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EPB MEETING

Thursday, Sept. 16  
8:30 a.m.

EPB - Status report  
affirmative action -  
imp of HEW & labor

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40.2% of youth  
black unemployment



U.S. DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

September 15, 1976

MEMORANDUM FOR: THE ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE

FROM: W. J. USERY, JR. *WJP, for*

SUBJECT: Presidential Initiatives on  
Youth Unemployment

Secretary Richardson's September 14th memorandum to the Executive Committee on youth unemployment is an excellent statement on this problem. His approach is consistent with the President's general theme of relying primarily on the private sector to address the unemployment problem.

As Secretary Richardson noted, the Department of Labor is well along with two of the initiatives outlined in his paper. However, I would suggest that the President handle them somewhat differently.

*Give to  
to  
rather  
than to  
individual*

The National Alliance of Businessmen (NAB) proposal (see Tab A) is an initiative whereby corporations would be reimbursed up to \$1,300 per job for hiring disadvantaged youths or individuals currently receiving welfare. This proposal is well on the way to being finalized. Assistant Secretary Kolberg is meeting this week with the NAB to work out some final details. The initiative could be ready for announcement next week.

The apprenticeship initiative (see Tab B) is an effort to modernize the existing successful apprenticeship program and expand it to new industries. While considerable progress has been made, discussions are not yet so far along as to announce this initiative in the form outlined by Secretary Richardson. However, the President could announce the initiative in less specific language. For example, the following points could be made:



1. The existing apprenticeship program focused almost entirely on the construction trades has been very successful.
2. The Secretary of Labor is looking into ways in which this concept could be adapted to new industries.
3. Discussions with industry and labor thus far have been very encouraging.
4. The specifics of such an expanded apprenticeship program will be announced in several weeks.

Certain other actions are under consideration in the Department in the area of youth unemployment and will be made available to the Executive Committee as soon as work has been completed.



## Youth and Welfare

This effort is aimed at the establishment of a national emphasis program operated from the national level under the Employment and Training Administration (ETA) of DOL and using resources available under the Comprehensive Employment and Training Act (CETA) of 1973. No additional resources and/or appropriation is required to operate a program at the level provided for herein.

The basic solution to the problems of youth unemployment and the reduction of the welfare rolls is the development of employment opportunities in the private sector of the economy. Four out of every five workers in this country are employed in the private sector; therefore, it is the private sector of the economy that must be relied on to provide employment opportunities in order to effectuate a marked change in youth unemployment and a reduction of the welfare rolls.

Under CETA, 90 percent of the resources are made available to units of State and local governments with the authority to allocate such resources in a manner considered to best meet the needs of the area.

The Department has, since the inception of CETA, impressed upon the State and local prime sponsors the importance of encouraging private employers to participate in employment and training programs. However, over the past 2 years the economic situation has militated against expanded involvement of the private sector.

Now that the economic picture is beginning to brighten perceptibly, it would appear that the time is right for an increased effort to expand job opportunities for disadvantaged youth and welfare recipients.

*along there*  
*works*

In response to this change in the economic picture, the Department of Labor, Employment and Training Administration, is suggesting a series of actions that hopefully will attract national attention to the plight of youth and welfare recipients and encourage national, State, and local governments in conjunction with employers to mount a renewed national level to develop job opportunities in the private sector for those most in need.

The campaign as envisioned by the DOL-ETA consists of the following:

(1) A Presidential announcement of a renewed effort to provide private sector employment for youth and those on welfare. The announcement would be made before a select group of individuals representing the National Alliance of Businessmen (NAB) and the Nation's 100 largest corporations.

(2) A special initiative to be implemented by DOL-ETA to encourage all CETA prime sponsors to expand their job development activity at the local level in the private sector by allocating additional resources to on-the-job training. This special initiative would encourage the maximum use of local and regional offices of the National Alliance of Businessmen as well as other business, labor, and community-based organizations.

(3) The implementation of a special national program using available resources through NAB.

The Presidential announcement would be a challenge to the community business to provide 500,000 job opportunities within the next 12 months

The national initiative would set as its goal the development of 100,000 of the 500,000 nationwide goal. The key elements of the national program would be as follows:

(1) The NAB, at the national level, would solicit pledges from the major multi-plant corporations to employ disadvantaged youth and welfare enrollees.

