

CHAPTER XII

THE ECONOMIC IMPLICATIONS OF THE OPERATION OF PUBLIC-AID PROGRAMS

The economic effects of public-aid programs are not restricted to those arising out of the volume, timing, and methods of financing the large expenditures called for. Many of the programs have added directly to the material and nonmaterial wealth of the country. Measures which make available income or work to millions of the population may also be expected to have some repercussions upon the availability of labor for private employment and upon the volume, distribution, and mobility of the labor supply.

Direct Contribution to Production

In the five fiscal years 1936-40, work programs accounted for between 53 and 74 percent of all public-aid expenditures.¹ Many of these projects involved public construction, but many which produced no measurable material assets performed valuable services in the fields of education, social welfare, research, and cultural facilities. It should be noted that, in addition to utilizing unemployed manpower for productive purposes many of these programs, through training and rehabilitation, attempted to conserve and enhance the productive capacities of the unemployed. (See Chapter IX.)

Achievements of Work Programs

The achievements of the work programs present an impressive record which can be read in communities throughout the Nation. Of the various work activities, the Work Projects Administration has been the most significant in volume of employment and in the scope and variety of the work accomplished. By June 1940 it had provided more than 13,000,000 man-months of employment to about 7,800,000 different individuals.² An indication of the scope of these activities is shown in Table 86.

¹ See Appendix 19. For the reasons given in ch. I, PWA expenditures are excluded from these estimates. For an account of the types of construction work developed through the PWA, work relief, and various types of Federal loans and loan guarantees, see National Resources Planning Board, *Development of Resources and Stabilization of Employment in the United States*, Washington, 1941. See also Public Works Administration, *America Builds: the Record of the PWA*, Washington, 1939. See also Williams, J. Kerwin, *Grants-in-Aid Under the Public Works Administration*, New York, Columbia University Press, 1939.

² *Report on Progress of the WPA Program, June 30, 1940*, Washington, 1940, p. 8.

The assets which have been created by the WPA, both material and social, are so extensive and varied that only a general sketch can be provided here. Many important facilities and services which local communities could not expand or even maintain during the depression years have been improved and extended, including work on highways, buildings, and other public properties, the provision of health, education, recreation, and other services to needy persons and to whole communities, and research and other enrichments of cultural life.

Projects involving highways, roads and streets, and other transportation facilities have predominated, accounting for almost two-fifths of all project funds spent through June 1940. This work has included the improvement and construction of thousands of miles of highways, rural farm-to-market roads, and city streets, and of airports and water transportation facilities; it has generally been of importance in maintaining and modernizing the transportation and communication facilities of the Nation. Conservation and flood-control projects have involved land reclamation and have assisted in the prevention of erosion and the conservation of natural resources. The construction and modernization of all types of public buildings have also been an important part of the program. Schools, libraries, administrative and office buildings, hospitals, and many other public structures have been provided in communities throughout the country.

TABLE 86.—Funds expended and hours worked on projects operated by the WPA, by major type of project, cumulative through June 30, 1940

Type of project	WPA and sponsors' funds expended		Total hours worked	
	Amount	Percent	Amount	Percent
Total.....	9, 578, 382, 136	100. 0	14, 418, 525, 274	100. 0
Highways, roads and streets..	3, 727, 392, 468	38. 9	5, 853, 359, 493	40. 6
Public buildings.....	998, 896, 803	10. 4	1, 154, 635, 508	8. 0
Recreational facilities, excluding buildings.....	855, 246, 233	8. 9	1, 186, 686, 897	8. 2
Sewer systems and other utilities.....	964, 742, 044	10. 1	1, 329, 328, 023	9. 2
Airports and airways.....	200, 505, 453	2. 1	208, 361, 556	1. 4
Conservation.....	378, 585, 501	4. 0	616, 813, 881	4. 3
Sanitation.....	201, 426, 069	2. 1	396, 704, 340	2. 8
Sewing.....	632, 908, 404	6. 6	1, 342, 464, 687	9. 3
Professional and service, excluding sewing.....	1, 427, 018, 284	14. 9	1, 969, 462, 650	13. 7
Miscellaneous.....	191, 660, 877	2. 0	360, 708, 239	2. 5

Source: *Report on Progress of the WPA Program, June 30, 1940*, Washington, 1940, p. 51, table 18, and p. 63, table 28.

The achievements of the WPA cannot be measured solely in terms of material goods and equipment, valuable as these have been. Many of the projects have been designed to protect and improve public health. The sanitation projects have improved water supplies, sewage systems, and other sanitary facilities, and have helped through drainage and other measures to eliminate the hazards of malaria and typhoid. In some parts of the country these essential health activities have been made possible largely by the availability of WPA workers, and the value of the contribution made has been recognized by leading public-health officials.³ Hospitals have been constructed and improved, many of them in communities that were previously without hospital facilities of any kind. Direct medical and health services have been provided by WPA workers to persons who could not otherwise afford treatment.

Another major contribution of the program has been the extension of recreational facilities. Thousands of gymnasiums, bathhouses, stadiums, swimming pools, athletic fields, parks and playgrounds and many other such facilities have been newly constructed or modernized. The WPA has also furnished the supervision needed to make the most effective use of recreational facilities through projects providing guidance and instruction in sports, social recreation, music, and other cultural activities. Through the art, music, and theatre projects the cultural life of many communities has been enriched, and thousands of persons have had their first access to participation in such activities. These projects, together with the research program, have made a solid contribution to the Nation's store of knowledge and creative achievement.

The program has similarly made an important contribution to education, both through adding to and improving school facilities and libraries and through conducting a wide variety of classes for adults and preschool-age children. These projects have included literacy and naturalization classes, vocational training, and a wide range of special courses of instruction.

Through welfare, professional, and service projects, many goods and services have been provided to needy persons. WPA sewing and production rooms have furnished clothing, furniture, household goods, and toys and have processed and canned surplus foods. Free lunches have been provided to undernourished

school children. Housekeeping aides have been provided for distressed families.⁴

Other public-aid measures have similarly made an important contribution to the wealth or productive capacity of the country. Through the National Youth Administration, high-school, college, and graduate students have performed a wide variety of clerical, research, laboratory, and recreational work, and out-of-school youth have been employed on projects, many of which have been similar to those of the WPA. Every section of the country has benefited by such improvements as community buildings, swimming pools, bridges, parks, and roads, which were built by young people who were learning to work while earning.⁵

The volume of employment in the major project categories on the out-of-school work programs has been

⁴ Through December 31, 1940, some of the tangible accomplishments of WPA projects were as follows: over 560,000 miles of highways, roads and streets constructed or improved; almost 5,000 schools built and 30,000 improved; 143 new hospitals provided and almost 1,700 improved; over 2,000 stadiums, grandstands, and bleachers built; 1,490 parks, 2,700 playgrounds, and more than 700 swimming pools constructed; 19,700 miles of new storm and sanitary sewers laid; over 2,000,000 sanitary privies built. Conservation work included the planting of more than 100,000,000 trees, and the construction or improvement of over 6,000 miles of fire and forest trails. The work in airport and airway facilities included some 500 landing fields and over 1,800 runways. During January 1941, 1,000,000 adults and 37,000 children were enrolled in classes and nursery schools; over 280,000 persons received music instruction and over 67,000 art instruction; and attendance at concerts reached almost 3,000,000 people. Participant hours in various recreational activities totaled almost 14,000,000. Since the beginning of the WPA, welfare activities have included a total of 312,045,000 garments completed by sewing projects and of 85,270,000 other articles, while more than 57,000,000 quarts of food have been canned and almost 600,000,000 school lunches were served. (*Work Relief and Relief for Fiscal Year 1942*, Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 76th Cong., 1st sess., Washington, 1941, pp. 74-78, table D-26.) For further information on project accomplishments, see *Report on Progress of the WPA Program, June 30, 1940*; *Work Relief and Relief for Fiscal Year 1941*, Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 76th Cong., 3d sess., Washington, 1940, pp. 407-418; Gill, Corrington, *Wasted Manpower*, New York, W. W. Norton, 1939, pp. 188-197; and Macmahon, Arthur W. Millett, John D. and Ogden, Gladys, *The Administration of Federal Work Relief*, Chicago, Public Administration Service, 1941, pp. 3-13.

⁵ Through June 30, 1940, the accomplishments of youth workers on the out-of-school program had included the following: New construction or additions to more than 6,000 public buildings, such as schools, libraries, gymnasiums, and hospitals, and addition to or repair or improvement of about 18,300 others; construction of almost 4,000 recreational structures, such as stadiums, bandstands, and park shelters, and repair or improvement of nearly 6,000 others; construction of 350 swimming or wading pools and 3,500 tennis courts. About 1,500 miles of roads had been constructed and 7,000 repaired or improved; nearly 2,000 bridges had been built. Seven landing fields had been constructed at airports. 188 miles of sewer and water lines had been laid, and 6,200 sanitary privies built. Over 6½ million articles of clothing had been produced or renovated, nearly 2 million articles of furniture constructed or repaired, and 350,000 tools or other mechanical equipment constructed or repaired. 77½ million school lunches had been served by NYA youth; nearly 4 million pounds of foodstuffs had been produced and nearly 7 million pounds canned or preserved. Conservation activities had included the construction or repair of 127 miles of levees and retaining walls and 15,700 check and storage dams. (Information supplied by Division of Finance and Statistics, National Youth Administration.)

³ For example, the Surgeon General of the U. S. Public Health Service, in addressing a conference of health officers in March 1942, said: "I regret to report that scarcity of relief labor makes it impossible to continue the WPA community sanitation projects during the ensuing year. * * * Those States which had malaria control programs last year are aware that they were not very successful, due largely to unavailability of WPA labor." (*Public Health Reports*, LVII (May 8, 1942), 691.)

indicated elsewhere.⁶ It is not possible to tell from the data available what proportion of the total funds went into each type of work. Construction and production projects require a greater expenditure on nonlabor costs than some other types of projects; hence the information on the number of young people employed on these projects is no indication of relative expenditures on the different types of projects.⁷ Since the defense emergency the NYA has emphasized the production of certain goods needed by various governmental agencies, particularly those engaged in defense work. Impetus has also been given to the building and equipment of machine shops and other buildings needed for vocational training in schools which previously did not have adequate facilities for this type of training.

The record of the CCC is also impressive.⁸ Through the work performed by this agency the wealth of the United States has been both protected and increased. Finally, the Farm Security Administration has also undertaken projects for the conservation of natural resources.

Problems Raised by Work Programs

The great addition to the wealth of the country which has resulted from the various work programs has inevitably raised certain political and economic problems. Specifically it has led to some readjustment of financial and administrative responsibility for the performance of certain types of public work as between the Federal Government and the other governmental units. It has on occasion led to the performance by relief workers, remunerated at less than prevailing wages, of work that is normally carried out by regular employees of public authorities. It has involved some measure of governmental operation in fields previously regarded as the exclusive preserve of private enterprise.

⁶ See ch. IX.

⁷ Encumbrances for youth wages, supervisory wages, and nonlabor costs for the fiscal year 1941, the first year for which these data have been published regularly, were 53.2 percent, 16.8 percent, and 30 percent respectively of the total cost. (See monthly statistical tables for June 1941, issued by the Division of Finance and Statistics, National Youth Administration.) These data are available by States but not by types of projects.

⁸ For types of projects undertaken, see ch. IX. Through June 30, 1940, the accomplishments on these projects included: The construction of 37,203 vehicle bridges, 21,684,898 rods of fence, and 79,538 miles of telephone lines; the development of almost 21,000 springs, waterholes, and small reservoirs; the building of more than 5 million permanent and temporary check dams in connection with treating gullies for erosion control; as well as the planting, seeding, or sodding of 114 million square yards of terraces for protection against erosion; the planting or seeding of almost 2,000,000 acres of forest land with an average of 1,000 trees to the acre; 5,743,000 man-days spent in fighting forest fires and 5,392,000 man-days in fire suppression and prevention work; forest-stand improvement on 3,694,930 acres; development of about 55,000 acres of public camp and picnic grounds; stocking lakes, ponds, and streams with 923 million fish. (Civilian Conservation Corps, *Monthly Statistical Summary, July 1940*, Washington, 1940, pp. 7-9.) See also, *Monthly Labor Review*, III (June 1941), 1408.

Changing responsibility for certain types of public work.—Attention has been drawn by the National Resources Planning Board to the fact that between 1930 and 1940 a large proportion of the expenditures of the Federal Government for new public construction served only to offset the decreasing expenditures by State and local authorities. This is evident from Table 87 which includes expenditures on Federal construction projects, PWA grants, and Federal aid for State highways, and construction expenditure on work-relief projects but does not include CCC expenditures, since it may legitimately be argued that this type of work is not in general of a character which would normally be undertaken by State and local authorities.

TABLE 87.—Estimated expenditures of public funds for new public construction,¹ 1925-1940

[Millions of dollars]

Calendar year	Public construction financed by Federal funds	Public construction financed by State and local funds	Total public construction
Average 1925-29 ²	188	2,104	2,292
1930.....	307	2,469	2,776
1931.....	422	2,156	2,578
1932.....	460	1,334	1,794
1933.....	647	707	1,354
1934.....	1,380	794	2,174
1935.....	1,234	616	1,850
1936.....	2,335	851	3,216
1937.....	2,043	845	2,888
1938.....	2,085	1,103	3,188
1939.....	2,206	1,314	3,520
1940.....	³ 2,281	³ 1,143	³ 3,424

¹ Including work-relief construction. The word "construction" is used in this study to embrace not only building but also the whole field of construction, including roads, highways, bridges, and the like.

