

- First, by concentrating on groups with particularly high unemployment rates like youth, and by acting to deal with the special problems involved, e.g., by improving the transition from school to work which is a very important part of current youth joblessness.
- Second, by training people to improve the skills in our economy and by tackling specific situations in which there are skill shortages, through new upgrading efforts as well as by initial training.
- Third, by improving the operation of the labor market so that idle time between jobs is curtailed, and
- Fourth, by improving the operation of the unemployment insurance system.

These are more fully set forth in my testimony before the Committee.

The matter is not at all merely one of assuming a certain number of unemployed and calculating, on the basis of an assumed cost per job, the total cost to put them into a certain type of public or private employment to meet unmet needs. I recognize that there are long lists of unmet needs that would require manpower in our economy if goals of health, education, sanitation, etc., are to be met, but the meeting of these goals is a long-range matter that requires planning, training, and the allocation of resources of such magnitude as to require priority choices among them.

It is important at the outset, before engaging in any mechanical calculations, to recognize a number of factors that will affect both the size and the composition of the unemployed, if there were to be an increase in their numbers, and that therefore would affect the character of any special program to be developed.

First, it is important to recognize that the objective of the action taken against inflation is to top off the rate of increase in the price level, and gradually to obtain a lower, more acceptable rate of increase. It is not the intention of the Administration to precipitate a sizeable decline in prices or economic activity. The very slowness of the pace envisaged would make it possible to assess the size and design the necessary steps to meet needs that emerge.

Second, in a gradual slowing down of the type envisaged, a reduction in the work week, rather than a reduction of employment, is likely to be the initial reaction, and possibly the only reaction, of employers.

Third is the importance of recognizing the need to attack the unemployment problems of those who might be affected first if unemployment were to rise. Since the economy is strong and will continue strong even under the assumptions of the question posed, a rise in unemployment is not likely for the most part to take the form of sudden or sizeable lay-offs. As I indicated in my testimony, lay-offs are the cause of much less than half the total jobless at the present time. It is to be expected that new hires would be the first affected. The first effect would most likely fall on young people entering the labor market, on women reentering—including secondary wage earners—and in both cases on reentrants without experience. It is also to be expected that there will be substantial hiring still taking place and that the job of improving the process of matching people coming into the labor force with existing vacancies will be of great importance. Our present plans already call for substantially increased programs along these lines.

Fourth is the question that arises, in the event hiring is affected rather than lay-offs, whether employers would not, in a slightly softer labor market, continue the positive hiring policies that they have begun with respect to the disadvantaged in the last several years. If they do not we would have additional problems with respect to young people and minority groups. If they do, we might continue to see further attacks upon the high unemployment rates of youth and Negroes regardless of what happens to the overall rate. I think it likely that U.S. employers are now committed to their new policies. I cannot make a numerical estimate of the extent to which employers would reassess their policies in the event of a *very* soft labor market, but I think that in the situation which would likely arise, under the circumstances posed, most employers would continue what they have begun. This is already indicated by the fact that the NAB program, for example, has had substantial success in cities of the country with unemployment rates up to and above 4%. In many cases, performance in these cities has been greater than performance in cities of low unemployment (below 3%) indicating that the commitment of employers and the institutional factors may be as important as the overall situation.

Fifth, since young entrants will be most heavily affected, it is important to realize that the volume of young people entering the labor market—which was unusually great during the first five years of this decade—is now beginning to stabilize and will in another two years slow down. At the same time, the pro-