LABOR POLICY AND THE OVER-ALL ECONOMY

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The labor situation is an integral part of the general economic picture. The long-continued record level of economic activity, with a correspondingly high level of employment, is the key to analysis of today's labor situation.

Let us summarize briefly the facts on current economic activity, even though they are familiar to many of us. The nation is today producing a gross national product at the rate of 434 billion dollars a year. This is a record high, even after allowing for price increases; it is an increase in real physical volume of roughly 45 percent in a period of less than 10 years.

The industrial segment of the economy–factories and mines–is producing goods in the largest volume in history–again about 45 percent above a decade ago. During this period, we have had a construction boom which, even with the recent small decline in home building, is close to an all-time record.

At the same time, there has been a vast expansion in the production and installation of capital goods–not merely buildings, but machinery and equipment of all kinds in industry, in trade, in transportation, and in the utilities.

And the driving force behind these expansions has been a phenomenal increase in consumption, resulting not only from a population increase of 27 million in the past decade, but also from a vast improvement in actual levels of living.

WEAK SPOTS IN THE ECONOMY

This, of course, is the over-all picture. The economy has weak spots, perhaps more than at any time in several years. The currently extremely high levels have changed only slightly in the past year. This implies that growth may have slackened, that the economy may be taking a breather after its unusually rapid climb in 1955 and 1956. The over-all stability also indicates that readjustments are taking place, that gains in some industrial sectors are being offset by losses in others.

Agriculture is one weak spot. Residential building and appliances are others. An apparent let-up in plans for new capital investment and some limited defense production cutbacks are in prospect.

As we look ahead, we see some indicators—some straws in the wind—which seem to say that no immediate vigorous upturn is in sight. The apparent slackening in the sustained increase in consumer buying and in intentions to buy should be mentioned, along with the weakness of the stock market, the whole problem of inflation, and the uncertain economic position of a number of foreign countries.

But, generally speaking, we tend to overlook these weak spots, especially in any analysis embracing more than a year or two. They are overshadowed by the general picture of economic strength elsewhere.

EMPLOYMENT AT RECORD LEVEL

In these circumstances, and despite the general tendency to look for soft spots, it is not surprising to find that employment—currently around 67 million in civilian occupations, including agriculture—is also at record levels.

Unemployment is at the low rate of approximately 4.2 percent of the civilian labor force. After adjustment for the normal seasonal changes, it has been fairly stable at 4 to 4.5 percent for over two years. This is true in spite of the fact that we have added more than 2.5 million people to the labor force since mid-1955, and in spite of actual declines in employment in some industries. This over-all growth in employment is due in good part to the almost insatiable demand for help in trade, the services, recreation, and state and local government.

You may not realize how much the employment center of gravity of our economy has shifted in recent years, but by 1954 fewer people were employed in the so-called "basic industries"—agriculture, mining, manufacturing, construction, and transportation and public utilities—than in other industries and occupations, for the first time in history. At the same time, we have more "white collar" workers than "blue collar" workers. Only a very rich country, with very high rates of productivity in all its basic industries, can afford such luxury as is implied by so much service as this. This situation is, in itself, an indicator of our extraordinary high national standard of living.

REAL WAGES RISE

When labor is in great demand, workers are in a strong position to bargain—and they do. Consequently, wages have been rising, especially in manufacturing, transportation, mining, the utilities, and construction, where business has been especially active, profits have been considerable, and generally speaking, labor is well organized to bargain.

Over the past decade, average factory earnings have gone up from $50 to $83 per week—an increase of about 66 percent—while prices of goods and services to city consumers have risen only 27 percent, and income and social security taxes have gone up moderately. Thus, real wages of factory workers, after federal taxes, have increased by approximately 25 percent. This increase is due entirely to higher wage rates.

At the same time, productivity has been rising, not only in manufacturing but in industry in general. Recent estimates made by the Bureau of Labor Statistics for the Joint Committee on the Economic Report indicate a rise of about 3.4 percent a year for the postwar period. For a good part of this period—from 1947 to about 1953—the rise in *real* earnings per hour (that is, allowing for the price rise) was less than the rise in output per employee hour (that is, productivity outstripped the real wage rise). These factors remained in line through 1955, but in 1956 the rise in real wages ran ahead of productivity.

The same study shows that unit labor costs in actual dollars, non-labor costs, and prices of end products all increased by about the same amount—27 to 28 percent—from 1947 to 1956.

