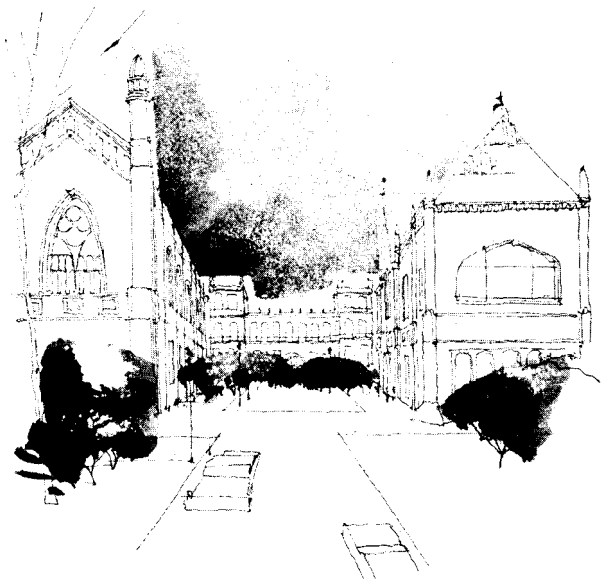


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# Race and Unemployment: Some Issues and Ideas

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## Race and Unemployment: Some Issues and Ideas

THE SURGE of prosperity we have experienced over the past few years has brought into sharp focus the difficulty of dealing with problems of non-white unemployment and underemployment, particularly for teen-agers and young adults. Strong efforts to work at the problem have led to greater understanding, and have enlarged the pool of ideas on which to draw for action programs. But if something has been learned, that something also reveals the complexity of the problem and the large amount that is as yet unknown. My task in this session is to explore a few issues and ideas that I hope will have practical significance.

We will turn first to certain key aspects of the problem, aspects that draw attention to the particular classes of people in urban concentrations upon whom the problem weighs most heavily. Next, we will note guidelines that may be useful in deciding on action programs in this field: By what standards should individual programs be measured? To what principles should they be expected to conform? Finally, we will look into a number of issues involved in the implementation of action programs.

### *Some Aspects of the Unemployment Problem*

We can with some justification describe unemployment today as a disease that is endemic among non-white teen-agers while the general population enjoys robust health. A few figures will illustrate this point. A dramatic decline in unemployment and a dramatic increase in employment took place in the United States between 1961 and 1967. Overall, unemployment declined from nearly 7 per cent to well under 4 per cent, and employment increased from

about 66 million to approximately 74 million. This constitutes a tremendous change in the labor market setting. The overall statistics show that both whites and non-whites participated about equally in the decline in unemployment.

But, while unemployment went down for the work force as a whole between 1961 and 1967, the unemployment rate of the teen-age non-white remained the same. In 1961, when the rate for the total labor force was 7 per cent, for the non-white 16-to-19-year-olds it was about 28 per cent. In 1967, when unemployment generally dropped below 4 per cent, among non-white 16-to-19-year-olds it was still about 28 per cent.

Here, then, is a group in the population that has not been reached by prosperity, nor by the broad array of manpower programs that were introduced during the period. Moreover, the figures I have used, taken from the Monthly Report on the Labor Force, understate the problem. The real rates of unemployment are higher for the group aged 16 to 19 because of the systematic underestimate for the group. Further, anyone who is included as a statistic has already looked for work, and is trying to participate in labor force activity. But, in viewing this problem, we are not interested simply in the unemployed as technically defined, but in all the people who are idle, discouraged, or for a variety of good, bad, and indifferent reasons are not involved in constructive work.

The size of the problem becomes more apparent when we go behind the rates to absolute numbers. In these terms, when we compare 1961 and 1967, the number of unemployed white 16-to-19-year-olds declined by about 5 per cent, while the number of unemployed non-whites in this age group grew by 29 per cent, reflecting growth in numbers for this segment of the labor force. It is clear that the problem is worsening.

As another contrast, unemployment among non-white males age 20 and over declined by 62 per cent during this period. From a variety of standpoints, then, one is struck by the outstandingly different performance of the non-white 16-to-19 -year-old group.

The second point I want to make about the problem concerns the next older group, the 20-to-24-year-olds. Among white males in this age group, a 1961 unemployment rate of 10 per cent declined to about 4 per cent in 1967. The rate among non-white males, 20 to 24, was just over 15 per cent in 1961; it declined to 8 per cent in 1967. Thus, the rate for non-white males was higher initially, continues to be higher, and has declined proportionately less. More recent figures seem to indicate that the unemployment status of the 1961-67 teenager is being carried with him into the 20-to-24-year-old group.

