

FACTS AND FIGURES  
on  
UNEMPLOYMENT  
and the  
SHORTER WORK WEEK

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## INTRODUCTION

After two-and-one-half years of so-called recovery, unemployment still remains at depression levels, machines remain idle and factories are closed for good for want of demand.

The Administration and employers are unwilling or unable to cope with this situation. They flounder around in their use of fiscal, monetary, budgetary, and tax policies, seeking to balance higher unemployment against lower inflation, the net result of which is both higher unemployment and higher inflation.

In the first 40 years of this century, unemployment was kept in check by shortening the work week 35 percent. One of the major instruments in overcoming the great depression of the 1930's was shortening the work week from 48 to 40 hours.

For the past 30 years the work week has remained substantially unchanged. In view of the inability of government and industry to cope with unemployment, working people must once again begin to look to the shorter work week, and with no reduction in pay, as an instrument for putting America back to work.

The employers are far wealthier today, their profits are enormously greater, than during the first half of the century when sharp cuts in the work week were won.

The shorter work week can also be won today. But it will take a substantial mobilization of the membership of organized labor, imbued with the fighting spirit and determination to win this fight in the halls of Congress and at the collective bargaining tables.

This brief pamphlet marshals some facts and figures to help provide ammunition for such an aggressive rank-and-file fight for the shorter work week.

## THE UNEMPLOYMENT SITUATION

### The Current Situation

As of September 1977, after 30 months of recovery from recession, the official government unemployment rate stood at 6.9 percent of the labor force, with 6,773,000 jobless. But despite the tragic size of the problem described by the official figures, the real problem of unemployment is dramatically understated by the government.

The true unemployment rate is 9.7 percent and 8,850,000 unemployed. This includes persons not counted by the government as unemployed: the 1,104,000 workers who have given up an active job search because they don't see any prospect of immediate employment; and the part-time joblessness of persons working in part-time jobs because they can't find full-time work.

Even as measured by government figures, unemployment is greater today than in the worst recession since World War II. Prior to this past recession, the depression year 1958 was the worst year of the post-war world; yet unemployment that year was 6.8 percent as compared with the 7.7 percent of 1976 - a year of recovery. And in September, 1977, after 30 months of recovery from recession, the unemployment rate at 6.9 percent was higher than the 6.8 percent in that worst recession year of 1958.

Note that because the true adjusted unemployment figures are not available for earlier years, it is necessary to use the official government figures to make such comparisons. But we should keep in mind that the true number of unemployed is 30 percent higher than the government's data, while the true rate of unemployment is 40 percent higher.

### Unemployment Worsening in Post-War World

The inability of the economy to provide jobs has grown worse in the past 30 years, even when measured during periods of relative prosperity.

Thus by 30 months into the expansion of October 1949 to July 1953, unemployment had fallen to 2.9 percent, a figure many economists consider the "full employment" rate. Thirty months into the May 1954 to August 1957 expansion, unemployment had increased to 4.3 percent. At the same 30-month point in the February 1961 to December 1969 expansion, unemployment was still higher at 5.4 percent. After dropping somewhat to 4.8 percent in the November 1970 to November 1973 expansion, unemployment resumed once again its sharp upward climb, until at present, in September 1977, after 30 months of recovery, it stands at the abnormally high rate of 6.9 percent.

Minorities and the Young Especially Hard-Hit by Unemployment

When the average official government unemployment rate goes as high as 6.9 percent, it means that the disadvantaged groups in the population, women, blacks, and other races and the young people have to cope with dreadfully high unemployment, as the following table shows:

"Official Unemployment"

	<u>Total</u>	<u>White Men*</u>	<u>Black Men*</u>	<u>White Women*</u>	<u>Black Women*</u>	<u>Teenagers</u>	
						<u>White</u>	<u>Black</u>
1976	7.7 %	5.4 %	10.6 %	6.8 %	11.3 %	16.4%	39.0%
September 1977	6.9 %	4.3 %	10.4 %	6.2 %	11.3 %	15.9%	37.4%

(\* 20 years old and over)

Considering that the true unemployment rate is 40 percent higher than the official government figures, the unemployment situation among whites, although an improvement over 1976, is still very poor. But the situation of blacks - men, women, and teenagers, was dreadful last year and has not improved.

IMPACT OF INCREASED PRODUCTIVITY AND AUTOMATION  
IN SPECIFIC INDUSTRIES

Manufacturing production as a whole - Factory production increased by 249 percent between 1947 and August 1977. During this period total employment increased a meager 27 percent and the number of production workers increased but 9 percent.