Now to return to wages: We have had several rounds of industrial wage increases, beginning with the removal of wage and price controls at the close of World War II. However, the size of these increases has varied widely between industries. Typically, they have been greater in heavy manufacturing industries, like automobiles, steel, farm implements, machinery—and in mining, construction, and transportation—and smaller in light manufacturing and in some trade service industries, such as laundries and restaurants, etc., where, in general, wages have been comparatively low and businesses have not been so highly profitable. Nonetheless, in a tight labor market such as this wages in trade and service establishments tend to respond to pressures set in motion by the "pattern" settlements in our major manufacturing industries.

MANY GROUPS GAIN

The tight labor market situation has benefited the unorganized workers as well as the organized workers, and we have therefore witnessed many substantial increases among the professional and white collar workers and even in many occupations requiring little skill.

Moreover, long-term contracts for two or three years, such as those in the automobile industry, have become more general. These contracts, as a price for their duration, contain an "annual improvement factor," or guaranteed increase of so many cents per hour for each year that the contract runs, and in addition, provide a hedge against inflation in the so-called cost-of-living escalator clauses. In fact, in the past year and a half, while consumer prices have been rising, these escalator clauses and other similar provisions have sometimes provided almost as much–if not as much–wage increase in industries with long-term contracts as the original base increase. Thus, in the first half of 1957, wage increases were received by 5.5 million workers under major collective bargaining agreements affecting one thousand or more workers.

Of these, 2 million received deferred increases negotiated earlier; another 2.3 million received cost-of-living increases; and the other 1.3 received increases under newly negotiated contracts. The median raise under these new contracts was 11 cents an hour, as in 1956, but the rates varied much more, with almost one-fourth of the new contracts providing for increases of more than 15 cents an hour and almost one-fourth less than 7 cents–down to no increase at all in some apparel and textile contracts.

More than 4 million workers are now protected by escalator clauses. Some 15 million workers are scheduled to receive previously negotiated increases during the last four months of 1957, and at least 3 million are assured wage increases in 1958, come what may. This then, is the pattern–"built-in" increases which assure higher wages next year and the next, with big contracts in automobiles, farm implements, etc., coming up next year for renegotiation.

What I am saying, in substance, is that the factors of supply and demand are as fundamental to an appraisal of the labor situation as they are to an appraisal of the agricultural situation. At this time in our economic history, the demand for labor is strong.

TIGHT LABOR MARKET WILL CONTINUE

Looking ahead, there is reason to believe that the labor market as a whole may be "tight" for some years to come, especially for men in certain age groups, and for certain skills in short supply. To be sure, during occasional periods industrial and commercial activity may slacken and the vigor of the demand for help may lessen.

Let me sketch the reasons why I believe long-term demand is likely to exceed supply of the kinds of labor we are talking about, until the mid-1960's. Then I want to fit agriculture into this general picture.

In this discussion I will make use of a recent publication of the Department of Labor, "Our Manpower Future–1955-65." This is a recent analysis of the effects upon the nation's future work force of the uneven rate of growth of our population during the first half of this century. The analysis begins with population. By 1965 we may expect the nation's population to be about 193 million, in comparison with 171 million today.

To supply the needs of a population of this size, on a per capita basis, and assuming recent rates of improvement in the level of living, will require an estimated gross national product of about 560 billion dollars by 1965, assuming no change in prices from 1955 levels. This represents a real increase, regardless of price changes, of between 40 and 45 percent in the decade to the mid-1960's.

To produce such a large quantity of goods and services, allowing for recent rates of improvement in productivity in the economy as a whole and for some shortening of the number of days in the working year, will require a net addition to the country's labor force of approximately 10 million people to the 1955 total, or some 6 to 7 million over current levels.

THE LABOR FORCE OF 1965

It is clear that the additional people needed to man the economy at this level are here and will be available in 1965. The real question is: Who will they be, and can they do the job? Of the 10 million increase in the total labor force anticipated between 1955 and 1965, over half will be women. (Today only one of three people employed is a woman.)

Summarizing in another way, almost half (both men and women) will be over 45 years of age; the other half will be almost entirely young people 14 to 24 years of age. By 1965 the number of young men aged 25 to 34 in the labor force will *actually decline* by 750,000. This is a result of the very low birth rates of the 1930's.

In general, women and youngsters are not as closely attached to their jobs as are men in the prime of their working lives; they have a greater tendency to work part time or part year; to shift jobs more often and to require special training or retraining. This, in itself, means greater difficulty in meeting the demands for the type of people whom industry in particular has been accustomed to hiring in large numbers. Consequently, the tendency will be high bidding for the skills that are really scarce, and rising wages and salaries in those occupations.

I am sure I need not point out to this audience that these scarce skills are used in making many of the products that farmers have to buy—machinery, fuels, chemicals, and many of the goods bought for family living.