² From National Resources Planning Board, *Economic Effects of the Federal Public Works Expenditures, 1935-1938*, Washington, 1940, tables 1 and 2, pp. 17 and 18.

³ Preliminary estimates.

Source: National Resources Planning Board, *Development of Resources and Stabilization of Employment*, Washington, 1941, p. 17, table 2.

The substitution of Federal for State and local financing of certain types of construction activity resulted in the main from the character of local financial arrangements. As pointed out in Chapter X, State and local sources of revenue are less elastic than those of the Federal Government. Furthermore, the legal regulations in regard to borrowing for construction purposes operate against extensive local borrowing in periods of acute depression.⁹ It is too soon to say whether the financial readjustments that were made during the depression will result in any permanent assumption by the Federal Government of complete or partial financial responsibility for types of construction work previously regarded as peculiarly a State or local responsibility.¹⁰ In view of what has been said in Chapter X concerning the difficulty of determining the fiscal capacity of States and localities to

⁹ National Resources Planning Board, *op. cit.*, p. 18.

¹⁰ *Ibid.*, p. 31.

carry the multitude of new functions they have assumed in recent years,¹¹ it is equally clear that it is as yet impossible to know whether the increasing financial responsibility of the Federal Government for construction activity is a development to be encouraged or deplored.

Remuneration of workers.—The second problem raised by this extensive development of public work concerns the general principle of the remuneration of the workers employed thereon. As the quality of public work projects has improved and especially as some of this work has come to take the place of that normally performed by regular governmental agencies, the wisdom of remunerating employees at a security wage instead of at prevailing wages becomes even more questionable.¹² The issue is likely to be raised in an acute form by the extent of defense work undertaken by the WPA. In April 1941, 235,000 workers were employed by the WPA on projects certified by the Army or Navy as being important for military or naval purposes. During the first nine months of the fiscal year 1941, a total of \$316,385,954 (including sponsors' funds) was expended for such projects.¹³ Inasmuch as this type of work is essential to the defense program—indeed such projects have Congressional approval, and have been welcomed by the Army and Navy—it may be presumed that funds are available (or would have been made available) to other governmental agencies for the prosecution of this work. The effect is that work is performed by relief labor at the security wage which otherwise would provide employment at prevailing wages.

The problem of performance of essential public work by relief labor at less than market rates has been especially pronounced in the local relief-work projects which were important in many communities in 1939 and 1940. There is evidence that many projects under these programs have involved regular functions of

¹¹ Cf. *ibid.*, p. 18: "It is impossible to say by just how much local governments' real ability to finance public improvements has been lowered by the depressed conditions of the business community."

¹² See Macmahon, Millett, and Ogden, *op. cit.*, p. 307 ff.

Work-relief expenditures accounted for the following percentages of total Federal funds expended for construction in the calendar years 1933 through 1940:

Year:	Percentage	Year:	Percentage
1933-----	21.3	1937-----	48.7
1934-----	51.8	1938-----	57.8
1935-----	36.2	1939-----	47.3
1936-----	52.3	1940-----	41.6

(Computed from National Resources Planning Board, *Development of Resources and Stabilization of Employment*, Washington, 1941, p. 17, table 1.)

¹³ *Work Relief and Relief for Fiscal Year 1942*, pp. 44, 58. The projects conducted included such work as the construction or improvement of airports; strategic highways; and access roads to military, naval, or industrial establishments. Congress authorized the utilization of \$25 million during the fiscal year 1941 and \$45 million during the fiscal year 1942 to supplement funds otherwise available for non-labor costs on certified defense projects.

local governments (notably maintenance work) that otherwise would have been undertaken on a nonrelief basis. The result has been that relief workers have been underpaid, efficiency has been impaired, and the morale of regular workers thus indirectly replaced by relief workers has suffered.¹⁴

At the annual conference of the American Public Welfare Association in 1940, fears were expressed that these local relief-work programs might "be destructive to public services by replacing regular workers paid regular wages and selected because of their ability by relief labor paid on a subsistence basis. In some States, cities, and towns, this practice has led to the discontinuance of regular appropriations for the maintenance of regular governmental functions and to the substitution of relief projects."¹⁵

Extension of governmental activity.—The third problem associated with the contribution to production made by public-aid programs involves the possible extension of governmental activity in fields traditionally regarded as reserved for private enterprise. In fact, as is evident from Table 86 such types of work have not bulked large in the total projects undertaken. Sewing projects have accounted for only 6.6 percent of total funds expended in the period up to June 1940 and a large proportion of the professional and service projects (which accounted for another 14.9 percent of all expenditures) were not of a character that com-

¹⁴ See ch. IX.

¹⁵ "Report on Round Table discussion of Work Relief and Work Programs," *Public Welfare News* [American Public Welfare Association], VIII (December 1940), 12. That this is not a mere possibility, but a frequent occurrence in fact is evidenced by specific examples furnished by the International City Managers Association:

"Many public administrators are becoming increasingly concerned with the tendency to discharge regular public responsibilities through work relief project employees. In many communities such projects have been established to accomplish much of the stenographic and filing work of public offices. In other communities relief workers run the elevators and do maintenance work in public buildings * * * It should be recognized therefore that in most communities the local work projects are in effect displacing regular public or private employment. From a small town in Michigan comes a report that an admirable park maintenance work relief project is saving the city \$1,500 per year. Presumably that saving is realized through lower wage rates occasioned by replacing regular workers by relief workers.

"This development is most clearly seen in the experience of one large southern city. The regular street maintenance crew was dismissed one day with the information that streets were henceforth to be maintained by work relief. In each pay envelope was a mimeographed slip telling where to go to apply for work relief. Within a few months, many of these men found themselves doing exactly the same jobs, but at relief wages instead of regular wages and under conditions that precluded the possibility of their acquiring any savings or status in the community without losing their jobs. By a simple promotion of a work relief project these men had been made 'unemployed' even though they continued to do the work that they had been doing all along.

"In this admittedly rare case one can see clearly how work relief may create unemployment. In many other cases there is a similar effect, although it is delayed. Even though a city might not undertake a permanent improvement this year or next, the completion of the job by relief labor this year displaced the regular employees who would have worked on it three to five years from now. If the job is a necessary one, it would be done sooner or later." (Editorial, *Public Management* [International City Manager's Association] XXII (May 1940), 129-130.

peted with private enterprise.¹⁶ The Congress has indeed introduced various restrictive provisions to limit the extent of such competition. But such restrictions have meant that "with exceptions important in themselves but relatively minor the works program was barred from participation in the production of prime necessities. It does not detract from the value of what was wrought to say that there was sometimes tragic irony in the preoccupation of the works program with embellishments while elementary human needs for useful goods were insufficiently satisfied."¹⁷

Effect of Public-Aid Programs on the Total Labor Supply

It has not been the general intent of public-aid programs to exert any direct influence upon the labor market but rather to relieve need and distress in the most effective ways. However, since certain changes in the character of the total labor supply available have been attributed to the operation of various public-aid programs, it may be useful to inquire into the direct and indirect effects of the programs on the labor market.

Programs Tending to Decrease the Labor Supply

In almost all cases, the primary objective of the programs has been to provide income for those unable to provide for themselves. In only two instances has a major objective been stated in terms of labor-market considerations. Some proponents of old-age and survivors insurance, like the earlier advocates of railroad retirement legislation, have given prominence to the assertion that an adequate program would facilitate retirement of aged workers and thus create work opportunities for younger age groups.¹⁸ Similarly, a primary objective of the NYA student work program has been the alleviation of the overcrowding in the labor market by making it possible for young workers to continue their education.¹⁹

¹⁶ For examples of the type of competition involved, see Macmahon, Millett, and Ogden, *op. cit.*, pp. 319-320.

¹⁷ *Ibid.*, pp. 2-3.

¹⁸ See, for example, *Economic Security Act*, hearings before the Committee on Ways and Means, House of Representatives, 74th Cong., 1st sess., Washington, 1935, pp. 219-237. See also U. S. Supreme Court, *Transcript of Record* (printed), Railroad Retirement Board *et al. vs. The Alton Railroad Company et al.*, Docket No. 566, October Term 1934, Testimony of Joseph B. Eastman, pp. 153-162.

¹⁹ See Lindley, Ernest and Lindley, Betty, *A New Deal for Youth*, New York, Viking Press, 1938, p. 191; and also *Emergency Relief Appropriation Act of 1937*, Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 75th Cong., 1st sess., Washington, 1937, p. 128.

In addition, certain public-aid programs have specifically aimed to improve the quality of the labor supply through training and work experience, while the desire to stabilize employment was probably as effective a spur to the enactment of unemployment compensation laws in many States as the desire to provide benefits for the unemployed. The extent to which these labor market objectives have been achieved is discussed in chapters IX and XI.

Old-age and survivors insurance and railroad retirement.—The desire to stimulate a withdrawal of the aged from gainful employment is reflected in specific provisions of the legislation regarding old-age and survivors insurance and railroad retirement. Under the former, a worker is not entitled to draw benefits for any month in which he earns more than \$15 in covered employment. Under the latter, a worker cannot draw an annuity if he is performing work in a covered employment or for his last employer (whether or not covered) prior to retirement.

The effect of these provisions upon the availability for work of persons over 65 must not, however, be overestimated. In the first place, it should be noted that they may operate merely to prevent beneficiaries from working in covered employment. In other words, *they may lead to a redistribution of the occupational patterns of the aged, rather than to their complete withdrawal from the labor market.* Individuals may draw old-age insurance benefits and still earn considerably more than \$15 a month by working on their own account or for noncovered employers; the same is true of railroad workers. The extent to which these provisions will actually reduce and not merely redistribute the supply of workers over 65 therefore will depend upon the ease with which workers in this age group can obtain new employment in unfamiliar industries.

In the second place, it should be noted that *the old-age and survivors insurance program attempts only to restrict, and not entirely to eliminate, the performance of work by aged persons*, for even in covered employment an aged person may continue to work so long as he does not earn more than \$15 a month. This provision may do more to cut down the extent of work performed by older workers in those sections of the country where wages are low than in those where wages are high.

In the third place, *the effectiveness of these provisions in promoting retirement will depend upon the relationship between the benefits payable and the levels of earnings to which they are an alternative.* Obviously, the lower the amount of benefit in relation to the potential income from working, the less will be the inducement to retire. The average monthly primary benefit as of June 1940 under old-age and survivors insurance was about \$22. Even if the average wife's benefit were added to this sum, the total income of an aged worker and his wife would amount to about \$36. The average monthly wage from covered employment during the three years 1937-39 was about \$72. The difference between average benefits and earnings may help to explain the fact that a substantial proportion of covered workers reach the age of 65

without claiming the benefits to which they are entitled.²⁰ Since all the evidence suggests that many older workers are marginal employees, it seems probable that the effect of the payment of retirement benefits on the labor market will be most pronounced in periods of depression and correspondingly less when there is an active demand for labor. Cyclical fluctuations can be expected to be the more influential in that the present law permits a beneficiary to return at any time to covered employment and to resume his benefit status when employment is abandoned. The experience of the first year of benefit payments under old-age and survivors insurance appears to support this inference.²¹

NYA programs.—The student work program of the NYA has also undoubtedly decreased the labor supply by making it possible for young people to continue in school.²² For while some work is performed in return for the NYA aid, the hours worked are fewer than if the young people were engaged in gainful employment with private industry. While this is also true, though to a lesser extent, of the out-of-school work program, the young people on this program cannot be regarded as not available for employment, for they are supposed to register at their local employment office.

Unemployment compensation.—The fact that unemployment compensation laws make payment of benefit dependent upon continuous availability for work and require in most instances registration at an employment office, might at first suggest that these programs have no influence at all upon the size of the available labor supply. In fact, however, two features of the present laws slightly modify this conclusion. In the first place

²⁰ Of approximately 133,000 workers who applied for and were awarded benefits during the calendar year 1940, about 10,000 did not immediately avail themselves of their monthly benefits but preferred to remain in covered work. It is important to recall that only limited inferences can be drawn from facts based upon the experience of only 1 year. In addition to the novelty of the program and lack of familiarity with the benefit provisions on the part of the potential beneficiaries, an important influence is undoubtedly exerted by the fact that during the first few years of operation of the program many workers on reaching the age of 65 will prefer to remain in employment in order to accumulate additional quarters of coverage or for the purposes of raising the ultimate amount of their monthly benefit. The Social Security Board had estimated on the basis of the number of employee account holders 65 years and over, that some 400,000 primary benefits would be awarded during 1940. In fact only 133,000 awards were made. This great discrepancy can scarcely be attributable entirely to ignorance of the provisions of the law.

²¹ See ch. VII.

²² Its success has not, however, been complete in this respect. The Congressional committee on interstate migration drew attention to the fact that there were "many young people who might otherwise have continued their training and education, but were placed by immediate necessity in the position of bidding for jobs, at an earlier age and with less training. Some, particularly girls, might never have entered the labor market at all." (*Interstate Migration*, Report of the Select Committee to Investigate the Interstate Migration of Destitute Citizens, House of Representatives, 77th Cong., 1st sess., House Report No. 369, Washington, 1941, p. 509.)

although workers can be denied benefits for refusing suitable work, there is some disposition in certain States to avoid imposing this penalty in the case of workers on temporary lay-off and expecting recall within a short period who refuse jobs with other than their last employer.²³ While there is much to be said for thus avoiding the disturbance of established relations between employers and workers that would result from insistence upon acceptance of jobs likely to prove temporary, the economic consequence is that such workers are for the time being not available for work with any employer except the one from whom they are expecting a recall. It is, however, important to note that this situation is unlikely to present serious economic difficulties except in periods of acute labor shortage. Its significance is further diminished by the relatively small number of weeks for which benefits can be drawn. (See Chapter VIII.)

