

It may be noted at the outset that the influence of these programs cannot be measured by a simple count of trainees in government programs. The constructive spirit of the JOBS program, for example, has proved quite contagious. The development by American business of realistic hiring, training, and upgrading programs for disadvantaged groups extends far beyond those firms that have been drawn into official contracts.

There are a number of ways in which manpower development and training programs ease the task of checking inflation without an appreciable rise in unemployment. By focusing on the disadvantaged these programs concentrate upon the specific groups whose unemployment rates are the highest. By making available additional workers not otherwise employable, they help to ease tight labor market conditions. By training additional skilled workers or alternatively restructuring jobs requiring skilled workers so that these could be performed by individuals of lesser skill, they help improve the relation between supply and demand in the market for particular goods and services. By improving the functioning of the job market they cut the time between the loss of a job and the acquisition of a new job. I shall return to this subject to spell out in greater detail some possible emphases in manpower programs that should help specifically to meet the current situation.

I do not wish to exaggerate the role that the Department's manpower programs can play. Obviously they require a considerable period of time to become effective and alone they would prove powerless to curb inflation. But together with an effective use of fiscal and monetary policy, I think the manpower programs can help make possible a gradual transition to a significantly lower rate of price inflation while maintaining a high employment economy.

A REVIEW OF SOME RECENT DEVELOPMENTS

I should like to now turn to a brief review of recent developments in employment and in wage-price-productivity relationships which are of special concern to the solution of the two question I posed at the start of my statement.

Employment and Unemployment

One of the dominant factors in the past few years has been the great change in the allocation of our resources: we have become involved in a very costly military operation, yet we have continued to expand our civilian economy with few of the direct restraints upon individuals or enterprises that have been resorted to in similar earlier periods. In the three years since mid-1965, using the GNP accounts, direct Federal outlays for goods and services (excluding such items as grants to States and transfer payments to individuals) rose more than 50 percent, while total output was expanding 26 percent. The great bulk of the increase was in defense. Expressed in terms of manpower, the increase is even more dramatic; about 2½ million more people are working in defense-related activities or in the armed forces than before the mid-1965 step-up in hostilities. These activities accounted for about 85 percent of the increase in male employment (including the armed forces) in these 3 years. This growth of employment added to the demand for civilian goods but did not contribute to their production.

Thus, we have had a major unanticipated shift in the economy's resources which created some scarcities and labor bottlenecks, and stimulated price and wage increases which otherwise would not have occurred. This development also, of course, highlights the importance of careful planning to avoid unnecessary unemployment when our defense needs are reduced.

A second important point in the manpower story is that the effects of recent monetary and fiscal measures are still scarcely visible in terms of the employment totals and the overall unemployment rate. For most primary workers in the economy—such as adult men or married men—unemployment rates are 2.0 percent or less, which many would call close to the minimum frictional level. Nevertheless, the work week for production and nonsupervisory workers on private payrolls, although still relatively strong, has eased somewhat in recent months. This may imply some leveling off in the demand for labor.

Another significant aspect of the current employment situation is that there has been a substantial reduction in the number of those who have lost their jobs. Some may think of the unemployed as consisting solely of those who, through no fault of their own, have lost their jobs, but this group actually consists of only about 40 percent of the unemployed. To these job losers, as a rule, unemployment is a more serious concern than to those who left their jobs