My third point has to do with the outlook for the next several years, and is based on projections taken from the 1968 Manpower Report of the President. Within the general increase of 9 per cent in the labor force, between 1970 and 1975, the rise in the non-white 16-24 year age group will be greater by far than the increase for any other group. The non-white male 16-24 component is expected to increase by 18 per cent, and the white male group 16-24 by 10 per cent. For the following period, 1975-80, the increase is projected to be 12 per cent for the non-white group, as compared to 6 per cent for the white.

These figures suggest the present and future importance of bringing the non-white 16-to-24-year-old group into the stream of labor force activity. The need will not diminish, but rather will grow substantially through the next decade and beyond.

Let us turn now from unemployment itself to disparities among employed workers. In 1966, with the so-called poverty level estimated

by the Bureau of the Census at \$3,335 for a family of four, 12 per cent of white households were below this rather arbitrary but useful line; among non-white households, the figure was 40 per cent. Disparity of income is taken up also in the Report of the President's Commission on Civil Disorders. Comparing the occupational distributions of the white and non-white employed population, then calculating the increase in income that would occur if the non-white occupational distribution was the same as the white, the Report concludes that dollar income of the non-whites would rise by 30 per cent. This large difference in incomes of employed workers brings out a key point: the importance of upgrading.

My fifth point is that unemployment is highly clustered geographically. About 40 per cent of non-white unemployment is in the 15 largest cities and clustered within particular areas in those cities. I am not asserting that concentration is the crucial reason for unemployment; factors of age, sex, race, and education appear to be the keys. But the fact of concentration has important implications. Studies of the labor market show clearly that people tend to find out about jobs and fix their values and standards by means of informal contacts. A job is found through someone—a friend or relative, perhaps—who provides information. A minority of all jobs are discovered through formal channels: employment agencies—private and public—and newspaper advertisements. Interview after interview with workers attests to the importance of word-of-mouth: “I heard about it from a friend,” “I learned of it from my uncle.” . . . The nature of the grapevine, then, has a tremendous influence over the employment process. Among the non-white 16-to-19-year-olds, with perhaps 30 per cent unemployed or virtually unemployed, the grapevines do not lead to work opportunities but other sorts of things; and the teen-agers carry

their experience with them as they grow into the older age groups.

The outlook is anything but heartening, particularly when we view the connection between education and employment, and observe the performance of ghetto schools. However we compare them with schools outside the ghetto -drop-out rates at various age levels, median attainment level per grade, or by any other index-we must conclude that the ghetto schools are not doing their job.

The problem, then, is large, it is serious, and it is growing. It exists despite general prosperity. Without a strong labor market, it could take a radical turn for the worse. There is massive unemployment among non-white teenagers, and this is being passed along to the next older group. Growth in the non-white labor force, and especially in the younger ranges, is expected to be much more rapid than for whites in the next several years. Further, incomes of non-white employed workers are sharply lower than of whites, suggesting the importance of upgrading. And finally, the problem is clustered geographically within the nation's largest cities-a factor of prime importance to the job-finding process.

#### **for *Action Programs***

Let us now turn to what might be done, beginning with discussion of the kinds of yardsticks against which various proposals can be evaluated.

How do we judge whether a proposed plan of action is a good one? The principles I will suggest are, in one sense, simply personal assertions. At the same time, I believe experience of the recent past gives some evidence in their favor.

- (1) Income should, if possible, come through jobs. It is essential that people

work at something, contribute something of value to society, and be paid for it. I would ask, then, whether a particular program is job oriented, as distinct from income oriented, even when the income is provided through what may be drastic alteration of the welfare system.

- (2) Especially at the level of implementation, the people of the ghetto should be heavily involved in the administration of the program. This factor has been critical for a wide variety of programs. The ones that showed exciting promise and effectiveness tend to have been developed-at least at the implementation level as distinct from the broad policy level-among people who live, work, and spend their time in the ghettos.
- (3) The centers of implementation should be reasonably small in size. Large networks of large centers mean bureaucracy. I do not think of that term as one of abuse, but with a large administering group, the creativity necessary for success in this area is too often stifled. The exciting programs-those which have demonstrated progress-have been relatively small. If they are individually too small to cope with this large problem, we can consider programs that generate many small centers in which many small groups can use their own energy and initiative.
- (4) Private groups, both profit and non-profit, should be drawn heavily into the action, as they increasingly are-at last. Government must be strongly involved, too, but governmental programs should

seriously attend to patterns of collaboration among various groups. The comparative advantage of one group or another must be studied in order to discern which kinds of collaboration will pay off in terms of solutions.