In the second place, the existing provisions for the payment of interstate benefits may enable some workers to draw benefits although in reality they are not available for work. Under the present arrangement the States agree to act as agents for each other in paying benefits to workers temporarily resident in one State but qualified in another. It is at least possible that State administrators will be less stringent in testing continuous availability for work on the part of out-of-State claimants for whose benefits they carry no financial responsibility than they are in regard to claimants upon their own funds. Moreover much will depend upon the type of work available in the area to which workers move during their period of compensated unemployment. A highly skilled industrial worker who migrates to a nonindustrial State or one in which his type of occupation is in little demand and who draws compensation there, is to all intents and purposes outside the labor market. Few conclusions can be drawn on the basis of the limited data at present available, especially in view of the movement of labor that has been stimulated by the relocation of defense industries. Even though analysis of the nature and distribution of interstate claims in the first quarter of 1940, prior to the defense-stimulated movement of workers, may justify the inference that some of the interstate beneficiaries may not have been

²³ On the other hand some States rigidly enforce the requirement to accept temporary work. Thus the New York Division of Unemployment Insurance reports that about 60 percent of suspensions of benefits on account of refusal of suitable work occurred in the needle trades during the first 6 months of 1940. In almost half of the cases where reasons for refusal to accept suitable work were given, it was stated that the worker intended or desired to return to a "regular employer" as soon as business picked up in that firm. New York State Department of Labor, *The Employment Review* (October 1940), 464.

in any real sense available for work,²⁴ the economic significance of the phenomenon can be very small. For interstate claims in total constituted in this period only 4 percent of all weeks of benefit compensated, and the labor market at the time was still characterized by a general excess rather than shortage of workers.

Factors Tending to Increase the Total Labor Supply

While certain public-aid measures may have operated to restrict the size of the labor supply, others appear to have exerted at least in some measure an opposite influence.

WPA.—The determination of whether or not to seek work depends to some extent upon the availability of work and the conditions of remuneration. It might therefore be expected that a program of the significant proportions of the WPA would bring into the labor market some individuals who might not otherwise have sought employment. This phenomenon has frequently been observed when new large private industries have been established, and its existence in connection with large public work programs would not be surprising. There is indeed some evidence to suggest that in the case of women the WPA may have served to increase the work-seeking population. It has been generally agreed that for many women employed by WPA, especially those on sewing projects, WPA employment represented the first paid employment in their lives, or the first since marriage. (See Chapter IX.)

It is also evident from the discussion in Chapter V that a certain proportion of the workers on WPA are persons whose physical characteristics might suggest that, in the absence of such an opportunity for sheltered employment, they might not normally be members of the active labor supply.

²⁴ It might have been expected that, since unemployment compensation beneficiaries are in the main industrial workers, the greatest volume of interstate claims would be forwarded by the heavily industrialized States if the movement were mainly conditioned by a search for employment opportunities. In fact, however, of the 20 States which forwarded approximately 70 percent of all interstate claims in the first 3 quarters of 1940, only 7 were highly industrial States and these accounted for only between 21.6 and 28.2 percent of all interstate claims. The States in question and in order of importance were New York, Pennsylvania, Illinois, Massachusetts, New Jersey, Ohio, and Michigan. It is also noteworthy that in the first quarter of 1940, before the defense activity began, 12.3 percent and 5.5 percent of all interstate claims were transmitted from California and Florida, respectively, and these States too paid a high proportion of claims in respect of workers coming from distant States. Claimants from the 7 industrial States mentioned above accounted for 25.7 percent and 68.9 percent of all interstate claims paid in California and Florida respectively.

(Figures computed from table entitled "Number of Weeks of Unemployment Compensated by Payments on Interstate Claims Received as Liable State from Agent State, by States" in issues of Social Security Board, Bureau of Employment Security, *Summary of Employment Security Activities*, Washington, 1940.)

In any case, however, the effect of the WPA program on the total numbers seeking employment has been relatively unimportant, because of the small proportion of such new entrants in the WPA program itself and in view of the general economic conditions prevailing at the time. A study of WPA workers in November 1940 showed that 90 percent of the project workers had had previous work experience and that half of this group had work records showing jobs of 5 years or more with one employer.²⁵

General economic background.—The economic circumstances of the period undoubtedly influenced the size of the labor supply far more significantly than any public-aid program. In the decade from 1930 to 1940 there was a net addition to the national labor force of over 4 million persons 14 years of age and over.²⁶ While part of this increase can be accounted for by normal population growth, the prolonged depression compelled many persons to seek work for the first time because of curtailed incomes or loss of work of the usual breadwinner. The numbers of these forced entries can only be a matter of estimate. One authority has placed them as high as between 900,000 and 1,000,000 by November 1937.²⁷

The increasing numbers of women forced into the labor market have, however, been of particular significance. In 1940 the proportion of women in the labor force between 20 and 64 years was greater than in 1930, and the increase was greatest in the 25-34-

²⁵ From information supplied by the Work Projects Administration.

²⁶ Based on preliminary census returns. The 1940 labor force included 52,840,762, as compared with 48,594,592, gainful workers in 1930. The census definition of gainful worker includes farm operators, employers, entrepreneurs, and professional workers as well as wage earners and salaried workers. The 1940 data on the labor force are not directly comparable with 1930 statistics for gainful workers because of differences in definition. Gainful workers in 1930 were persons reported as following a gainful occupation regardless of whether the person was working or seeking work at the time of the census, whereas the labor force in the 1940 census includes only persons actually working or seeking work during the week of March 24-30, thus excluding certain persons such as inactive seasonal workers. In the 1940 census, unlike that of 1930, new workers were included. (*Sixteenth Census of the United States: 1940*, Preliminary Release, Series P-4, No. 4, April 4, 1941. Figures are based on preliminary tabulations of a 5-percent cross-section of the 1940 population census returns.)

²⁷ Woytinsky, W. S., *Additional Workers and the Volume of Unemployment in the Depression*, Committee on Social Security of the Social Science Research Council, Pamphlet Series No. 1, Washington, 1940, p. 6. Woytinsky estimated that there was 1 additional job seeker for every 7 usual workers out of jobs.

Another estimate made at the same time concluded that "if 100 jobs are lost in the population, we may expect to find thereby not 100 but 176 unemployed. This, it seems, is what happened between 1930 and 1937." The increase in job seekers occurred mainly among women. (Vance, Rupert P. and Danilevski, Nadia, "Population and the Patterns of Unemployment, 190-37," *Milbank Memorial Fund Quarterly*, XXVIII (January 1940), 27-43.)

There is considerable disagreement regarding the effects of the depression on the rate of withdrawal as well as the entrance of new workers. See, for instance, Humphrey, Don D., "Alleged Additional Workers in the Measurement of Unemployment," *Journal of Political Economy*, XLVIII (June 1940), 412-419.

year group (from 25.4 to 30.3 percent). "The increase * * * is consistent with the long-run trend which has continued for at least half a century * * *. In addition, during the last decade economic pressure resulting from continued unemployment of the usual family earners may have forced many women to enter, reenter, or prolong their stay in the labor market."²⁸ This influx of women has occurred primarily in the industrial labor market.²⁹ A survey in Philadelphia found that between 1930 and 1936 the proportion of workers without previous experience in the labor market increased from 1 to 6 percent, and that there was twice as high a proportion of women as men in this group.³⁰

Long-run influences such as the desire of women for greater economic independence and the changing character of industrial processes had led to an increase in the proportion of gainfully employed women prior to 1930.³¹ The depression accentuated this development.

Against this background the influence of a specific program, such as the WPA, must have been relatively insignificant. It is also important to note that to the extent that project employment was given to women who would be more effectively occupied in caring for their children, the reasons for such employment have been mainly the lack of availability of other and

²⁸ *Sixteenth Census of the United States: 1940*, Series P-4, No. 3, February 8, 1941. The long-run trend is described as "the result of technological developments and changes in industrial policies; desire to increase family income or to become economically independent; decreased home responsibilities resulting from increased mechanical aids and a declining birth rate; and the long-run increase in the demand for workers in service, trade, and clerical occupations where opportunities for female employment are greatest."

²⁹ Between 1930 and 1940 the proportion of women workers 14 years and over increased 1.5 percent in urban and 1.6 percent in rural non-farm areas, but decreased in the rural-farm areas. (*Sixteenth Census of the United States, 1940*: Series P-4, No. 4, April 4, 1941.)

The tendency of young women to stay in the labor market after marriage was disclosed by a study of 30,000 urban youth. Among the young women who had married between 1929 and 1938, 56 out of every 100 held jobs after marriage, and 31 out of every 100 were still in the labor market on July 1, 1938. (Payne, Stanley L., *Thirty Thousand Urban Youth*, Work Projects Administration, Division of Research, Social Problem Series, No. 6, Washington, 1940.)

³⁰ Palmer, Gladys L., *Recent Trends in Employment and Unemployment in Philadelphia*, Philadelphia Labor Market Studies, Report No. P-1, National Research Project, Works Progress Administration, in cooperation with Industrial Research Department, University of Pennsylvania, Philadelphia, 1937, p. 11. "The Philadelphia figures show that the earliest increases in the proportion of women came from those over 40 years of age, and in the age group 20 to 24. * * * there were 19 percent more women in the labor market in 1937 than in 1931." (*Ibid.*, letter of transmittal, p. 3.)

³¹ Between 1890 and 1930 the proportion of females (10 years and over) gainfully employed increased from 17 to 22 percent of the gainfully occupied population. Between 1870 and 1910, the proportion of the population which was gainfully employed increased, largely because of the increased employment of women outside the home and the relatively large number of persons of working age in the population. Since the nineteenth century, however, the entry of young people and children into employment has been retarded because of prolonged education and legal restrictions. See Hurlin, Ralph G., and Givens, Meredith B., "Shifting Occupational Patterns," in *Recent Social Trends in the United States*, Report of the President's Research Committee on Social Trends, New York, 1933, pp. 268-324.

more appropriate forms of public aid. In areas where aid to dependent children or general relief is inadequately developed, employment on a WPA work project may be the only alternative to destitution.³²

Effect of Public-Aid Programs on the Labor Supply Available for Private Employment

Regardless of their effect upon the *total* labor supply available for public or private employment, public-aid programs may yet have the effect of restricting the labor supply available for *private* employment. Such restriction may arise either because the conditions under which any program operates remove workers from opportunities for private employment, or because the remuneration of work on public-aid programs compares so favorably with that offered by private industry that public-aid recipients will reject private employment even when offered. Moreover, the greater security of project employment as compared with private employment may encourage a preference for the former.

It is obvious that throughout the period covered by this study, the effects of public-aid policies must have been relatively unimportant, or at most confined to specific areas or occupations. For at no time have the various work programs given employment to as much as 50 percent of the estimated unemployed. Hence there were always at least half of the unemployed who could have been drawn upon with an expansion in private industry's demand for labor.³³ It is indeed the existence of this group which accounts for the fact that periods of reviving business activity do not result in a corresponding decrease in the public-aid rolls. After consideration of the facts revealed in Chapter VII *it cannot be argued seriously that in most parts of the country the living conditions of recipients of public aid have been in general so relatively attractive as to tempt individuals to prefer socially provided income to that obtained through employment in private production. On the other hand, although the reserve of unemployed workers not engaged on work projects coupled with the backlog of labor on the farms has been more than adequate to meet such increases in the total demand for labor as have hitherto occurred, it is undeniable that there have been localized shortages.*

Before proceeding to examine these situations, it is important to note that the concept of a labor shortage

³² Cf. comments of local relief administrators in *Public Welfare News* [American Public Welfare Association], VIII (December 1940), 12.

³³ Derived from appendices 1 and 9. See the discussion of table 51 in ch. IX. After 1938 a proportion of the group not employed on work programs was in receipt of unemployment compensation benefits. However, because such beneficiaries were required to be "available for work," a condition implemented by the requirement of periodic reporting at an employment office, these workers must be regarded as having been available for private employment.

is itself relative. The fact that private employers have on occasion complained of labor shortages does not necessarily mean that there is an absolute unavailability of persons able to perform the required work. An employer who places an age limit of 40 years for workers may speak of a shortage even when there are hundreds of workers beyond this age available to him. An employer who refuses to hire Negroes speaks of a shortage even when large number of Negroes, perfectly able to perform the work, are unemployed. Or an employer may find a shortage at 30 cents an hour but have a surplus available at 35 cents an hour. Cases are far from uncommon in which employers refuse to regard persons who have been on relief as suitable workers. Where such standards prevail, complaints of labor shortages cannot be accepted at face value.³⁴

Shortages Due to the Conditions of Project Operation

The work programs, because of the conditions governing project work, may be a factor in certain types of labor shortages. Thus, the Civilian Conservation Corps program, employing its youth in camps oftentimes hundreds of miles from the home communities of the enrollees, at least temporarily removes an appreciable number of youth from availability for private employment and particularly from the local labor market. Since 1933, about 2,500,000 different youth have been enrolled in the program, about 281,000 having been enrolled during the year ending June 30, 1940.³⁵ The youth enroll for periods of six months and may reenroll until their total service has amounted to two years.³⁶ On an average, the youth remain in the camps for about nine months and if only those youth who are honorably discharged are considered, the average length of service in the camps is about a year.