(2) The pledges may be either to provide job opportunities on a voluntary basis at no cost to the government or with a partial reimbursement by the government to cover the extraordinary costs of providing employment and training for the disadvantaged, unskilled individuals.

(3) Contracts would be developed by NAB and funded at the national level by DOL-ETA.

(4) Level of reimbursement would not exceed \$1,400 per individual over a 1-year period (\$100 administrative costs and \$1,300 employment and training costs).

(5) Those to be served would be disadvantaged youth between 18-21 or welfare enrollees registered under the WIN program.

(6) The national program would be implemented to complement the local CETA prime sponsor efforts by concentrating only on large multi-plant corporations.



The attached draft copy of the program prospectus and concept format provides a more detailed description of the intent, purpose, and operational guidelines of the program.

Initial consultation with NAB seems to indicate that NAB would be receptive to a Presidential challenge nationally and would also be willing to work with the DOL-ETA in implementing the program design outlined above. It may be necessary to adjust certain of the program elements but no major barriers are foreseen at this time.

Funds available to implement the national NAB/DOL-ETA program are sufficient to accommodate the 100,000 job development goal.

The Department stands ready to implement this program as a Presidential initiative if it is deemed appropriate to do so.

TAB B

## Attachment -

### Summary of Proposed Initiatives for Discussion with Apprenticeship Community

#### 1. Concentration on Industries Other Than Construction

The primary purpose of the proposals discussed below are to secure adoption of the apprenticeship concept across a broad spectrum of industry. While there are selected areas in which construction apprenticeship could be improved, the system in that industry is well established and functions effectively. Therefore, the proposals are directed to those industries in which apprenticeship is either nonexistent or severely underutilized. Over the long term, the goal would be to establish apprenticeship as a basic avenue to skill acquisition in all industries, similar to the role it now plays in construction.

#### 2. Planning Grants for the Establishment of an Integrated Federal/State Administrative Structure

This proposal would provide grants to all States for the purpose of: a) Developing State apprenticeship agencies in those States without agencies; b) expanding agencies in those States with only minimal operational functions; c) improving agencies in those few States that have relatively full functioning agencies. Grants would be distributed on a formula basis geared to the size of the State's labor force.

The goal of this proposal is to bring about an integrated and rationale system for the administration of a national apprenticeship program. At present the level of effort, standards and conditions vary widely among the States. As a result there are a number of anomalies in the administration of the system that act to the detriment of sponsors, apprentices and the future expansion of apprenticeship.

#### 3. Community Apprenticeship Councils (CAC's)

This proposal would provide grants to establish Community Apprenticeship Councils (CAC's) in the larger SMSA's. The purpose of these councils would be to provide

administrative services and technical assistance to the many varied and widely scattered programs that are too small to justify Joint Apprenticeship Councils (JAC's) on an industry or craft basis as are found in construction.

The CAC's would perform much the same functions as existing JAC's except that they would serve all occupations not covered by JAC's. Specific activities would include: a) Arranging for related instruction for associated programs; b) developing courses common to a number of occupations; c) assisting in developing work processes; d) arranging for shifting apprentices among employers to assure full exposure to the trade, where possible; e) maintaining records on individual apprentices and their progress; and f) coordinating all apprenticeship activity within the community.

The grants would provide for staff and other costs involved in carrying out the administrative functions under the direction of a broad based council representative of business, labor, education and public interests. Organization, location and functions could vary depending on the community preference and needs.

An alternative version of this proposal would establish some 50 projects to operate cooperative education type programs linking on-the-job training with education in schools, primarily community colleges. Grants would be given directly to community colleges and other schools, employers and unions or combinations of these organizations.

This proposal would emphasize the role of community colleges and build on their energy and growth in providing training for highly skilled occupations outside traditional apprenticeship fields. It would integrate the community colleges with unions and business to provide a comprehensive program of job training and post secondary education and tie apprenticeship into the post secondary education system. It would also provide for training similar to apprenticeship but focused on growing occupational areas that have not traditionally involved apprenticeship.