- (5) We should be realistic about the brass-tacks aspects of every proposal. The bloom is off the rose of many "bold, imaginative programs" because they were started without a clear conception of the potential problems involved in making them work and a plan for dealing with these problems. People have come down to earth—a very good thing, for the problems of implementation are difficult, and only with realism can one hope to carry his organization through them.
- (6) The question must be asked of every program: Is it sharply focused on the problem group? I am distressed at the broad range of governmental and private programs in which people have gradually slipped away from the main objective. This is very easy to do, and it is simple enough to understand how and why it happens—really only a matter of following the path of least resistance. For that reason, every program should include some mechanism to assure as far as possible that appropriated money, effort, and other resources are and will stay directed at the people about whom we are most worried.
- (7) There should be a flavor of experimentation and variety in action programs. This is particularly important for the long term, but it has application in the short run as well. While

there may be no big new programs or major appropriations in the current fiscal year, we will see much effort expended as a result of the thrust of current programs. Diversity among programs will be valuable because, while we may make strong assertions in favor of this or that program, we do not really know how any program will work. There is much to be learned, and there should be means developed for judging what has worked and what has failed. It is important also to stick with programs, to allow them to come to fruition and to work themselves out. One of our problems in manpower work has been that something is started, it goes for a while, it suffers reverses, appropriations are cut, then suddenly it is out of business and another one has been started. Time is needed to allow for a true test of effectiveness.

The great variety of action programs, existing or proposed, can be classed roughly in these categories: 1) manpower programs of government, including suggestions about their organization and measures to enlist the private sector in educational and employment processes; 2) developments in the field of formal education; 3) programs concerned with discrimination; and 4) programs concerned with the ghetto itself, including ways to make it possible for people to leave the ghetto if they wish.

Within the past year, there has been a marked acceleration in the development of programs that would involve the private sector in an attack on the problem of unemployment. This promising development implies government stimulus to business performance. But if enlistment of the private sector may be fruitful, it also raises many issues of its own. Because

of the importance of potential contributions of the private sector and the potential difficulties that action programs may encounter in this sphere, I will key the remainder of this talk mainly to this segment of the total program tableau, concentrating on four issues of central concern to the private effort.

### *of the Workplace*

With programs involving the private sector in mind, I see as the first set of issues those of the workplace. We have hardly given the careful thought to this side of the problem that it deserves. Remember, we are talking about the idle, unemployed teenager-difficult to handle -and proposing to bring him into shops, unions, and offices throughout the country.

What about discipline? The person we are talking about is likely to be tardy more, absent more, more prone to conflict, and in general more difficult to bring to a productive level of work. What should be done if someone is repeatedly late? Absent? Difficult? Unproductive? If treatment of everyone is even-handed, our new employee will not last long. The problem will hardly be solved; it will hardly have been met. On the other hand, to ignore obvious and repeated violations of rules means the likelihood of deterioration in standards throughout the workplace. Obviously, this is an issue on which union and company must talk very carefully before instituting a program. It is not only-or even especially-Walter Reuther and Henry Ford who should be involved; plant managers and local presidents, stewards and foremen must discuss the problems and plan to meet them, including in their plans measures to gain acceptance of rank-and-file workers.

There is much to be said, along these lines, for a consortium of firms working on the problem. Under such a consortium, an employee could be released from one firm but not from the system of firms; he may be given a new

start at another firm. The experience might constitute a kind of education, especially if it is thought through, organized, and planned in such a way as to make it possible to maintain reasonable standards of performance in each shop, and to work with-rather than expel-people as they come along.

Another issue of the workplace concerns the question of the probationary period. The median probationary period in most international union contracts is about 30 days. During the first 30 days, an employer can fire without reference to normal disciplinary procedures; after 30 days the employee is protected as a full-fledged worker. These are rules devised for the ordinary person entering the stream of employment. When the category of the person entering changes, should the probationary period change? Can a change be made for special cases or must the probationary period be changed for everyone, if anyone?

Nothing is more sacrosanct than seniority. Yet, many people just entering a particular work situation under some special programs could have been there five years earlier, had they the chance. Should they begin at the bottom of the ladder? When it comes to lay-offs, will they be among the first to go, or will some special provisions insulate them from the normal rules of the game? There will be questions about whatever is done, and no questions stir matters up as much as those involving seniority.

These and many other issues must be faced in the workplace. They cannot be ignored, for to do so will doom any program to failure before it even starts.