Many CCC enrollees do, however, leave the Corps to accept private employment, and the fact that the numbers fluctuate directly with changes in business conditions suggests that enrollment in the Corps offers no serious obstacle to accepting private work if it is available.³⁷ Moreover, enrollees are required to regis-

ter at their local State employment offices prior to enrollment or as soon as possible thereafter, and in this way they remain a part of the potential labor supply of their local community although physically removed from it.

It seems probable also that the conditions of employment on WPA projects may have led project workers to refuse offers of short-period private work even when the rates of remuneration compared favorably with those on the project. In a world characterized by irregularity of employment, WPA project employment has the advantage of relative stability. Workers may therefore hesitate to abandon WPA work which may last as long as 18 months in order to accept private work which is admittedly offered only for a brief period. Administrators have endeavored to check any tendency to remain on WPA when private work is available in three ways: (1) by dismissal from project employment for refusal of jobs which conform to local standards; (2) by temporarily shutting down projects, especially in rural areas, when seasonal employment opportunities are anticipated;³⁸ and (3) by assuring workers of immediate resumption of WPA status on the conclusion of private employment if they are still in need.

It is, however, doubtful whether any of these measures can be completely effective. Dismissal from WPA will take place only where cases of job refusals are reported. Since in many cases WPA workers are not referred to private jobs by the public employment service, the main source of such complaints must be the individual employer, who for various reasons may not desire to take such positive action.³⁹ Temporary closing of projects (or sections of projects) is not always possible, since it may result in the discharge of more people than can be absorbed by private industry during the seasonal period. On the other hand, release of only certain groups will often have damaging effects upon the quality of the project. So long as emphasis is placed upon the worthwhileness of projects, and comparisons are made with private enterprise in terms of efficiency and relative costs, considerations of efficiency will continue to be important. Temporary closing of projects is also a feasible solution only where the offer of private work is of a seasonal character. It cannot meet situations which may well be more significant in specific areas involving the refusal of

³⁴ The U. S. Employment Service has reported that "the reemployment of applicants on relief is further impeded because some employers, in requesting workers from employment offices, state explicitly that they do not desire to hire workers who have been on relief." (U. S. Department of Labor, *Survey of Employment Service Information 1937*, Washington, 1937, p. 2.)

³⁵ American Youth Commission, *The Civilian Conservation Corps*, Washington, 1940, p. 1; and unpublished data furnished by the Office of Selection, Civilian Conservation Corps.

³⁶ Prior to July 1939, youth were permitted to reenroll for additional 6-month periods as long as they performed satisfactory work and were otherwise eligible.

³⁷ During the fiscal year 1937 an average of approximately 12,000 enrollees left the camps each month to take jobs prior to the expiration of their 6-month period of enrollment. The number dropped sharply to 2,500 each month during the fiscal year 1939. From July 1939 through January 1940 the number again increased, averaging about 3,400 monthly. (Civilian Conservation Corps, Office of the Director,

Monthly Statistical Summary, July 1, 1937, Washington, 1937, p. 1, and summaries for months from July 1939 through January 1940.)

³⁸ Such action is normally taken in the harvesting season in such areas as the mid-western States, the potato-raising region of Maine, and the cotton-growing areas of the South. Cf. Brown, Malcolm and Cassmore, Orin, *Migratory Cotton Pickers in Arizona*, Works Progress Administration, Division of Research, Washington, 1939, pp. 61-62.

³⁹ See ch. IX.

short-time or day jobs which may be available at various times throughout the year. Nor have the attempts of the administration to lessen reluctance to accept temporary private work by guaranteeing immediate resumption of WPA employment been completely successful. Such a guarantee could be implemented only if there were unfilled employment quotas, and this has not always been the case. In consequence, a man who has accepted private work may find on its conclusion that he may have to wait for some period before reassignment, and knowledge of this possibility may intensify a worker's reluctance to sever his connection with the WPA for what is admittedly temporary employment.⁴⁰

Shortages Due to the Remuneration for Project Work

The above discussion has related solely to the problem presented by refusal of private work that compares unfavorably with project employment in terms of security and continuity. A more difficult problem arises in connection with the allegation that public-aid programs, and especially the work programs, have restricted the labor supply available to private employers by offering remuneration or payments that compare favorably with private employment.

Labor shortages of this type have been concentrated in certain areas and in specific occupations, especially as might be expected in those characterized by relatively low levels of remuneration. The major complaints of labor shortages for which the WPA has been allegedly responsible have come from the South, and in other sections of the country from employers of agricultural workers or domestic servants, and from employers of seasonal labor. It is significant that no important shortages of experienced workers in manufacturing have been ascribed to the Work Projects Administration.⁴¹

The revised schedule of monthly earnings for Class

⁴⁰ A further obstacle to acceptance of temporary private work may also be presented by the fact that this work may entitle him to unemployment compensation benefits, the availability of which may subsequently prejudice his eligibility for employment on the WPA. Because of the nature of the benefit formulas (see ch. VII), benefits arising out of temporary or short-period employment are likely to be small and certainly smaller than could be obtained from WPA employment.

⁴¹ The only type of highly paid employment in which occasional labor shortages have been attributed to WPA is building construction. In view of the comparative wages paid, effective competition is unlikely. In fact, prior to the establishment of the standard 130-hour month by the Emergency Relief Act of 1939, complaints were made by unions that skilled project workers receiving the prevailing hourly wage and therefore required to work relatively few hours per month, were supplementing their WPA earnings by accepting private employment at less than prevailing wages. (Information supplied by the Works Progress Administration.) On the other hand, to the extent that WPA may make efforts to retain certain key men in order not to jeopardize the employment of large numbers of unskilled workers or to complete projects already under way, occasional complaints of competition with private employment may be well grounded and may be expected to be more numerous with a sudden revival of private business.

"A" unskilled labor on WPA projects (class "B" rates are paid for work on jobs not requiring heavy physical labor) is as follows:

Counties in which the 1930 population of the largest municipality was—	Wage region I (North Central and North Eastern States)	Wage region II (West: Mountain and Pacific States)	Wage region III (South)
100,000 or more.....	\$57.20	\$57.20	\$50.70
25,000 to 100,000.....	52.00	52.00	48.10
5,000 to 25,000.....	48.10	50.70	40.30
Fewer than 5,000.....	42.90	49.40	35.10

The average farm wage rate in the United States in July 1940 was \$37.18 per month (without board). In the States of Washington, Oregon, and California average farm wage rates ranged from \$55.75 to \$72 (without board). On the other hand, in the States of Virginia, North and South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas the average farm wage rate ranged from \$18.75 to \$31 per month (without board).⁴²

Obviously, there has been a monetary advantage for the agricultural laborer in the South to obtain a WPA job as an unskilled worker, especially when the number of hours of work required in the two types of employment are taken into account. In June 1940, the average length of the working day for hired farm labor in the United States ranged from 9.0 hours (Utah and Nevada) to 11.7 hours (Wisconsin).⁴³ On the basis of a six-day work week, the farm laborer would on the average have to work nearly twice as many hours during the month as the WPA worker to earn a given wage.

The average hourly entrance rates of adult common laborers in 20 industries studied by the Bureau of Labor Statistics in July 1940 was \$0.56 in the North and West.⁴⁴ On the basis of a 130-hour month, this wage (\$72.80) is considerably better than the earnings of unskilled labor on WPA in all communities of 5,000 population or more in Wage regions I and II. On the other hand, the entrance rates in the South and Southwest averaged \$0.355 per hour. This rate when multiplied by 130 (\$46.15) does not compare very favorably with the WPA monthly earnings schedule in Wage Region III for communities of 5,000 or more, which ranges from \$40.30 to \$50.70. This is especially true for Negroes in the South and Southwest, whose entrance rate was only \$0.336.

⁴² U. S. Department of Agriculture, Agricultural Marketing Service, *Farm Labor Report*, July 12, 1940, Washington, 1940, p. 6.

⁴³ U. S. Department of Agriculture, Agricultural Marketing Service, *Farm Labor Report*, June 14, 1940, Washington, 1940, p. 3.

⁴⁴ Data on entrance rates in this paragraph from "Entrance Wage Rates of Common Laborers, July 1940," *Monthly Labor Review*, LIII (January 1941), 7 and 8, tables 2 and 3.

It is evident that even the average unskilled worker in the North would find WPA relatively unattractive, both in wage scale and total earnings, as compared to most private employment opportunities. On the other hand, WPA employment compares favorably in terms of monthly earnings with private employment in the South, and in this area the incentive for workers to take the initiative to find private employment and sever WPA connections is inevitably less than in other parts of the country.⁴⁵ In 1939 the wage scales of the Work Projects Administration were recomputed in accordance with a congressional mandate in such a manner as to involve sharp increases in the lowest categories.⁴⁶ While surprisingly few complaints were made, the bulk of such objections as were received came from employers in the South.⁴⁷

Industries employing seasonal labor have on occasion complained of the difficulty of securing labor because of the "unfair competition" of the Work Projects Administration, despite the WPA practice of shutting down projects in rural areas during harvesting seasons. Investigations of such reports have frequently shown that the alleged shortage was attributable to the rates of pay offered by the employers concerned which were so low as to offer less than a bare subsistence wage.⁴⁸

⁴⁵ It has been acknowledged that the work program used its wage policy to attempt to raise wage standards in low-rate areas. See Burns, Arthur E., "Work Relief Wage Policies, 1930-36," in *Monthly Report of the Federal Emergency Relief Administration, June 1 through June 30, 1936*, Washington, 1936, p. 55; and Burns, Arthur E., and Kerr, Peyton, "Survey of Work Relief Wage Policies," *American Economic Review*, XXVII, (December 1937), 724. Two substantial increases in the security wage of the South have subsequently occurred so that "in the South, unskilled earnings under the new schedule are higher than wages paid for unskilled labor in private employment, particularly to farm and domestic labor." (Burns, Arthur E., and Kerr, Peyton, "Recent Changes in Work-Relief Wage Policy," *American Economic Review*, XXXI (March 1941), 63.)

⁴⁶ The security wage of the Work Projects Administration was originally determined partially on the principle that it was to exceed the amounts received by families on relief and that it was not to exceed the earnings paid to corresponding occupational groups in private industry in the locality. "These conditions were mutually incompatible in these instances where private earnings were extremely low or where relief benefits to large families were above the level of private earnings in the locality. This situation was quite common in the case of large families and in the rural South with its low level of private earnings." (Burns, Arthur E., and Kerr, Peyton, "Survey of Work Relief Wage Policies," *American Economic Review*, XXVII (December 1937), 720.) During June and July 1938 increases were made in monthly earnings in the 13 Southern States. The increases for unskilled workers averaged \$5 a month, with the result that the lowest monthly wage paid by WPA for unskilled labor was increased from \$21 to \$26. Section 15 (a) of the Emergency Relief Appropriation Act of 1939, which required that monthly earnings should not vary geographically more than the differences in cost of living, resulted in the unskilled rate in rural sections of the South being increased from \$26 to \$35.10. In Southern cities of 100,000 and over, the unskilled rate was increased from \$40 to \$50.70. (Burns, Arthur E., and Kerr, Peyton, "Recent Changes in Work-Relief Wage Policy," *American Economic Review*, XXXI (March 1941), 58-61.)

⁴⁷ From information supplied by the Work Projects Administration.

⁴⁸ This appears to have been the case in regard to the alleged shortage of beet-field labor in the Rocky Mountain beet-growing States in April and May 1936. It was reported in some areas that as many as 9 out

A number of exhaustive inquiries made by WPA into alleged labor shortages in berry-picking, vegetable- and fruit-farming, corn-hog farming, forestry, and general farming areas indicate that WPA has been one factor, but not the principal one, contributing to the difficulties experienced by employers in obtaining seasonal workers. In view of the low wages, extreme insecurity, and frequently arduous working conditions found in agriculture, qualified workers have often preferred to remain in WPA employment. Some workers also who might have otherwise migrated in search of seasonal farm work may have been enabled by WPA employment to remain in cities and towns.

The situation with regard to domestic employment is similar. WPA wages for unskilled labor have undoubtedly exceeded private wage scales for domestic

of every 10 WPA workers refused to enter the fields. Investigation revealed that there was an unusual seasonal demand for labor that year due to very favorable weather conditions. The delay in getting labor was customary. Following its usual policy of closing down projects in such a situation, the WPA released 1,200 workers 2 weeks before the opening of the beet-field season in the Denver district of Colorado. In other parts of the State the WPA released 3,000 heads of families representing about 9,000 workers. The Wyoming administration announced that all its beet workers and persons qualified for beet work were released by May 15.

It is clear that a significant number of workers who usually worked in the beet fields had been on WPA rolls, and if the WPA had not been curtailed, the beet growers would have suffered. Reports of job refusals by WPA workers were greatly exaggerated, only a small percentage refusing to work in the fields after dismissal from the WPA. Termination of the WPA projects was, however, necessary to force workers to accept work in the beet fields. The beet work was not attractive enough for even the lowest-paid relief worker. (From information supplied by the Work Projects Administration.) Again on September 9, 1936, the Chamber of Commerce of Memphis, Tennessee, made a press announcement that the WPA was the principal cause of labor shortage in Tennessee and implied that WPA was responsible for labor shortages in the whole Cotton South. The most startling part of the announcement was the statement that farmers were paying \$1 and \$1.25 a hundred pounds for cotton picking, which was the highest rate paid in many years. The report went on to state that, even at this rate, workers could not be persuaded to leave the WPA rolls. The announcement received front-page attention throughout the nation.