Moreover, after reaching its highest employment levels in mid-1974, total manufacturing employment has fallen by 635,000 employees, and the number of hourly employees has gone down even more, falling by a total of 737,000 workers.

Furthermore, the nation's factories have only partially utilized the latest available automation techniques. The technology now exists for fully computerized factories which will completely automate product design, planning of the manufacturing process, production and assembly of parts, and the testing and shipment of the final product, thereby resulting in further slashes in employment.

The effects of technological change on production and jobs are briefly described below in three major manufacturing industries, including transportation equipment, electrical equipment, and primary metals. The production-employment situation is also briefly traced in mining, longshore, telephone, and construction.

In each case Federal Reserve Board indexes of production and Bureau of Labor Statistics employment data are used, unless otherwise noted.

Transportation equipment

Total postwar employment in this industry, which includes autos, aircraft, ships, and railroad equipment, reached its high-water mark in 1953. By June 1977, although production had increased by 93 percent, total employment had declined by 7 percent and hourly employment by 16 percent. In June 1977, there were 244,000 fewer hourly employees in the industry than in 1953.

Electrical equipment industry

The postwar employment peak in this industry occurred in 1969. Between 1969 and August 1977, production increased by 27 percent, but total and hourly employment declined by 4 percent.

### Primary metal industries

The postwar employment peak in this industry, which includes basic iron and steel and nonferrous metal production, was 1953. Between 1953 and May 1977, when production reached its peak in the current expansion, production increased 58 percent but the number of production workers declined by 218,000 or 19 percent.

### Coal Mining

Between 1948, its postwar high employment year and June 1977, the number of miners decreased by 227,000, or 54 percent, although production was up 7 percent.

### Longshore Industry

The current strike by the International Longshoremen's Association at the nation's East Coast and Gulf ports is directed at protecting longshormen against the continuing technological revolution involving the use of containers which has already resulted in enormous reductions in employment. Containerization has increased the shipping tonnage a longshoreman can handle from one ton an hour to 200 to 300 an hour. As a result, the I.L.A. membership in the New York-New Jersey port which handles 70 percent of all tonnage in the North Atlantic ports, has dwindled from 40,000 in the mid-50's to 11,800 today. (New York Times, Oct.8, 1977)

### Telephone

Telephone employment in the A.T. & T. workforce has gone down by over 100,000 workers since 1974 despite large increases in telephone service. (CWA Pres. Watts)

### Construction

Construction workers had a 10.4 percent unemployment rate in September 1977.

ESTIMATED JOB NEEDS: 1977-1981

President Carter has set a goal of achieving a 4.75 percent jobless rate by 1981. Since the government understates the true unemployment situation, the unemployment rate he is aiming for is closer to an unacceptable 6.7 percent with approximately 6,100,000 jobless.

How many jobs would the economy have to create in the next four years to reduce the true unemployment rate to the so-called "full employment" rate of 2.5 percent of the labor force by 1981? This means providing jobs for those now jobless and for the young and women looking for their first jobs.

(1) Providing jobs for the jobless. As we have seen the true unemployment total numbered 8,850,000 as of September 1977. To reduce this number to the "full employment" minimum of 2,500,000 jobless would require the creation of approximately 1,600,000 jobs a year. Note that the "full employment" minimum of 2,500,000 jobless allowed for in 1981 amounts to 2.5 percent of the estimated labor force at that time. It represents the irreducible unemployment level, given that many workers are temporarily between jobs for many reasons and that it takes some time for new workers to find their first jobs.

(2) Providing jobs for new workers.- The labor force will grow by approximately 1,800,000 workers a year as a result of young and women workers seeking their first jobs, according to the U.S. Bureau of Labor Statistics (BLS). This figure appears to be conservative, and is actually less than the 2,000,000 a year average increase in the civilian labor force in the past 10 years.

Adding together the 1,600,000 new jobs needed to reduce the jobless rate over the four-year period and the 1,800,000 new entrées gives a total of 3,400,000 additional jobs needed each year.

But over the past ten years, only an average of some 1,600,000 jobs were created each year. The largest number of new jobs created in any one of these years was 3,000,000 jobs. Thus based on the past performance of the economy, the number of new jobs created each year from 1977-1981 will fall 200,000 short of even absorbing new workers. Instead of unemployment being decreased it will increase by this 200,000 job shortfall each year.

To make matters worse, the economy must also provide jobs for the 2,400,000 workers displaced each year by increased productivity resulting from technological advances including automation and simple speedup. This assumes a moderate 2.5 percent productivity increase each year.

The total job-creating needs, therefore, of the economy to reduce unemployment, meet the job needs of new workers and provide jobs for the technologically displaced, comes to 5,800,000. Each week the economy must provide over 111,000 jobs, a stupendous requirement.