Consider such functions as outreach, literacy training, acculturation to the discipline of work, skill training, placement, guidance. Against these functions consider the agencies

that might undertake them: private employers, publicly and privately supported non-profit groups, unions, schools, various levels and agencies of government. The questions of comparative advantage involve the determination of who can best do what kind of function. Employers are not very effective at things like outreach. Government is not very effective either. The best jobs seem likely to be done by the non-profit, indigenous groups in the neighborhoods who are part and parcel of the situation. They are able to reach out, find the people, and perform the first steps of getting an individual started. For many aspects of work training itself, private employers seem best equipped, but schools and various non-profit or government groups may do better at some of the other necessary functions. Further, an effective program for an individual will include several of these functions so that the myriad problems of cooperative and productive relationships among the groups involved come quickly to the fore. Again, these are issues to be thought through and worked through with care.

### *Issues of Financing*

A variety of methods for financing have been proposed, with the differences among them having clear implications for the way programs would be organized and administered. No matter what method of government finance is adopted, moreover, private money will inevitably be involved, at a minimum in terms of the commitments of talented manpower to the administration of programs and of organizational strains in their implementation.

The President's Commission on Civil Disorders suggested that employers be given tax credits for employing each person in a designated group, however defined. The Commission said that this method is supported by employers, who are already accustomed to work-

ing through tax incentives, and that it has the advantage of being simple and direct. Standards for qualification and performance would still be necessary, however; and these would almost inevitably be administered by the Treasury and/or the Internal Revenue Service, not exactly their area of comparative advantage. In addition, this method has the disadvantage of further eroding the tax base.

A second method involves annual Congressional appropriations with funds being made available either directly by agencies of government, as in many Manpower Development and Training Act activities, or by contracts between government agencies and private employers and/or nonprofit organizations. In either case, administration at the level of Federal Government would presumably be by an agency specializing in the problems of hard-to-find-and-place workers; but the method of contracting out would encourage a multiplicity of points of implementation and thereby of experiments and of adaptation to local conditions. This is the pattern of the National Alliance of Business program, which has met with initial success and wide acceptance at least in the upper echelons of the business community.

There is a third method of financing that seems very attractive to me, but which has been little discussed. It accords well with the concept of people having greater personal control over their own destinies. This method too calls for annual appropriation of necessary funds by the Congress. But buying power, so to speak, would then be given to individuals, though not necessarily in the form of money. A person could receive credits entitling him to \$5,000 worth of training, counseling, and wage subsidy benefits. It would be up to him to exercise these credits to his best advantage, as in the operation of the G.I. Bill.

This approach makes people nervous, perhaps because planners think they know more

about the problem than the person who is unemployed, but such evidence as we have does not bear out this supposition. Certainly there is much to be thought through and learned about this type of approach. But I think experimentation with it should be most worthwhile, both with respect to the 19-year-old unemployed drop-out and with respect to the school system itself. The expectation would be that new or drastically altered institutions of training would emerge, tailored much more to the needs of the disadvantaged. Alternatively or concurrently, experimental schools might be established in the ghetto, directly addressing themselves to the problems of their people without respect to the rest of the school system.

In school systems of the order of New York or Chicago, there are system-wide rules governing pay, job selection, seniority, curriculum, and so on. It is extremely difficult in such contexts to concentrate on the special needs of particular groups of students. It might be feasible to have bidding for a cooperative city-neighborhood-private school in a city, to be operated by a non-school-system group. The money would be given explicitly for experimentation on problems of education in the ghetto. In any case, the objective would be a method of finance that placed expanded control of implementation in the hands of the people to be helped and that encouraged an educational program keyed to the area involved.

#### *Issues of Control*

Finally, there are issues of freedom and control in the operation of any of these programs. It is desirable to encourage variety, scope, and initiative, to promote conditions in which learning about programs may be maximized. At the same time, local groups, especially the private ones, on whom there would be much

reliance, are not accustomed to being overseen in detail on this kind of matter.

Coexistent with the importance of freedom, there is the need for some control, some means of determining the nature of the fulfillment of a contract. I think we can expect much conflict on this issue.

I hope it is apparent from this discussion that many tests lie ahead for the quality of public-private relationships. Clearly government cannot do this job alone, nor, despite the current emphasis on privately operated programs, can private industry. Further, at every turn, there are opportunities for stress and strain, suspicion and recrimination, credit and blame involving the interaction of public and private groups. The Urban Coalition illustrates one axis of response to these problems and many others can be found in community after community. If pragmatic adaptation to the need to solve practical problems is the genius of American government and industry, we can hope that these severe tests will be met. One point is increasingly noted and abundantly clear. The disadvantaged are not alone in having much work to do.