unions attempting to go it alone, localized bargaining with divergent contract expiration dates, and conglomerate firms with multiple unionism, usually on a local plant basis. All of these factors point in the same direction: they make it easier for the oligopolistic firm to take a strike, and they provide it with the added advantage of centralized decision-making in dealing with a diverse collection of opponents whose ranks are often in disarray.

### ***Bargaining Structure Weaknesses***

Let me consider now in some detail the bargaining structure in copper. Elements of union weakness were also to be found there, although the situation was strengthened by the merger of the two principal production-worker unions, Mine-Mill and the Steelworkers, in July 1967. The four major producers are vertically integrated companies who function as price leaders and who account for about 90 per cent of domestic production.<sup>5</sup> Copper is produced in three basic stages, mining and smelting, electrolytic refining and fabrication.

Typically, each stage is geographically separated by substantial distances.

Also, each stage usually involves multiple locations within each company, and these also are distant from each other. For these reasons, local contracts have long been the rule, separately for each location at each stage in the production sequence. However, within a given company settlements at each stage tended to reflect a common pattern. Each of the two main production-worker unions had representation rights at all three stages, but other internationals such as IBEW and IUE had competing jurisdictions in certain fabricating plants, while some 20 crafts were also prominent in mining and smelting. From the standpoint of either USW or Mine-Mill, the basic problem was incomplete coverage both vertically and horizontally, within and across companies. In addition there was intense rivalry between them. More than this, divergent expiration dates prevailed, making it difficult to mount effective strikes, particularly because the concerns could take a shutdown of their mining properties while continuing to turn out a fabricated product, using reserves and temporary imports for such purpose.

When USW took over Mine-Mill in July 1967, a single power-center was created for all three stages, for negotiations on behalf of production workers at each company and against all companies together. Thus the first step was coordination by merger. The next step involved the formation of a complicated coalition with almost all of the other unions, in which the USW became the chief spokesman. Initially the aim of the coalition ap-

<sup>5</sup> For many years their price policy has been directed toward keeping the price down and holding it stable—to prevent diversions to other metals. This attempt to keep copper competitive parallels the effort of basic steel in 1959 to check its sharply rising price trend, which was inducing an

ominous increase in competing imports. In both instances, it was decided to try to impose a ceiling on cost increases. Very difficult strikes were the result, because the unions were insisting upon exceptionally large settlements.

appears to have been industry-wide bargaining, but this attempt was later abandoned. From the start, however, the combination sought common expiration dates for all contracts at all stages, very large common increases in absolute wages and fringe benefits at all stages, common contracts for production workers at various locations for certain stages of production within each company, and adjustments to reduce interregional differentials in mining and smelting.

It will be seen at once that the basic objective of the coalition was to achieve a seismic reorganization of a traditionally decentralized bargaining structure, to consolidate it at each stage, to link the separate steps tightly together, and so to make possible both company-wide and industry-wide strikes—essentially a tactic to reduce competition among workers by a method akin to combined vertical and horizontal integration by a business firm. Carrying the analogy one step further, the USW sought to create a special kind of labor cartel in which it would become the price leader in all of the labor markets of the industry, a goal to be achieved by a complicated three-pronged strategy of union merger, coordinated negotiations, and common expiration dates. In the end, the attempt failed, although the coalition itself still survives and large money settlements were gained at all stages.

I interpret the whole exercise as starting from bargaining weakness, as in the other cases. But the merger markedly corrected that initial weakness, while the larger objective should be seen, I believe, as a use of now substantial union power to achieve even greater power. Interesting also, the attempt to bring primary production and fabrication under one bargaining roof had already been made

by the USW in steel over 20 years ago, but soon had to be abandoned because of divergence in the economic interests of both sides at the two stages of production.

A more general hypothesis to account for the recent upsurge of coordinated bargaining by industrial unions would run as follows. Large concerns typically now involve one or more of the following characteristics: multiple plants, vertical integration, horizontal integration and conglomerate production. Typically, local negotiations prevail in these contexts. The recent wave of corporate mergers has increased the incidence of these situations. Thus we have emergent here a special kind of environment for bargaining, while mergers are converting old environments to this same type. This, then, is the challenge to which coordinated bargaining is the response. To match business bargaining power, the unions are seeking increased power for themselves, by centralizing the ambient of negotiations. To do so, they must sacrifice the tradition of local negotiations and organizational autonomy, a price that they seem quite willing to pay.