A subsequent section of this report shows how the shorter work week, with no reduction in pay, meets this job-creating requirement. The 35-hour week, for example, could immediately provide jobs for the jobless, without cruelly postponing their re-employment for years to come.

#### HOW THE EMPLOYERS AND POLITICIANS COVER-UP THEIR FAILURE TO PROVIDE JOBS

How do the employers and government explain their inability to put America to work?

1. The official government unemployment statistics radically understate the true unemployment situation. As we have seen, the true unemployment rate is 40 percent higher than the official government figures, while the true number of unemployed is 30 percent higher.

2. They say that unemployment is not really that serious because so much of the unemployment is among teenagers and women who are only secondary earners in a family. This attitude condemns to poverty and despair millions of young Americans who should be our hope for the future. It ignores the census statistics which show that women must work to support themselves or to supplement low family incomes.

The claim that new young and women workers are not employable because they lack skills does not wash. During World War II millions of such unskilled workers were trained almost overnight to acquire skills, such as machine tool operators, etc.



3. They claim that it would be inflationary to undertake program that would provide full employment. But despite the high unemployment, there has also been inflation.

The government goes along with company propoganda that so-called union's greed in seeking higher wages causes inflation and union wage drives can be cooled by a large dose of unemployment. This theory hasn't worked out because it is wrong. Since 1965, the increase in the real purchasing power of the average worker's wages has been pitifully small. Between 1965 and June 1977, a twelve-year period, the pruchasing power fo the average worker's weekly wage has gone up just 4.5 percent, hardly a cause for inflation.

One must, therefore, look elsewhere to find the reason for inflation. A major factor in inflation has been monopoly pricing in basic industries like auto, steel, and oil, where companies raise prices even during periods of falling demand, in order to maintain profit margins.

4. As unemployment continues to mount, companies and the government keep raising the rate of unemployment at which they say "full employment" will be achieved. During the early 1950's, when the rate of unemployment was 2.9 percent, it was generally agreed that the full employment rate was 2.5 percent. As unemployment kept rising, the companies and government, and this incouded Democratic and Republican parties, also raised their full employment goals to 4 percent and then to 5 percent. The Nixon-Ford administration set the full employment rate at 5 percent, and President Carter's goal four years from now in 1981 is 4.75 percent, just a shade under Nixon-Ford.

5. They say that the vitality of the economy should be judged by the large number of employed, rather than the relatively small number of unemployed. This is the newest wrinkle to cover up the miserable jobless situation. But no sleight of hand manipulation of the statistics can cover up the grim truth that one in every ten American workers is unemployed.

Working people will no longer be satisfied with excuses for doing nothing about the horrendous job situation. This is a message that union, black and other minority leaders have brought to Carter.

THE JOB-CREATING POTENTIAL OF THE SHORTER WORK WEEK

As of August 1977, there were over 34,500,000 full-time workers who worked 40 hours. There were over 20,500,000 workers on longer work weeks. There were also 5,500,000 full-time workers working 35-39 hours a week. (U.S. BLS, Employment and Earnings, September 1977)

If the work week of the 55,000,000 working 40 hours or more was cut by one hour, 1,400,000 new jobs would be added.

If the work week of these 55,000,000 workers was reduced by 5 hours, establishing the 35-hour week for most workers, then 7,850,000 jobs would be created.

If the work week were reduced by 8 hours to the 32-hour, 4-day week, then 13,750,000 new jobs would be added.

A cut of 10 hours a week per worker establishing the 30-hour week would result in 18,300,000 new jobs.

Of the various reductions in the work week described above, the 35 hour week with its creation of 7,850,000 jobs seems to meet the urgent need of quickly providing work for the 8,850,000 jobless workers. The 1,000,000 jobless slots left unfilled would represent the so-called "frictional" unemployment of workers between jobs.

However, it is clear that additional reductions in the work week will be necessary in the future to provide jobs each year for 1,800,000 new young and women workers and for the approximately 2,400,000 workers displaced by technological developments.

Holidays and vacations no substitute for the shorter work week. Every union member considers it important to fight for and win improvements in holidays, vacations and paid leaves of absence. But as the experience of postwar negotiations has demonstrated, these holiday and vacation improvements have added few jobs and are not a substitute for the shorter work week.

A study published in the August 1976 issue of the U.S. Dept. of Labor's Monthly Labor Review states that there was "a decline from 58.4 hours a week in 1901 to 42.0 hours in 1948, and little or no change since." After adjustments in average weekly hours for the growth in vacations and holidays, the work week\*declined to 0.7 hours, from 41.6 hours in 1948 to 40.9 hours in 1975, creating few jobs.