The WPA reported, however, that "the day after the announcement was made, the employment office of the NRS at Memphis was swamped by a rush of workers prepared to take the hundreds of picking jobs offered at \$1 to \$1.25." This sudden deluge of job seekers came as a great surprise to the National Reemployment Service officials, who had only a few jobs to offer and these at 75 cents a hundred pounds. Some workers accepted jobs at 75 cents; others did not. Judging from the response of the workers to the alleged demand at \$1.00 to \$1.25, the supply at low wages was scarce but at the slightly higher wages it was abundant. Cf. Brown and Cassmore, *op. cit.*, pp. 62-63.

Similarly, an investigation of an alleged shortage of farm labor in Nassau County, New York, in June 1937, revealed that low wages offered by farmers were largely responsible for difficulty in securing workers. Truck-garden farmers were offering \$2 to \$3 for a 10-hour day as compared with a prevailing unskilled labor rate in other industries of \$4 to \$5 for an 8-hour day. It was also found that there was no longer a sufficient supply of immigrant women willing to accept the low pay and long hours of truck-garden work. Only one farm laborer was found to be receiving local relief and many of the 150 farm laborers on WPA projects were disqualified for field work by age or other factors. The files of the National Reemployment Service contained the registrations of nearly 800 farm laborers, few of whom, in the opinion of the district manager, would accept such heavy work offered at \$2 a day.

workers. Prior to July 1939, unskilled WPA workers received \$60 a month for 120 hours of work in New York City. The prevailing wage in private domestic employment for "living-in" jobs (involving a considerable restriction on personal liberty) was found to be about \$50 (plus maintenance) for a work month, 50 or 60 hours longer than that of WPA workers. In Cleveland, Ohio, monthly earnings in WPA sewing rooms were \$60.48 to \$71.40 for 140 hours of work; in domestic service, monthly wages of \$30 to \$40 for up to 250 hours per month were not uncommon. The discrepancy between WPA wages and those for domestic service was even greater in the small cities and rural communities.⁴⁹

In most of the instances studied by WPA, complaints regarding a "shortage" of domestic workers were found to be justified in the sense that a certain type of demand was unsatisfied. However, complaints about the shortage of domestic workers are not peculiar to the period of the WPA program but have been chronic since the World War. Because of low wages, long hours, poor working conditions, and the social stigma associated with such work, this occupation represents a last resort to many women. However, inasmuch as WPA, since its beginning in 1935, has never employed more than a fractional part of the total numbers of unemployed women qualified for domestic work, it can scarcely have been a decisive factor in creating such shortages.

The obvious dilemma in most of these instances is, therefore, whether a work program can afford to restrict its wages to a level incompatible with acceptable minimum living standards in order not to compete in a private labor market in which wages are extremely low.

Maintenance of a Labor Supply for Private Employers

The preceding pages have indicated that to some degree public-aid programs have restricted the labor supply available for private employment in certain areas or types of employment. Against this, must be set the fact that these programs, both as a whole and individually, have performed the function of maintaining in existence a labor supply which is available

whenever private employers choose to utilize it. Cyclical irregularity of operation has for many years been a characteristic of our economy. Consequently, great numbers of workers who are essential to the operating economy during boom periods either secure no work at all at times other than the crest of the cycle or at least suffer many spells of unemployment. *So long as private business makes no provision for carrying this overhead, public-aid programs perform an essential economic function in maintaining these workers in some degree of health and efficiency, so that they are available for industrial demands whenever business revives.*

From the short-run point of view also, public-aid programs must be regarded as making a direct contribution to business through facilitating the maintenance of labor reserves. Significant inter-cyclical factors, such as seasonal operations, structural changes, and irregularity of operation attributable to poor or indifferent management, lead to great variations in the labor demands of individual enterprises within any given year and account for the interest of employers in maintaining labor reserves.⁵⁰

To the extent therefore that public-aid programs offer employment or relief to workers who are temporarily not needed by private business, they may foster the continuation of labor reserves at no cost to employers. It seems probable, for example, that the policy of the Work Projects Administration in offering employment to seasonally unemployed workers has had this effect. To the extent also that the Farm Security Administration provides limited cash and commodity grants as well as camp accommodations and some medical services for migrants in the Far West, farmers in these areas are directly benefited because at no cost to themselves there is available a labor supply which they need in seasonal peaks. The same contribution towards the maintenance of an available labor reserve is made by unemployment compensation legislation, although here the cost is at least in the first instance paid by the employers.⁵¹ There is evidence that employers have been quick to realize this advantage of unemployment compensation.⁵²

⁴⁹ The desire to operate in areas characterized by large available labor reserves may also be strengthened in some cases by the desire of employers to improve their bargaining position in regard to wages and other conditions of employment. Cf. Vreeland, Francis M. and Fitzgerald, Edward J., *Farm City Migration and Industry's Labor Reserve*, Work Projects Administration, National Research Project, Philadelphia, Report No. L-7, 1939, pp. 37-38.

⁵¹ See ch. XI for a discussion of the incidence of pay-roll taxes.

⁵² For example, in the textile mill towns of North Carolina the operators were very eager to keep their labor forces intact. By spreading the work, mill owners were able to keep their workers near the plant. "Partial unemployment benefits provide a convenient device to this end and textile mill operators have often arranged their production schedules accordingly * * * Several instances were observed where all of the employees in a textile mill were receiving partial benefits, al-

⁴⁹ Investigations during 1936 showed that cash wages in domestic service ranged from \$3 to \$5 a week in many cities. In Atlanta, Ga., and in Greensboro, N. C., wages from \$3 to \$6 per week were most common for 12- to 14-hour working days. In Milwaukee, Wisconsin, domestics were getting \$7 for 60 to 70 hours of work. Data on current unfilled openings obtained from two of the offices of the New York State Employment Service showed that the average monthly cash wage was \$35 to \$40, or about 10 to 11 cents per hour. Frequently the shortages were found to be in connection with "living-in" jobs rather than in day jobs. Many women, willing to take day jobs even at low wages could not accept "living-in" jobs because of family responsibilities. (Information supplied by the Work Projects Administration.)

The most direct evidence of the influence of public-aid programs in this connection is to be observed in the field of general relief. One or more employable persons, meaning those who are able and willing to perform useful work and who do so when the opportunity is available, have been estimated to be present in perhaps as many as 60 percent of all cases receiving general relief in 1940.

It has also been estimated that during January 1940, over 100,000 cases receiving general relief also had some private employment. In some cases the employment was full-time work. In such cases the need for relief may have been attributable to unusual needs such as those occasioned by very large families with one worker, to low wages, to the fact that the productive efforts of the particular worker may not have been worth any more than he was being paid, or to a combination of such reasons. When relief was available, the acceptability of the tendered wages may well have been conditioned by the worker's knowledge that, despite their inadequacy, his family would not starve because of the availability of relief supplementation. *Where general-relief supplementation is available to such workers it confers a direct economic benefit on the employer, for it enables him to continue to secure a labor force, part of whose necessary maintenance costs are not covered by the wages he offers.*

Most of these 100,000 cases, however, were workers on part time either as the result of a spread-the-work policy or because of the character of the job. When part-time work, whether induced by necessity, by policy enforced by unions or deliberately adopted by employers in the hope of maintaining a labor reserve, or by a worker's preference for casual employment, yields earnings inadequate for subsistence, general relief in fact represents a subsidization of private enterprise.

However, the common definition of supplementation as concurrent receipt of relief and income from private sources is too narrow a definition. Supplementation is equally as real in the case of a man who works during alternate weeks (or months) or seasonally and needs relief during the other weeks (or months) or other parts of the year. This second type of supplementation is more common than that previously described. The vast majority of employ-

able general-relief cases work at times and receive relief at times. The proportionate importance of employment and relief in their lives is in part determined by personal factors. But it is in part influenced by the character and regularity of industry's demands. Two typical illustrations of the effect of intermittent or seasonal employment on the relief load from the State of Wisconsin and the city of Philadelphia may be cited.

In Wisconsin it was found that between January and October 1936, 139,400 different cases, representing about 488,000 persons, received direct relief or service from relief and certification agencies, although the number of cases which received relief or service in any one month averaged only 57,900. Commenting upon the heavy turnover the agency stated:

Families need aid one month, but are able to support themselves the next. Sickness may force a family to apply for medical aid until health is restored. Seasonal or intermittent employment may result in a family being on and off relief for short periods of time * * *. Under-employment and seasonal unemployment are the two elements that keep the relief load turning over within itself, yet relatively stable in total numbers.⁵³

An analysis of a random sample of cases reopened for relief in Philadelphia during April 1937 also throws light upon the significance of intermittent employment. Although not entirely representative (because of the omission of those cases who were seeking relief for the first time), the findings are the more significant because April 1937 was a time close to the peak of a recovery period extending back over three years, during which it might be expected that people who had found jobs would be most likely to retain them. Yet, of the cases which had left the relief rolls because they found private employment, almost 36 percent were back within six months, and over 71 percent were back within a year.⁵⁴ In such circumstances general-relief payments serve to keep available a labor supply which employers can call upon for occasional or seasonal work.

Public-Aid Programs and Labor Mobility

Economists have long been concerned with the problem of increasing rigidities in the economy. Hindrances to mobility of labor between occupations or geographical areas are among the factors increasing rigidity. In particular, it has frequently been maintained that public-aid measures adversely affect labor mobility by freezing labor in home communities where aid is more readily available, or by encouraging workers to remain in occupations or dis-

though that mill continued to operate on 2 or 3 shifts per day." (Joseph, J. J., *An Exploratory Memorandum on Partial Unemployment Benefits in State Unemployment Compensation System*, Committee on Social Security of the Social Science Research Council, Pamphlet Series No. 4, Washington, 1940, p. 47.)

There was a similar development in the coal-mining industry of West Virginia. In their efforts to prevent their labor forces from disbanding by moving elsewhere in slack periods, some "mine operators go to great lengths to assure that their workers receive benefits, even calling in person at the office of the unemployment compensation agency." (*Ibid.*, p. 52.)

⁵³ *Wisconsin Public Welfare Review* [Public Welfare Department], (November 1936), 8-9, 12.

⁵⁴ Schwartz, S. S., *Grants-in-Aid-of-Wages*, Philadelphia County Relief Board, 1937, p. 12.

tracts where prospects of absorption in private industry are remote.

General Problems of Labor Mobility

Evaluation of the economic effects of the various public-aid programs from this point of view is impeded by the difficulty of distinguishing between economically justifiable and economically unjustifiable movement of labor. While it is obviously desirable for the smooth and flexible functioning of the economy that mobility, defined as "the willingness and the ability of labor to move from one employer to another, from one place to another, and from one occupation to another in response to changes in demand"⁵⁵ should not be interfered with, it is equally evident that mere aimless movement between areas or occupations of limited opportunity is an undesirable phenomenon from both a social and an economic point of view. This latter type of labor movement is most likely to occur in periods of acute depression, especially if knowledge of labor demand in different areas or industries is imperfectly disseminated. In such circumstances, the practical question of public policy is more likely to be how to prevent wasteful movement than how to stimulate necessary mobility.

This situation appears to have been characteristic of the years covered by this study. Industry in general was operating at a low level of capacity, and while (as will be shown later) there were especially depressed areas that had long been marked by declining activity, there were almost none which were expanding so rapidly as to offer significant prospects of absorption.

Geographical mobility.—Despite this situation, the last 10 years have witnessed a high degree of movement of labor. The suffering and economic waste attributable to the fact that a large part of this movement has been unorganized and unrelated to expanding economic opportunities has caused public concern and has been the subject of many investigations, the most recent and comprehensive of which is that of the Select Committee to Investigate the Interstate Migration of Destitute Citizens.⁵⁶

Depression forces as well as drought and erosion have forced many hundreds of thousands of farmers, farm laborers, and other groups into the ranks of migratory job-seekers.⁵⁷ The heaviest of these emigra-

tions have occurred from areas of greatest economic pressure—the great plains and arid sections of the west, the cut-over regions in the northern lake States, the southern Appalachian belt, and the eastern cotton area in the South.⁵⁸ A dominant pattern has also been the flow of millions of persons, particularly youth, from the farms to the cities.⁵⁹ The extent of transiency among young people from both farms and cities had become a serious problem in the early years of the decade.⁶⁰ Although most attention has been focused upon rural-urban and agricultural migrations, movement between cities has been of even greater volume.⁶¹ Much of this movement has been "distress migration" towards areas of illusory security and opportunity. Workers left the farms to seek employment in industry at the same time as unemployed workers were retreating to the farms for a precarious submarginal existence on the land.⁶² Industrial workers moved from one area of unemployment to another.⁶³

Occupational mobility.—Movement during the depression years has not been merely geographical in character. As stated in Chapter II, there has also been considerable occupational mobility, most usually, involving down-grading of work. Skilled workers

⁵⁵ See Vreeland and Fitzgerald, *op. cit.*, *passim*. Authorities have called attention to the fact that such causes as mechanization, concentration of farm holdings, and loss of foreign markets as well as drought and erosion have been significant in causing these forced migrations. See, for example, *Interstate Migration*, Report, pp. 321–323.