I turn now to some other aspects of coordinated bargaining. Such groupings seem easiest to achieve and to maintain when the problem is simply one of getting two parallel industrial unions to concert their negotiating activities. The reason is that both organizations have strong interests in common and little to divide them. Both can gain by cooperating. The effective reach of strikes can be extended, while the attainment of common terms of settlement will reduce the problem of competition between low- and high-cost plants. By the same token, the employer loses the advantage of divide-and-conquer tactics, while his ability to take a strike

and maintain partial operation is correspondingly reduced. By extending the coordination to all competing companies, the two unions can approach a kind of industry-wide bargaining, checking the adverse effects of cost-differentials created by divergent settlements caused by their acting independently. Coordination in meat packing, farm implements, and aerospace, already long established, are cases in point of durable coalitions of this type.

### **"Importance of Being Unimportant"**

The difficulties become much greater when the attempt involves an industrial union together with a diverse collection of craft organizations. The fact that the employees jointly represented by the participating organizations are all wage workers does not mean that these employees share a set of economic interests in common—as completing rather than competing organizations, as it were. Alfred Marshall's principle that a well-situated small skilled craft can achieve a relative wage advantage if it exploits "the importance of being unimportant" can still hold—if it has the advantages of a low elasticity of technical substitution, a low ratio of its labor cost to total production cost, and, conceivably, a low elasticity of supply for cooperating factor inputs, at least where sunk capital bulks large in the production function. Why should such a craft, for example the brick masons in copper smelting, give up its independent advantage simply to join a coalition? And if it does, how long before it decides that it can do better by pulling out?

In answer, I suggest first that when a group of crafts join a coalition with

an industrial union, the outcome for wage structure takes the same characteristics as if all the employees were represented by a single industrial union.<sup>6</sup> The tendency will be strong to seek flat general increases; compression of the structure will begin; and at some point breakaway tendencies by the skilled groups will assert themselves. The role of the Machinists in the recent railroad shop crafts dispute is an interesting case of this very phenomenon. Years of parallel increases achieved by a craft coalition finally caused the Machinists to rebel, once they recognized how narrow their differential had become and had begun comparing the fruits of such bargaining with what Machinists were earning for comparable work in the air transport and motor bus industries.

Yet there are situations in which common collateral demands and standards of settlement do make sense and can keep this type of coalition viable. Fringe issues such as pensions and medical plans inherently lend themselves to company-wide uniformity even from the employer's point of view and even where negotiations are on a plant-by-plant basis. The problem here for the unions is to gain a greater voice in such matters. Coordination can provide this because it calls for the creation of a company-wide negotiating unit on the union side as well.

Furthermore, even wage rates conveniently can come under this logic when questions of changes in level take precedence over those of structure, as in times of inflation. In such cases, flat general increases make sense to employees of all different kinds. But here are contained the latent centrifugal forces that could ultimately

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<sup>6</sup> Albert Rees, "The Effects of Unions on Resource Allocation," *Journal of Law and Economics*, VI, October 1963, p. 73.

disrupt the coalition. For if such increases are the continuing response to persistent inflation, the squeezing effects upon skill differentials will make it necessary for one or more crafts either to obtain special concessions or to break away and go it alone. By contrast, if the inflation is eventually halted, questions of wage structure will come back into prominence. At that point it will become extremely difficult to hold the coalition together, and centrifugal forces could well take over.<sup>7</sup>

Diverse coalitions with many participating organizations contain another threat to their stability, deriving from the complex pattern of separate interests involved. Coalition can be preserved only at the price of including these interests. If it is possible to compel a large employer to shift from fractional to central bargaining on a company-wide level, it seems inevitable that the agenda for such bargaining will be made lengthy and complex, and that a lower tier of complicated plant-by-plant bargaining also will become mandatory, simply to accommodate the interests of the diverse locals involved. Much of the malaise, including severe inflationary potential, of British collective bargaining seems to have emerged from a variant of this double-decker system, which may be a portent for this country as well.

Because one of the basic purposes of any form of coordination is to increase negotiating strength by enlarging strike effectiveness, a difficult

question becomes posed: will it increase the potential for long and costly strikes?

The question permits an equivocal answer. Experience at Union Carbide and in copper suggests the affirmative, but obviously is not conclusive. Pointing in the contrary direction is the case of city newspapers, where uncoordinated fractional bargaining for years has produced uneconomic demands, leap-frogging by rival organizations, extremist strategies, long strikes, and the demise of several dailies. Coalition brought about extreme demands and a long and very difficult strike in copper. Lack of coalition has had the same result for newspapers. If there is a moral to all this, I cannot say what it is.