Some unions, of course, will do better than the average. The UAW-Auto "Scheduled Paid Personal Holiday Plan" calls for a total of 12 additional paid holidays off distributed during the second and third years of the contract. UAW leaders say that when effective, it will increase the auto work force 2.5 percent the first year plus 3.5 percent the second year. The increase in jobs of over 6 percent is still considerably less than the 14.5 percent job increase resulting from the 35-hour week.

\*The study uses hours of non-student men in nonagricultural industries as the "most reliable indicator" of hours.

### THE ECONOMIC COSTS OF UNEMPLOYMENT

High unemployment levies heavy costs, but some of the heaviest cost of all, the suffering and mental anguish of jobless workers cannot even be measured. What cost can one assess to the hopelessness of millions of young workers who despair of finding a job at a living wage; or to the desperation of jobless workers and their families forced to live on government welfare handouts in rat-infested slums, their children handicapped educationally by inferior slum schools.

But dollars-and-cents costs can be ascribed to the lost production arising from unemployment, the loss to the government in tax revenues and added unemployment compensation and welfare payments, and to the unemployment-related increase in deaths, physical and mental illnesses, alcoholism and drug addiction and crime.

#### Unemployment-related Production Losses

According to the Joint Economic Committee of Congress:

"Over the period 1970-1976, inclusive, the total of annual unemployment shows that the economy lost about 38 million man years of potential employment. That figure does not count the additional millions of discouraged workers who dropped out of the labor force because of the absence of job opportunities. The production loss is equally staggering, coming to a cumulative total of about \$600 billion in 1972 prices. Simple arithmetic shows that the typical family of four has lost about \$12,000 to underutilization of resources in the seven years prior to 1977. This waste continues in 1977 as the economy stumbles along below its potential."

(The 1977 Midyear Review of the Economy)

The \$600 billion loss of production in 1972 prices amounts to \$803 billion in mid-1977 prices. It comes to \$21,000 for each man-year of unemployment during the seven-year period 1970-76. Thus, the production losses per unemployed worker per year are far greater than the cost of paying the \$11,700 a year in wages to each unemployed worker who is brought back to work as a result of the shorter work week.

Unemployment-related revenue losses to the government

In addition, unemployment is a major drain on the federal budget, causing huge budget deficits.

According to the Joint Economic Committee of Congress, "Every percentage point in the unemployment costs the U.S. Treasury an estimated \$17 billion - \$12 billion in lost tax revenues and \$5 billion in food stamps, unemployment insurance, and other support programs." (1976 Joint Economic Report)

This cost per unemployed worker amounts to \$18,279 dollars. again far more than the cost of putting an unemployed worker back to work as a result of the shorter work week.

The cost of unemployment extends beyond the financial loss to the unemployed, the loss to the nation as a whole measured in terms of a diminished output of goods and services. Unemployment also creates stressful situations for laid-off workers and their families - and stress has long been known as a major contributor to a variety of physical and mental illnesses.

A study prepared for the Joint Economic Committee of Congress analyzed medical data covering a 35 year period in order to isolate the incidence of stress-caused physical and mental illness attributable to unemployment.\*

From this medical data the study works up the "human" costs of unemployment. The following table shows the increase in illness and social pathology arising from a one percent increase in unemployment.

<u>Physical and Mental Illness or Indicators of Mental Illness</u>	<u>Increase resulting from a One Percent change in unemployment</u>
Suicide.....	4.1 %
State Mental Hospital Admissions:.....	3.4
Males --.....	4.3
Females--.....	2.3
Homicide:.....	5.7
State Prison Admissions:.....	4.0
Death from Cirrhosis of the Liver.....	1.9
Death from Cardiovascular Renal Disease.	1.9
Total Death:.....	1.9

The author of the study notes that the findings merely scratched the surface because of the limited data. For example, he had no way of determining the increase in cases of cirrhosis and cardiovascular disease that did not result in deaths. In addition, many other maladies are equally stress-related but insufficient data prevents calculation of how unemployment effects them.

A monetary value can be attached to the "human costs" of this aspect of unemployment. Illness and death reduce the ability of our nation to produce goods and services. There are costs associated with mental hospital and state prison admissions, and the treatment of illnesses. During the period from 1970 to 1975, these costs attributable to the 1.4% increase in employment that began in 1970 and that remained through 1975 amounted to \$6.6 billion.

\* Dr. M. Harvey Brenner, Estimating the Social Costs of National Economic Policy: Implications for Mental and Physical Health, and Criminal Aggression, Vol.No.1, Paper No.5, 94th Cong., 2nd Sess., October 26, 1976.