⁵⁶ Between 1920 and 1930, about 6,000,000 persons moved from farms to cities, towns, and villages. This net movement represented the difference between some 19,500,000 moves away from, and some 13,000,000 moves to, farms. During the depression decade the total number of moves to farms decreased to 10,600,000 and moves away from farms fell even more sharply to 12,800,000. (*Ibid.*, pp. 281–282 and 287.) See also Vreeland and Fitzgerald, *op. cit.*, pp. 15–20.

⁵⁷ For an account of the large amount of juvenile transiency in the spring of 1932 and the problems which it created, see *Twentieth Annual Report of the Chief of the Children's Bureau, for the Fiscal Year Ended June 30, 1932*, Washington, 1932, pp. 5–9.

⁵⁸ The number of families and individuals moving from city to city across State lines has been estimated at 4,000,000 during 1937, as against an estimate of about 1,000,000 farmers and farm laborers in migratory status during the same year. See *Interstate Migration Report*, pp. 465, 467–712.

⁵⁹ "Even in the period of industrial prosperity * * * industry provided more or less permanent jobs for but a fraction of those who came from the land * * *. Many of the workers were forced to return to the land permanently or periodically. With the onset of industrial depression, the possibilities for adjustment in the city were so reduced as to increase the number fleeing to the land." They were caught between depression conditions on the land and in the cities. (Vreeland and Fitzgerald, *op. cit.*, p. 57, and pp. 58–61.) Much of this depression induced retreat to the land "has been of a temporary character, represented by the growth of small subsistence-farming efforts near large cities * * *. Although they left the cities, these workers still constituted an unemployed labor reserve." (*Ibid.*, letter of transmittal.)

⁶⁰ A witness at the Chicago hearing of the Committee on Interstate Migration testified: "Even in the darkest days of the depression of 1929–32, some people were coming from other States and cities and were obtaining employment in Illinois. Still other thousands came to Illinois to seek employment, but were disappointed. * * * The paradox is that people continue to migrate to Illinois in order to obtain employment, while thousands of Illinois residents have remained unemployed and are seeking work." (Quoted in *Interstate Migration*, Report, p. 500.)

⁵⁵ Slichter, Sumner H., "The Impact of Social Security Legislation Upon Mobility and Enterprise," *American Economic Review*, XXX (March 1940), supplement, 44.

⁵⁶ See *Interstate Migration*, Report of the Select Committee to Investigate the Interstate Migration of Destitute Citizens, House of Representatives, Washington, 1941. (This report and the hearings on which it is based will be cited hereafter by title only.) Cf. ch. VI above.

⁵⁷ The estimated migration into California and the States of the Pacific Northwest has been estimated at 2,876,000 during the 1920's and 1,820,000 during the 1930's. (See *Interstate Migration*, San Francisco Hearings, p. 2275.)

have taken less skilled work or shifted to different occupations. Others have become casual laborers, or withdrawn entirely from the labor market.⁶⁴ During the depression, some unemployed workers sought self-employment; at the same time self-employed persons in industry as well as agriculture were forced through failure into the industrial labor market.⁶⁵

Effects of Public Aid on Labor Mobility

The many studies of the large volume of geographical mobility that have been made in recent years have demonstrated that the major spur to movement is the search for employment opportunity rather than the desire to secure more generous public aid. The Committee on Interstate Migration, after extensive testimony and investigation, emphatically denied that the possibility of obtaining relief in another community was a significant factor in migration. The Committee pointed out that "low earnings and economic insecurity—the conditions which force people to accept relief—are also those which impel them to migrate in search of jobs."⁶⁶ The Committee stated further: "The testimony of welfare officials at the committee hearings repeatedly refuted the idea that the purpose of interstate migrants had been to seek more generous allotments of relief."⁶⁷

General relief.—This conclusion is not surprising in view of the nature of the residence requirements of State and locally administered general-relief programs. It was pointed out in Chapter VI that relatively long residence requirements are characteristic of these programs. But, while these requirements may have served to restrict movement whose sole object has been to secure more generous public aid, they may also have acted as a deterrent to economically defensible types of mobility. The Committee on Interstate Migration has pointed out that "persons with initiative who through circumstances beyond their own control have fallen on relief in one State are afraid to leave such assistance in search of employment elsewhere for fear of losing their settlement rights."⁶⁸ In the trough of a depres-

sion this restriction of mobility may be unimportant: with revival, however, it may impede the speedy absorption of idle labor.

Special assistances.—The effect upon mobility of the special public assistance which, like general relief, carry residence requirements is likely to be less significant. For these programs make payments to persons who for reasons of age or disability are not in general members of the working population.

Social-insurance program.—It is evident too that the national old-age and survivors insurance and railroad retirement programs have no effect upon the geographical mobility of labor, since benefit rights are not dependent on place of residence.⁶⁹

In unemployment compensation, however, eligibility depends upon rights accumulated in respect of employment within any given State. The interstate agreement which has now been signed by all States obviates part of the hindrance to mobility which this condition might create. Under this arrangement each State agrees to act as the agent for making payments to persons who are entitled to benefits on the basis of employment in some State other than that in which they reside at the time of unemployment. During 1940 such interstate payments amounted to roughly 4 percent of all weeks compensated. But it is evident that this is only a partial solution, since it removes impediments to mobility only in the case of workers who have fully qualified in any one State. The worker whose employment in any one State is inadequate for the eligibility requirement but whose total employment or earnings in two or more States might be more than adequate to meet the requirements of any existing law is still penalized by movement from one State to another.⁷⁰ Nor are the prospects bright for any agreement between the States to meet this situation because of the differences among State laws in regard to coverage, eligibility requirements, benefit formulas, and duration of benefit.

Some restrictive influence on mobility as between employers or occupations may conceivably be exerted by the social-insurance programs, since these offer a specific form of security only to workers in covered employment. It is to be expected therefore that workers will attempt to secure employment in covered industries or types of firms in preference to those not covered, but little evidence is as yet available as to

⁶⁴ See, for example, two of the Philadelphia Labor Market Studies made by the National Research Project, Works Progress Administration, in cooperation with the Industrial Research Department, University of Pennsylvania, published in Philadelphia, 1938: Hermann, Helen, *Ten Years of Work Experience of Philadelphia Machinists*, Report No. P-5; and Palmer, Gladys L., *Ten Years of Work Experience of Philadelphia Weavers and Loom Fixers*, Report No. P-4. See also Clague, Ewan and Couper, Walter J., *After the Shutdown*, Institute of Human Relations, Yale University, New Haven, Yale University Press, 1934; and Massachusetts Department of Labor and Industries, Division of Statistics, *Report of the Census of Unemployment in Massachusetts as of January 2, 1934*, Public Document No. 15, Labor Bulletin, No. 171.

⁶⁵ See *Interstate Migration*, Report, pp. 685-687.

⁶⁶ *Ibid.*, p. 519.

⁶⁷ *Ibid.*, p. 468.

⁶⁸ *Ibid.*, p. 4.

⁶⁹ It is interesting in this connection to note that average employee annuities under railroad retirement legislation are highest in Florida, surpassing such States as New York and Pennsylvania. This suggests the probability that the wages on which the high Florida benefits are based were earned in other States. Indeed to the extent that national old-age insurance programs replace previous private retirement plans which tended to tie the workers to individual employers, mobility has been fostered.

⁷⁰ See ch. VIII above for discussion of the problems associated with minimum earnings requirements.

the extent of this influence. *It is noteworthy that the major occupations excluded—agriculture and domestic service—are already those least favored by workers for other reasons. Thus, their continued exclusion from unemployment compensation laws and the old-age and survivors insurance system may intensify the difficulties of these employments in attracting and holding workers.*

A more direct influence upon mobility between employers may, however, be exerted by the unemployment compensation programs. Coverage does not extend to small employers in many States and, with a reviving demand for labor, workers may avoid this type of employment. Furthermore, experience rating in States where partial unemployment benefits are provided may encourage employers to adopt devices which have the effect of tying to them a body of workers. Partial unemployment is normally defined as loss of earnings attributable to reduced employment amounting to less than a certain fraction or sum in excess of the benefit rate. In these circumstances there is an obvious inducement to employers to redistribute available employment among their labor force in such a way as to ensure that as many workers as possible earn at least enough to make them ineligible for full or partial benefits, in order to prevent the employers' accounts from being charged with benefit payments. Thus, instead of some workers being wholly laid off and available for other employment, all workers in the firm may be attached to an employer who can offer them little continuous employment. While the extent of this deterrent to mobility is restricted by the limited duration of benefit rights, it may become serious, as the experience of Great Britain has shown, if benefit duration is substantially extended.

Again, the provision of the laws relating to disqualification for specific types of conduct may impede mobility. It is obvious, for example, that if the penalty for voluntary leaving and, to a lesser degree, for discharge for misconduct is severe, and especially if it involves complete loss of benefit rights, undesirable impediments to mobility may result.⁷¹ A case may be made

⁷¹ In South Dakota and Wisconsin, discharge for misconduct involves loss of benefit rights based on the employer by whom discharged, and in addition in Wisconsin, disqualification for week of discharge and 3 following weeks based on previous employer accounts. These two States also penalize voluntary quitting by loss of benefit rights based on employment with the last employer. Elsewhere discharge for misconduct is penalized by disqualification from benefit for flexible (1 to 10 weeks) or fixed (1 to 6 weeks) periods, or for the duration of unemployment, by an extension of the waiting period to 10 weeks, or by a reduction in benefit rights for a period ranging from 1 to 9 weeks. Voluntary leaving may be penalized by disqualification for flexible periods ranging from 1 to 9 weeks (usually additional to the week in which the leaving occurred) or for a fixed period (ranging from 1 to 4 weeks additional to that in which leaving occurred) or for the duration of unemployment. Voluntary leaving may be penalized also by reduction in benefit rights for a period varying from 1 to 9 weeks. Only New York has no

for limiting the benefit rights of workers discharged for misconduct; but, since this type of conduct is not susceptible of precise definition, it would seem that in some States the penalties are unusually severe and may introduce undesirable rigidities.⁷²

Disqualification for voluntary quitting, while at first sight also defensible, may yet have undesirable effects upon mobility, especially in periods of rising employment. In the 42 State laws which define involuntary quitting as "leaving work voluntarily without good cause," everything will depend upon the interpretation placed upon good cause. A limited definition, which may be urged by employers operating under experience-rating and especially employer-reserve plans, may discourage workers from leaving to seek other employment in areas or with firms where there are reasonable prospects of more regular or better-paid employment. In the four States which define voluntary leaving as "leaving work without good cause attributable to the employer," the effect upon mobility in periods of rising employment will be even more restrictive. In view of these considerations it is not without significance that in the last half of 1940 employers were increasingly urging the enactment of more stringent penalties for voluntary quitting and discharge for misconduct.

Rural programs.—The preceding discussion indicates that the significance of the influence of public-aid programs may be very different in periods of depression and of revival. In the depth of a depression the major problem is one of preventing wasteful movement and planning for the most economical distribution of the available labor power as and when industry revives. With a general increase in the demand for labor, this knowledge must be drawn upon and all available devices utilized to facilitate the absorption of labor in areas of expanding demand. In this perspective, it cannot be said that public policy has yet risen to the challenge.

Certain of the public-aid programs have, however, very specifically attempted to prevent wasteful migration, removing some of the obstacles to continued self-support in areas from which migration might take place. Thus, the rural-rehabilitation program of the Farm Security Administration and its predecessors has had the primary aim of "helping low-income farmers to get a greater degree of independence and security."⁷³

penalties for voluntary leaving, and only Massachusetts and Pennsylvania refrain from penalizing workers discharged for misconduct.

⁷² These difficulties may be particularly acute in those States where employers, because of the existence of an experience-rating system have a real interest in alleging misconduct as the reason for discharge in order to escape benefit liability. Thus, in periods of rising demand for labor, workers who seek higher wages may be fired "for misconduct" and may hesitate to take overt action because of the fear of loss of benefit rights.

⁷³ *Report of the Administrator of the Farm Security Administration, 1940, Washington, 1940, p. 1.*

Through the various parts of this program, needy farm groups have been aided in meeting their minimum needs for subsistence and farm equipment; debts have been scaled down and more favorable terms acquired; equipment and services have been leased cooperatively; tenant farmers have been assisted to become owner-operators; and some families have been moved from submarginal lands to more favorable farming sites.⁷⁴ There is no doubt that these measures have been effective in keeping farmers on the land and in increasing their security; however, the over-all results have been very small in terms of the problems to be met, owing to the limited scope and financing of the program.⁷⁵ Some of the need for supplemental income has also been provided by WPA employment of farmers not eligible for FSA aid. This type of aid, although it does not meet the other-than-maintenance needs, has unquestionably enabled some farmers to continue on the land.⁷⁶ Drought relief and other emergency relief provided by the WPA, the FSA, and earlier programs have also been important factors in at least stemming the tide of migration away from the farms.

In a period of restricted economic opportunity such measures are not only socially but also economically defensible. Their continuation into periods of revival raises more difficult issues and calls for a careful integration of public-aid policy with broad national economic policies. For experts have long been calling attention to the fact that there is a surplus of workers attached to agriculture,⁷⁷ and continuance of such programs in a period of recurring industrial demand for labor must depend upon the extent to which economic conditions justify the retention on the land of a large number of small farmers.⁷⁸

The Employment Service and Labor Mobility

It must also be noted that the United States Employment Service, which has greatly expanded in connection with public-aid activities, has important functions bearing upon labor mobility. In Chapter IX the activities of the service were discussed from the viewpoint of the unemployed worker, and emphasis was laid upon the extent to which the service was successful in placing workers in jobs and in guiding them in preparation for available work. At this point attention will be focused on the wider economic functions of the employment service; namely, the contribution made to the full and effective utilization of the labor supply through promoting economically desirable movements of labor between places, occupations, and industries and preventing wasteful movement.