MORE TRAINED WORKERS NEEDED

The increasing pressure for people with higher levels of education and skill in their jobs is another factor in this picture. Although specific occupational requirements by 1965 cannot be forecasted accurately, we have made some rough estimates by broad occupational categories, based upon occupational trends for the first half of the century.

The need for professional and technical personnel will increase substantially, perhaps by an additional 2 million people from the level of 1955; an even greater increase, of the order of 3 million, will be required in skilled personnel such as craftsmen; and in clerical and sales personnel. The requirements for common labor will almost certainly decline. This has been the trend over the decades as the use of machinery in all types of activities has increased.

LESS EMPLOYMENT ON FARMS

We also anticipate a further reduction in employment in agriculture. By 1965, if past trends continue, farm employment will decline to about 5 million from a level of 7.5 million in 1950. Today farm employment is between 6 and 7 million, depending on the season. This is only 10 percent of the labor force. In 1910 the 11 million farm workers then employed represented over 30 percent of the labor force.

Before I discuss the implications for agriculture of this general economic and labor situation, let me briefly mention several related developments in the working patterns of farm residents which are worth noting. In general, they are not new to you—but their magnitude has surprised me.

THE TREND TOWARD OFF-FARM WORK

Out of 9.5 million farm residents who were employed in April 1956, almost 3 million worked at jobs in nonagricultural industries. One-third of the employed men and one-half of the employed women worked at nonfarm jobs.

The building of good roads, the increase in automobile ownership, and, to some extent, the trend toward decentralization of industry have contributed to an increase of commuting by farm residents to nonfarm jobs. Moreover, there is considerable double job-holding among farm people. As a matter of fact, in July 1956 nearly one million persons held both agricultural and nonagricultural jobs concurrently.

Most of these secondary jobs were concentrated in such industries as construction and manufacturing, with comparatively few in the service activities. Thus, agriculture is providing industry and commerce and government and construction with a reservoir of labor in more—and perhaps better—ways than the historic migration to the big cities.

You are far better qualified than I to interpret these trends in farm labor. The rapid rate of increase in agricultural productivity is, however, a fundamental factor in the decline of agricultural employment. It is obvious that due to the use of machinery, chemicals, and scientific farming methods, fewer and fewer people are needed to produce food and fiber for our ever growing population, and fewer are hired.

FARMERS FIND INDUSTRIAL WAGES ATTRACTIVE

Another factor is the pull of higher cash wages in industrial occupations. That wage differential is very substantial, notwithstanding the fact that farm wages have more than tripled since the early years of World War II, outstripping relatively (but by no means absolutely) the rate of increase in industrial wages.

On the average in 1956 farm cash wages were only a little over one-third of factory cash wages. These figures—about 70 cents an hour for farm labor and $2 an hour for factory labor—include neither perquisites for farm labor nor "fringe benefits" for factory labor. Fringe benefits were estimated by the Chamber of Commerce at as much as 20 percent of total wages in 1955 for a representative group of nonagricultural firms. Still another factor, of course, is shorter hours of work in industry.

We all recognize the tremendous variation in wages and in conditions of employment in the several agricultural areas of the country, and we know that these generalizations are certainly not universally applicable. But, in general, the high wage agricultural areas, such as California and the Central West, are also high wage industrial areas.

Notwithstanding the reduced total demand for farm labor, my understanding is that it is currently difficult to secure and to retain year-round farm workers who have sufficient skill for modern farm methods. In view of the industrial competition for labor with the types of mechanical skill which many farm workers have, these shortages likely will persist, forcing the farm wage level gradually into a somewhat more competitive relationship with nonagricultural wages—or increasing the number of farmers or members of farm families with a second nonagricultural job.

FOREIGN WORKERS GIVE FLEXIBILITY

Farm labor supply currently differs in one important respect from the industrial labor supply. This is in the use of foreign contract workers, particularly for the fruit and vegetable crops and the harvesting of cotton. These seasonal workers come to us in large numbers from Mexico and from the British West Indies. Nearly half a million came last year.

These workers are paid the prevailing wages of the area for each crop, which vary a good deal from one part of the country to another —that is, from Arkansas to Michigan, for example. They have provided a flexible source of labor supply to meet seasonal peaks. To some extent, they are replacing the domestic labor which is gradually going into other types of occupations. Thus, the agricultural labor supply is affected by factors other than domestic labor, and needs to be considered from that broader point of view.

In summary, the labor situation is but one facet of the general economic situation. It will change with changes in the economy as a whole. At present, demand for industrial labor pushes hard against the supply and labor is bargaining from a position of strength. Given a continued high level of activity and the foreseeable population changes which I have described for you today, and the outlook for the decade ahead—regardless of what happens in any particular year—is continued relative scarcity of manpower.