Unemployment, therefore, imposes severe costs on the jobless and their families, on the society as a whole, and on the economy.

But unemployment does bring advantages to employers. It holds down prevailing rates of pay and often compels unions to moderate their wage demands. When people are scared about losing their jobs, they are more vulnerable to speed-up and less resistant to employer excesses. Mass unemployment gives corporations a lever to extort valuable concessions from local or state governments to keep existing plants or to establish new ones. Unemployment is, in short, a major weapon in business' attack on labor.

It is about time that the labor movement defanged this employer unemployment weapon and shifted the unemployment costs back to the employer by establishing the shorter work week with no reduction in pay.

The immediate impact of the shorter week with no reduction in pay would be to reduce the employers' current profits. But their current profits are so huge that even after paying the added wage costs of shortening the work week, they would still be left with profits substantially higher than the level of profits that were considered enormous just a few years ago.

Let's see what the effect of winning the 35 hour week with no reduction in pay would have on profits in the basic manufacturing industry. The following table gives the profits before taxes of all manufacturing corporations for ten-year periods beginning with 1947, together with the profits per man-hour of all hourly employees in manufacturing. Profits for the year 1973 were put into this table for purposes of comparison because profits were so great that year they were called "mind-boggling" by Fortune magazine, while Business Week headlines its profit round as: "1973: A Year to Remember."

MANUFACTURING\*

<u>Year</u>	<u>Total Profit Before Taxes</u>	<u>Profit per man-hour worked</u>
1947	\$17.3 billion	\$ .63
1957	25.0 "	.93
1967	38.8 "	1.28
1973	55.7 "	1.78
1977-2nd quarter annual rate	84.6 "	2.87

\*Sources: Profits from U.S. Comm. Dept., Office of Economic Analysis; man-hours computed from U.S. BLS weekly hour and employment data.

The 35-hour week with no reduction in pay in manufacturing would add 2 million workers to the current hourly total of 14,057,000. Workers presently employed would continue to receive their average manufacturing wage of \$11,671. In addition, the 2,000,000 additional employees would also get this \$11,671 wage for a total increase in payrolls of \$23.3 billion. The initial impact of the \$23.3 billion would be to reduce profit before taxes by that amount, as the following table demonstrates:

Manufacturing Profits After Taxes After the Shorter Work Week

<u>Year</u>	<u>Total Profits Before Taxes</u>	<u>Profit Per Man-hour Worked</u>
1977 - 2nd quarter annual rate	\$61.3 billion	\$2.08

However, despite the extra cost of the shorter workweek, profits before taxes would still be \$6 billion above the "mind-boggling" profits of 1973. And the employers' profits per hour would still amount to \$2.08 for every hourly worker, well above the 1973 rate of hourly profit.

The employers, of course, would not even have to bear the full brunt of this added \$23.3 billion wage cost, because they would not have to pay an estimated \$10.5 billion of taxes on this amount.

Furthermore, the expansion of workers' purchasing power in this current period of sluggish demand would cause companies to operate at close to full capacity instead of at the present 83 percent level. Increased sales, and the more efficient operations that result when the economy is in high gear, would together strongly stimulate profits.

Nor would government revenues suffer in the long run. The increased demand has a multiplier effect on other industries, producing an even larger increase in demand and sales, thus stimulating the lagging capital goods industries and helping rescue industries such as steel from the doldrums. As pointed out previously, every one percent in the unemployment rate costs the federal government \$17 billion in lost taxes and extra costs for unemployment benefits and welfare spending. The 2 million jobs added in manufacturing would reduce the unemployment rate by 2 percentage points and save the government \$34 billion a year.

The greatest benefit would be to the unemployed - blacks, other minorities and whites, teenagers and women who would be salvaged from the dust heap to which the employers have consigned them. Employment at union wages would reduce alcoholism, and drug addiction, prevent premature deaths, help overcome the crime wave, slash the prison population, thus freeing the billions of dollars the government spends coping with these social evils for badly underfunded housing, education, health and mass transit programs.

The shorter work week is good for the employed. Full employment is good for organizing, it gives workers the spirit to fight against employer excesses such as speedup and rate cutting.

It is good for family life. At one time the work of one breadwinner in a family was expected to support the family. Now the husband and wife must work to keep the family going. Where 40 hours a week was needed in a family, 80 hours a week is now necessary. Counting the time travelling to and from work, about an hour per day for each, brings the family work week to 100 hours. Shortening the work week enables parents to spend more time with their children, provides additional time for shopping, cooking, and other household chores, therefore strengthening family life.