It is evident from the preceding account of the extent of wasteful and undirected movement that the success of the employment service has not been complete, even though its efforts to control the unorganized migration to the sites of large public works projects have been at least partially successful.⁷⁹ There is still an imperfect geographical coverage of the country by local offices, and since 1937 the exigencies of unemployment compensation benefit payments have diverted attention away from its original and basic function. In addition, however, the capacity of the service to coordinate labor supply and demand on a national scale has been to some extent impeded by the development of the service on a State rather than national basis and by the fact that it was not in contact with the entire body of unemployed workers.

Limitations of State services.—The national character of the labor market has long been an established economic fact, and the relocations of industry and geographical changes in the demand for labor that have accompanied the defense effort have served to illustrate this fact in a dramatic manner. For such an economy it is obvious that there are real limits to the services that can be rendered by a labor clearance system operating on a compartmentalized State basis. Efforts have been made to overcome this difficulty by the development of an interstate clearance system.

Unfortunately, the available data do not distinguish between interstate and intrastate clearances. However, it has been stated that all the clearance transactions involving private employment were intrastate, and mostly between adjacent areas, and that interstate clear-

⁷⁴ See ch. IX.

⁷⁵ At the hearings of the Committee to Investigate the Interstate Migration of Destitute Citizens, witnesses emphasized, for example, that while the number of farm tenants was increasing by about 40,000 a year, less than 10,000 loans could be made a year for the purchase of farms by tenants. The Committee recommended the extension of FSA activities. (*Interstate Migration*, Report, pp. 69, 11. See also pp. 68-80.)

⁷⁶ See ch. IX. The conservation and reclamation work of the Department of Interior has also attacked some of the roots of farm destitution, and at the same time has provided needed rural employment opportunities. (See *Interstate Migration*, Report, pp. 80-86.)

⁷⁷ "The number of workers required for farm production in the United States declined from 12,200,000 to 10,600,000 in the period 1909-1939." (*Ibid.*, p. 404.) At the same time, farm population steadily increased.

⁷⁸ Basic to the changes accompanying this progressive decline in the agricultural proportion of our population has been the steady spread through rural America of the scientific and mechanical aids characteristic of industrial methods of production. With these aids it has been possible for American agriculture, with an ever smaller proportion of the Nation's workers, to supply to a growing population and economy the products needed for its sustenance and as industrial raw material." (Vreeland and Fitzgerald, *op. cit.*, p. 4.) See also *Interstate Migration*, Report, pp. 275-280, 403-445. Cf. Woolfer, Thomas J., Jr., "Will Defense End Unemployment?" *Harpers Magazine*, No. 1092 (May 1941), 625-30.

⁷⁹ For a further discussion of the appropriateness of subsistence farming as a long-range objective see *Interstate Migration*, Washington Hearings, p. 3759.

⁷⁹ "But for the development of the employment service, the unorganized migration which brought thousands of job-seekers to Boulder Dam from all parts of the country would have been repeated at other large public works projects launched during the depression." (Atkinson, Raymond, Odencrantz, Louise C., and Deming, Ben, *Public Employment Service in the United States*, Chicago, Public Administration Service, 1938, p. 15.)

TABLE 88.—Interstate and intrastate clearance placements by the United States Employment Service, 1935-40

Calendar year	Total clearance placements		Public clearance placements		Private clearance placements	
	Number	Percent of all placements	Number	Percent of all public placements	Number	Percent of all private placements
1935	102,276	2.3	(¹)	(¹)	(¹)	(¹)
1936	227,077	4.5	207,152	5.8	19,925	1.3
1937	165,440	4.5	127,138	9.9	38,312	1.6
1938	73,626	2.7	48,006	5.9	25,620	1.4
1939	99,289	2.9	48,061	6.0	51,228	1.9
1940	75,603	2.0	(¹)	(¹)	(¹)	(¹)

¹ Not available.

Source: Data for 1935-39 compiled from U. S. Employment Service, *Who are the Jobseekers?*, Washington, 1937, p. 66; and *Employment Security Review*, VII (December 1940) p. 6. Data for 1940 from Bureau of Employment Security, Social Security Board.

ance has formed only a small proportion of clearances of all types.⁸⁰ Table 88 indicates that the extent of clearance placements of all types has been inconsiderable.

In practice, clearance has been used mainly in the transfer of workers for construction and agricultural employment and has had only limited application to other industries. Even in large industrial States, placements in private industry through clearance amounted to only a few hundred a year.⁸¹ Clearance has been used to a limited extent in filling some of the higher types of supervisory and technical positions. In some of the western and southwestern States, there has been a considerable amount of clearance placement of agricultural laborers. Indeed it appears that the farm placement service, which concerns itself very largely with those crops which are highly seasonal and which require considerable numbers of agricultural workers during certain seasons of the year, has done the most successful clearance placement work.

⁸⁰ Atkinson and associates, *op. cit.*, p. 348. The U. S. Employment Service reported in 1937 that approximately 95 percent of all clearance orders were filled before reaching interstate clearance. (*Who are the Jobseekers?*, Washington, 1937, p. 51.)

⁸¹ Interstate and intrastate private clearance placements, in the various regions of the country for three 9-month periods between July 1936 and September 1938 are shown in the following table:

Division	July 1936 through March 1937		April 1937 through December 1937		January 1938 through September 1938	
	Number	Percent of United States	Number	Percent of United States	Number	Percent of United States
Total	16,683	100.0	33,667	100.0	15,596	100.0
New England	1,013	6.1	1,166	3.5	824	5.3
Middle Atlantic	1,233	7.4	1,470	4.4	696	4.5
East North Central	1,840	11.0	2,012	6.0	460	2.9
West North Central	2,714	16.3	4,810	14.3	1,599	10.3
South Atlantic	1,840	11.0	3,027	9.0	1,547	9.9
East South Central	358	2.1	2,960	7.0	1,315	8.4
West South Central	2,059	12.3	5,054	15.0	2,893	18.4
Mountain	2,373	14.2	5,933	17.6	2,355	15.1
Pacific	3,253	19.6	7,835	23.2	3,973	25.2

Source: Compiled from *Survey of Employment Service Information*, 1937; pp. 198-199; March 1938, pp. 137-138; May 1939, pp. 134-135.

The small extent of interstate clearance placement is in part attributable, of course, to the general business depression which characterized the economy during the thirties. The increase in total clearance placements to be noted during 1936 and 1937 (see Table 88) is very largely attributable to placements in connection with large-scale public works projects which necessitated some geographical movement of certain types of skilled workers. Yet it is notable that even after 1939, when the demand for labor greatly increased, both the number and the proportion of clearance placements not merely failed to increase but even registered a decline.

There is some evidence that State administrators, especially if subject to pressure groups, have considered the State rather than the whole country as the labor-market territory within which the State employment service is to function. A State system may thus definitely impede interstate clearance of labor by the public employment service by giving priority to local placement activities.⁸² Furthermore, State officials have often insisted upon exhausting intrastate clearance possibilities before resorting to interstate clearance even though there was little reason to expect that intrastate clearance would bring the desired result. Thus considerable time was wasted and employers, becoming impatient, resorted to other channels. Even in large interstate areas, such as greater New York or Chicago, it has been necessary to clear first through the State office instead of clearing within the metropolitan area. Instances have been reported in which, in metropolitan areas divided by State lines, State employment services have recruited workers from distant sections of the State in preference to referring workers from that part of the city which is in a neighboring State. In these and similar areas the number of placements made through interstate clearance have been small compared with the number of workers crossing these State lines every day.⁸³

Incomplete registration of unemployed workers.—A second major hindrance to the ability of the employment service to promote desirable mobility and restrict wasteful movement is the fact that workers registering with the public employment offices do not represent all unemployed and job-seeking workers available for private employment. Not only have

⁸² A recent study has pointed out again that the weakness of the employment service in clearance between localities, particularly across State lines, is "deeply rooted in a system which relies primarily on the States for administration." (Broughton, Philip S., *Man Meets Job—How Uncle Sam Helps*, Public Affairs Committee, Public Affairs Pamphlet No. 57, New York, 1941, p. 27.)

⁸³ Some States have forbidden the recruiting of workers for jobs beyond their State boundaries because "the home town does not like to send away its best workers." (*Ibid.*, p. 28.)

TABLE 89.—Trends in the labor market and activities of the employment service, 1933-40

Year ending June 30	Estimated total labor force	Estimated employed	Estimated unemployed	Active file ¹ (12-month average)		Applications (12-month total)		Private placements (12-month total)	Employer visits
				Number	Percent of un-employed	Total	New		
1934.....	51,130,000	40,319,000	10,810,000	8,036,812	74.3	19,772,000	12,635,000	1,306,000	693,000
1935.....	51,644,000	41,295,000	10,350,000	6,642,396	64.2	10,716,000	4,137,000	1,090,000	1,095,000
1936.....	52,118,000	43,425,000	8,693,000	8,572,612	98.6	11,872,000	6,265,000	1,160,000	876,000
1937.....	52,684,000	46,064,000	6,620,000	6,433,140	97.2	8,393,000	3,877,000	2,101,000	1,712,000
1938.....	53,352,000	44,970,000	8,382,000	5,862,635	69.9	12,014,000	6,546,000	1,963,000	1,475,000
1939.....	54,046,000	44,222,000	9,824,000	7,261,036	75.4	14,143,000	6,587,000	2,225,000	1,853,000
1940.....	54,740,000	45,897,000	8,753,000	5,714,906	65.3	16,174,000	6,326,000	2,996,000	2,112,000

¹ Includes an unknown number of persons currently holding jobs.

Source: Computed from *Economic Record* [National Industrial Conference Board], March 20, 1940; National Industrial Conference Board, Press Releases, January-June 1940; and data from Research and Statistics Division, Bureau of Employment Security, Social Security Board.

there been some registrants who are unemployable according to private business standards⁸⁴ but the active file of the employment service has never contained all the unemployed workers seeking employment.

As shown in Table 89, the active file always has represented a substantial proportion of the estimated number of unemployed. However, the ratio between these annual average figures must not be taken as an absolute indicator of the actual relationship between the number of unemployed and the active file. An analysis of monthly figures, which show in more detail the temporary fluctuations both in the estimated number of unemployed persons and in the numbers of the active-file registrants, indicates, for example, that during the period March 1934-June 1936 the number of applicants in the active file of the employment service represented between 52 and 88 percent of the number of unemployed persons estimated monthly by the National Industrial Conference Board.⁸⁵ This percentage varied between 63 and 70 during the first six months of 1940. The employment service has pointed out that, in the early years at least, the unemployed were not as fully registered in the large cities as they were in the smaller population centers and rural areas.⁸⁶

That the active file has at all times contained only a part of the total number unemployed is also evident from the fact that this fraction was 53 percent of the number of respondents to the Unemployment Census in November 1937 and only 38 percent of the revised number indicated by the sample enumerative check.⁸⁷

⁸⁴ While there would seem to be no objection, in principle, to registering "unemployable" persons—a relative concept at best—they are counted in the active file and may thus obscure the real picture of the characteristics of registrants.

⁸⁵ Cf. United States Employment Service, *Who Are the Jobseekers?* Washington, 1937, pp. 9-13 and 49. It should be remembered that the active file of the employment service was not confined to unemployed persons. An unknown, though probably small, proportion were currently holding jobs.

⁸⁶ *Ibid.*, p. 11.

⁸⁷ Hollander, E. D., and Vinogradoff, E. D., "Can Employment Service Reports be Used to Measure Unemployment, Part II," *Monthly Labor Review* XLVII (July 1938), 156.

Not only did the employment service not contact all unemployed jobseekers (or not all jobseekers contacted the employment service), but there was also a certain selectivity in the registration of the unemployed. Not all age, sex, race, occupational, and industrial groups were represented in the active file in a manner corresponding to their relative importance among the unemployed. In addition, there was an overrepresentation of the public-aid groups, at least in the early years of operation of the public employment service.⁸⁸

A comparison of the inventory of the active file of the employment service in November 1937 with the results of the unemployment census of the same month indicates the selectivity which characterized the employment service registrations of various groups of workers.⁸⁹ On the basis of the unemployment census, it would appear that unemployed men are overrepresented and unemployed women (especially colored women) are underrepresented in the active files of the employment service. This may have been due,

⁸⁸ Prior to November 1935 only summary information concerning the total number of registrants by sex in the active files of each local office was available. Although current activities reports provided detailed information concerning the industrial, occupational, and age classifications for new applicants and all persons placed, these data could not be obtained for all registrants in the active file (*i. e.*, new and continued registrations). During November and December 1935, a complete punched card record of every card in the active file was established through a project financed by WPA funds. From then on, these files were kept on a current basis. The first two Nation-wide surveys (December 1935 and July 1936) were discussed in U. S. Employment Service *Who Are the Jobseekers?* Other active-file inventories were taken in April and November 1937, and in April 1938, the results of which are discussed in three separate reports entitled *Survey of Employment Service Information*, published by the United States Employment Service in 1938 and 1939. The results of the inventory of the active file taken in April 1940 were published on August 6, 1940, by the Research and Statistics Division of the Bureau of Employment Security of the Social Security Board under the title *Inventory of Jobseekers at Public Employment Offices, April 1940*. For a discussion of the April 1941 inventory, see "Jobseekers Registered at Public Employment Offices, April 1941," *Social Security Bulletin*, IV (September 1941), 28-36.