### *The Conglomerate Enterprise*

I have already suggested that mixed alliances containing a large number of participating organizations are inherently unstable.<sup>8</sup> There is a high potential for dissolution, or alternatively, for converting the alliance to a more stable organizational form. By contrast, simpler coalitions of parallel industrial unions promise considerable staying power, particularly if the concerns with which they deal are predominantly in a particular industry, such as meat packing. Here, however, continued success under coordination might well promote mergers of internationals as a simpler and more durable surrogate for cooperative activity.

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<sup>7</sup> In his very able account of coordinated bargaining in Westinghouse and General Electric, David Lasser shows that decision was made to center upon national goals such as general increases, fringes, a cost-of-living escalator, and reduction of excessive area differentials—all developed against a background of below-average gains since 1960. Questions of internal occupational wage structure apparently had no place in this situation. It may be surmised that the

acid test of this coalition will come when they do.

<sup>8</sup> This has not generally been true of the building trades councils, probably because the ease of entry of new firms and the large number of competing employers jointly have made cohesion a continuing necessity, simply to keep the labor market organized while preserving the jurisdictional rights of the participating unions.

On this reasoning, the conglomerate case would seem to be the most difficult from the standpoint of putting a coalition together and of keeping it intact. Such concerns usually are spread over several industries and therefore are in none. Because their product lines and technologies are diverse, they are likely to have a large and mixed collection of locals, affiliated with several different national unions, or in some cases with none. After coordination is achieved, to which international unions will these locals gravitate? No single product-oriented union may be able to pull them together, while continuing cooperation among internationals will be difficult. As Herbert Lahne has suggested, if coordination can be made to work, its focal point will have to be the conglomerate enterprise itself. The fascinating possibility then arises that this turning inwards of the interests of these diverse locals might ultimately lead them to combine in a new organizational form, an American version of Japanese "enterprise unionism."<sup>9</sup> If so, we would witness a major deviation from the traditional trend toward national union affiliation, a displacement initially invoked by a shift in the environment within which a given bargaining structure functions, to which coordinated bar-

gaining is the initial response, and a change in organizational forms as its ultimate consummation.

Other fascinating questions are also posed. Does the role of the IUD in these developments indicate the beginnings of a shift in power from the national unions to the federation? Or does it suggest instead a bid for more power by giants such as the UAW and USW, who by their leadership of the coalition movement may be preparing the basis for absorbing several of the weaker internationals in a "conglomerate" merger movement of their own? And finally, if the UAW finally severs all connection with the federation, will we see the return of fratricidal warfare in place of the present coordination movement, or will cooperation at the local level continue as it has between the Teamsters and the building trades?

These questions cannot be answered at this time. So far, however, the coalition movement does seem to sustain the general thesis that bargaining arrangements, as with other institutions, are a response motivated by felt problems and needs and conditioned by ambitions and available power. As these factors change, the arrangements must adapt successfully if they are to survive. [The End]

<sup>9</sup> Herbert J. Lahne, "Coalition Bargaining and the Future of Union Structure," 18 *LABOR LAW JOURNAL*, pp. 353-359, June 1967.



## ANNUAL MEETINGS OF IRRA 1968-1973

1968 Annual Spring Meeting, Columbus, Ohio, May 2-3

Beasley-Deshler Hotel

Program :

George P. Shultz, University of Chicago

Local Arrangements :

Robert C. Miljus, Ohio State University, Cochairman with  
Rankin M. Gibson, Lucas, Prendergast, Albright & Warren  
Harry Mayfield, U. S. Steelworkers of America  
William Papier, Ohio Bureau of Unemployment Compensation  
Richard Sutton, Jaeger Machine Company  
Howard D. Hughes, Federal Mediation & Conciliation Service

21st Annual Winter Meeting, Chicago, December 29-30, 1968

Sheraton-Blackstone

Program :

George P. Shultz, University of Chicago

Local Arrangements :

Robert B. McKersie, University of Chicago

1969 Annual Spring Meeting, Des Moines, May 1-2, 1969

Kirkwood Hotel

Program :

Frederick H. Harbison, Princeton University

Local Arrangements :

Edgar R. Czarnecki, University of Iowa

22nd Annual Winter Meeting, New York, December 29-30, 1969

Waldorf-Astoria

Program :

Frederick H. Harbison, Princeton University

23rd Annual Winter Meeting, Detroit, December 27-30, 1970

24th Annual Winter Meeting, New Orleans, December 27-30, 1971

25th Annual Winter Meeting, Chicago, December 27-30, 1972

26th Annual Winter Meeting, New York, December 27-30, 1973

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