⁸⁹ The following discussion of the differences in the composition of the employment service file and the respondents to the unemployment census is based largely on data in Hollander, E. D., and Wellemeyer, J. F., Jr., "Can Employment Service Reports be Used to Measure Unemployment?, Part I," *Monthly Labor Review*, XLVI (June 1938), 1456-1464, and on sources indicated in the preceding note.

at least in part, to the nonurban character of many types of typical occupations of colored women who were thus remote, either geographically or for personal reasons, from maintaining registration with the employment service.⁹⁰ The incomplete geographical coverage of the employment service in rural areas pointed out in Chapter IX above was at least in part responsible for the less complete registration of unemployed colored women. The proportion of women among the census respondents was over 25.9 percent (21 percent whites, 4.9 percent colored), while among employment service registrants they accounted for only 22.8 percent (19.1 percent whites, 3.7 percent colored). By April 1940, however, women jobseekers registered with the employment service had increased to 25.3 percent of the active file.

When the age distributions of the two groups are compared, it is found that the age groups between 25 and 50 were overrepresented in the employment service files at the expense of the two extremes, especially the younger groups under 20. As in the case of women registered with the employment service, the younger age groups of both sexes and races were underrepresented in comparison with the unemployment census, probably because many of them had not found their way to the employment offices.⁹¹

Among the occupational groups of the registrants, the professional, technical, and highly skilled workers were never as fully registered as other occupational classes. To a considerable extent this was due to the existence of alternative and traditional channels of placement, such as trade union placement facilities, possibly also to local labor reserves of large employers, work-sharing, and other, perhaps minor, factors. Prejudice against the use of the public employment service on the part of the higher paid and more stable groups

of workers may also have been a major influence.⁹² In the early years, at least, the newness of the employment service also played an important role.⁹³

A comparison of the occupational groupings in the employment service files with the results of the unemployment census of 1937, supports these observations. White-collar workers were shown to be underrepresented in the employment service files, indicating the reluctance of this group to avail themselves of the opportunities of the employment service. Farm laborers were also very much underrepresented, as were female manual workers. On the other hand, service workers were relatively much more numerous in the employment service files than among the persons reported unemployed in the 1937 census. While service workers accounted for 3.4 percent of all men and 23.9 percent of all women reported as unemployed by the census, they represented 5.0 and 41.7 percent respectively of all men and all women in the active file of the employment service. Reference to the placement record of the employment service as indicated in Chapter IX shows at least one, if not the major reason, namely the relatively much better chances of service workers of finding employment through the employment service.

With the beginning of unemployment compensation payments, which resulted in a more complete registration with the employment service of other groups of workers, especially in covered industries, the relative importance of service workers in the active file has declined. From the high point of 16.8 percent of all employment service registrants in November 1937, they declined to 13.2 percent in 1938 and to 12.3 percent in 1940.

That the compulsory registration with the employment service of unemployment compensation claimants has resulted in a more complete registration of groups long underrepresented in the active file is further shown by the increase, between November 1937 and April 1938, of the proportion of skilled workers from 18.4 percent of all registrants to 21.3 percent, and of that of the semiskilled from 22.6 to 26.3 percent.⁹⁴

As far as the industrial classification is concerned, the most important variations between the active file and the unemployment census in November 1937 were the considerable underrepresentation in the active files among men, of building and construction and manu-

⁹⁰ Inasmuch as registrants with the employment service, in order to maintain active registration, must report periodically at the public employment office, the employment service files overrepresented, especially prior to the advent of unemployment compensation, those groups among the unemployed who were seeking connections with a new employer and at the same time considered their prospects strong and immediate enough to warrant maintaining their registration. Hollander and Wellemeyer, *op. cit.*, p. 1456.)

⁹¹ It is significant that a large number (almost a million) of "new workers" was reported by the census of unemployment, many of whom may not have registered with the employment offices. The discrepancy between the employment service files and the unemployment census respondents with regard to the proportion of persons under 20 years of age is shown in the following tabulation:

Persons under 20 years of age	Percentage of active file of the employment offices	Percentage of respondents to the unemployment census
White men.....	7.0	12.5
White women.....	18.1	22.0
Colored men.....	6.1	10.2
Colored women.....	9.5	11.0

Source: Adapted from *Ibid.*, p. 1459.

⁹² This reflected an awareness that employers of this type of labor did not use the public employment service to any considerable extent.

⁹³ Local personnel and varying efficiency of local employment offices were also said to be responsible for variations in the completeness of registration. Cf. *Who Are the Jobseekers?*, p. 13.

⁹⁴ Although data for April 1940 are available, they are not comparable to earlier years because of the introduction of a new occupational category of "agricultural workers" which affected the percentage distribution.

facturing. Among women there was very considerable overrepresentation of personal and domestic service and also an underweighting of the manufacturing group.⁹⁵

In the industrial composition of the active file, too, the advent of unemployment compensation appears to have influenced the trend toward a more even and complete registration of the unemployed. Agriculture, which is not covered under unemployment compensation laws and was apparently overrepresented in the early years of the employment service, possibly because of the strong position which the agricultural placement service held, decreased from 16.3 percent of all persons in the active files in April 1937 to 11.7 in April 1938 and to 8.7 percent in April 1940. A corresponding increase was shown for manufacturing, rising from 15.3 percent in April 1937 to 27 percent in April 1940. Building and construction also increased slightly from 11.7 to 12.4 percent. Most significant was the decrease of the unclassified group from 24.0 to 17.5 percent of all registrants. This latter group consisted of work-relief and CCC employees and of persons without work experience.⁹⁶

In summary it may be said that even when the different methods applied by the employment service and the voluntary unemployment census are taken into account, the differing results of the two counts indicate that registration of job seekers by the employment service was both incomplete and weighted too heavily in favor of a few groups of job applicants. Young workers of both sexes were considerably underrepresented. There was also underrepresentation of farm laborers and white-collar workers, of women in the manufacturing industries, and of men in building and construction. This reflects the incomplete geographical coverage of the employment service in rural areas, and the use of other channels for obtaining employment. It also reflects the particularly great difficulties in finding jobs for youth, made more serious by the lack of guidance and training facilities, which probably discouraged young people from registering.

Among women the most serious overweighting was that of service workers. This reflects both the relatively advantageous placement opportunities of women in these occupations and the considerable turnover among service workers.

⁹⁵ The relative proportions were as follows:

	Active file	Unemployment census
Men:		
Building and construction-----	16.5	20.6
Manufacturing-----	23.1	26.4
Women:		
Manufacturing-----	20.2	29.8
Personal and domestic service---	38.8	22.4

Source: Adapted from Hollander and Wellemeyer, *op. cit.*, p. 1463.

⁹⁶ In the 1937 unemployment census this group accounted for 14.7 percent of all respondents, while the active file of the employment service reported 25.1 percent as unclassified.

Lack of funds to promote transference.—Finally, the contribution of the employment service toward a better direction of the flow of labor between industries, occupations, and areas has been lessened by the fact that the service has no powers to advance funds to workers for the purchase of necessary tools and work clothes or for the payment of fares. Still less can it foster desirable movement by payment of part of the costs of transference of the worker and his family.

Labor Mobility in the Defense Program

The experience of the period of business revival which has accompanied the defense and national emergency program appears to indicate that the mobility of American labor has not been significantly affected by public-aid measures. But it suggests too that full use had not been made of the depression period to develop an effective employment service and methods of more orderly direction of migration or to prepare plans for dealing with depressed areas when revival occurred. It is significant that, in spite of the more nearly complete and better-balanced registration with the beginning of unemployment compensation, special appeals had to be made to the public at the beginning of the defense program in order to encourage registration with the public employment offices.⁹⁷ There has been a high degree of labor mobility since mid-1940, but not all of it has been well directed. A recent study by the Social Security Board reports that

there is ample evidence that the migration stimulated by the defense program has already been substantial. It is apparent, however, that only in small part has this migration been planned or directed by community agencies with the specific object of meeting local labor shortages. While particular industries and communities requiring labor have made their needs known generally, it has been virtually impossible to control the response to such publicity. Workers have migrated in excessive numbers to certain points; very often a demand for certain specific types of workers, usually skilled, has resulted in an influx of workers of all types into a particular community. At other points, however, migrants have been generally successful in obtaining employment, and the volume and type of in-migration has not been greatly out of line with economic opportunities offered in the area.

There is no doubt that much of this migration has served a valuable purpose in meeting labor shortages, but a great deal of it has been unnecessary, wasteful, and costly, both for the individual worker and for the community to which he migrates.⁹⁸

⁹⁷ With the intensified defense program in the latter part of 1941, and especially since our entry into the war, this situation has changed considerably. The important aspects of the federalized employment service in regard to the war effort are discussed in "War Roles of the United States Employment Service," *Employment Security Review*, IX (April 1942), 3-15.

⁹⁸ Campbell, Joyce and Harris, Catherine R., "Migration and National Defense," *Social Security Bulletin*, IV (September 1941), 12-13.

For discussion of the difficulties of the employment service in ensuring more orderly movement of labor in response to the needs of the defense program, see *National Defense Migration*, First Interim Report of the Select Committee Investigating National Defense Migration, House of Representatives, 77th Cong., 1st sess., House Report No. 1286, Washington, 1941, pp. 16-23. The Committee recommended *inter alia* "the establishment of an employment service financed wholly by Federal funds and operated wholly by Federal personnel." (P. 42.)

It is particularly noteworthy that the study points out that "Migration of skilled workers in response to activities of the State employment services in recruiting workers also accounts for a small proportion of the total number [of migrants]." ⁹⁹

The processes of revival make it equally evident that public-aid policy has failed to make a constructive contribution by assuring a continuance of a supply of skilled and trained workers to meet the needs of emergent business demands. Such constructive policies admittedly face real difficulties, some of which have already been indicated in Chapter IX. Workers are unwilling to undergo prolonged periods of training when the prospects of utilization of their skills appear remote, and the public may be loath to approve expenditures for this purpose. Yet, if government does not act when private industry is unwilling or unable to assure the continuance of an appropriate flow of needed skills during a prolonged depression, the economy as a whole will be denied the full fruits of economic recovery because there will be labor bottlenecks. It is undeniable too that *the evolution of constructive public policy in this respect has been hindered by the absence of appropriate data concerning trends in the supply of and demand for labor on the basis of which long-range policies could be developed.*

Labor Mobility and Depressed Areas

Public-aid policies have not grappled adequately with the problem presented by the depressed areas to which attention was drawn in Chapter V. Studies of such areas have revealed not only a general high incidence of unemployment and dependence on public aid, but also a particularly long duration of unemployment, and a very high proportion of both inexperienced youth and older workers without jobs.¹ The high unemployment and relief needs in such communities reflect chronic economic maladjustments, often antedating the 1930's,² which during a time of general business depression are admittedly not easy to correct.

⁹⁹ *Ibid.*, p. 13.

¹ In the Southern Illinois coal field, for example, the loss of markets, the exhaustion of richer coal mines, and the process of mechanization left thousands of stranded miners who for various reasons were unable to migrate. A survey of three counties in 1939 found that 47 percent of the population was dependent on public aid. More than two-fifths of the available workers were unemployed, while in some towns unemployment ran as high as four-fifths of all workers. Among the youth over one-half were jobless at the time of the survey; two-thirds of these youth had never held a job. The situation of older workers was similarly acute; among workers 55 years of age and older, 44 percent were unemployed, and the average duration of unemployment was nearly 6 years.

See Webb, John N., "Unemployment in a Depressed Coal-Mining Area," *Monthly Labor Review*, XLIX (December 1939), 1295-1310.

Several areas are described in *Interstate Migration, Report*, pp. 687-696.

² See ch. II.

The measures called for would embrace both directed and financially assisted migration, location of new industries in these areas, and continuing efforts to enhance the economic potentialities of the regions concerned through improved transportation facilities, development of local resources, and often enhancement of the general level of health of the population. The Tennessee Valley Authority experiment represents one such constructive attempt to revitalize an entire region. In the depressed agricultural areas much valuable reconstruction has been done through soil conservation and reclamation work, drought relief and other special relief, and at times through the actual removal of farm families from poor soil. None of these programs, however, has as yet made great headway against the fundamental problems of the areas. As for the non-agricultural depressed areas, even their existence as a special problem has received little official recognition. With a few isolated exceptions they have been covered by the same measures, both emergency and long-run, that have been devised for dealing with the very different unemployment problems of less disrupted areas.

Public-aid measures have undoubtedly prevented further deterioration of the physique and morale of the populations in these depressed districts and, by the infiltration of purchasing power, have bolstered community trade and service industries. Work relief has also made possible many long-needed local improvements in stranded and run-down communities. Some of the work-relief projects have tackled the more fundamental problem of helping to rebuild the community's economic base; the program to make Key West a resort is probably the most noteworthy example of this type of action. Other scattered projects have been developed to provide depressed towns with water, power, or better transportation in the hope of attracting new industries. But by and large it must be admitted that there has been no broad and constructive approach to the problem of the depressed areas.

Conclusion

This broad survey of the influence of public-aid programs on labor mobility leads to the conclusion that the major weakness of policy as it has operated in the past has been its negative character. The difficulty lies less in the fact that existing programs have hindered economically justifiable mobility in a period of general unemployment than that public policy has failed to prevent undesirable movement and to place labor in a position to know and take advantage of job opportunities when business demand again appears.