Grant funds would be used for a planning phase and then for staff to coordinate the activities of a caseload of students between the school and their jobs.

#### 4. Selected Industry Promotion Campaigns

Under this proposal intensive apprenticeship promotion campaigns would be conducted in several selected industries using national industry trade associations, union organizations and professional organizations. The industries selected would be ones with the potential for a substantial increase in apprenticeship or for developing new apprenticeshipable occupations. The organizations selected would be ones with a key role in each particular industry and a network of local affiliates. An example of a target industry would be the medical field; examples of possible sponsoring organizations in this field would be the American Hospital Association, American Medical Association on Medical Education and the Association of Operating Room Technicians.

In each of the selected industries one or several of the leading organizations would be provided funds for staff to develop and promote apprenticeship through its local chapters or affiliates. The national organization would provide assistance to local chapters in setting up apprenticeship programs, in developing instructional material and in developing training staff. Under certain conditions the national organization might also be used as a conduit for reimbursing the training costs of participating organizations.

This proposal is based on the premise that the most effective means of penetrating new industries and occupations on a broad scale is through existing organizations with the confidence of the industry and knowledge of its needs.

#### 5. Encouraging Apprenticeship in the Federal Government

Under this proposal all Federal Government agencies would be encouraged to adopt apprenticeship as a primary training system for occupations with a significant skill content acquired entirely or in large part in the work setting. Agencies would be encouraged to adapt the apprenticeship concept to new occupations as well as to the more traditional crafts.

The suggested vehicle for implementing this proposal is through an Executive Order directing all agencies to examine current training systems for possible adaptation to apprenticeship. As an incentive to use apprentices, the Order would provide exemption of registered apprentices from personnel ceilings.

This proposal is based on three factors: a) There is a large, unrealized potential for apprentices in traditional apprenticeship occupations within the Federal Government; b) the Federal Government can provide an ideal setting for conducting demonstrations of new apprenticeship applications; and c) as the leading proponent of apprenticeship in private industry the Government should set an example in using the system.

#### 6. Retention of Unemployed Apprentices

This proposal would involve establishing demonstration projects in 5 to 10 sites which would test several approaches to maintaining the apprentice's attachment to the trade during periods of unemployment. The demonstration projects would probably include substantial numbers of apprentices in construction because of the cyclical and seasonal nature of the industry.

The demonstration projects will provide related instruction to apprentices during periods of unemployment with apprentices drawing allowances while in training. Training will be conducted in existing or special facilities established for the purpose. Projects will be placed in areas experiencing a relatively high level of unemployment. Where appropriate, upgrading training will also be made available to unemployed journeymen. A number of approaches will be tested, including using unemployed apprentices and craftsmen to perform useful community services.

U.S. DEPARTMENT OF LABOR  
THE DEPUTY UNDER SECRETARY OF LABOR  
WASHINGTON



September 15, 1976

MEMORANDUM FOR THE EXECUTIVE COMMITTEE OF THE  
ECONOMIC POLICY BOARD

FROM: HENRY H. PERRITT, JR.  
DEPUTY UNDER SECRETARY FOR  
ECONOMIC POLICY REVIEW

A handwritten signature in black ink, appearing to be "H. Perritt, Jr.", written over the typed name.

SUBJECT: The Ford Strike and the  
Auto Industry Negotiations

When the contracts between the United Auto Workers (UAW) and the automobile manufacturers expired on September 14, more than 170,000 UAW members struck the Ford Motor Company. The agreements covered a total of 727,000 workers; 420,000 at General Motors; 170,000 at Ford; 127,000 at Chrysler; and 10,000 at American Motors. Contracts with the agricultural implements industry, where the UAW represents 100,200 workers who normally obtain agreements on a par with auto industry contracts, expire September 30.

STRUCTURE OF BARGAINING

The UAW negotiates national agreements on a company-wide basis. While the national talks are in progress, approximately 320 supplemental agreements involving local issues are negotiated at the plant level. The UAW traditional bargaining practice involves selection of a "target" company to press for an agreement that will then be taken to the other auto manufacturers; Ford was selected as the target for this contract; consequently, when no new agreement was negotiated, Ford was the only company that was struck. There have been strikes against the target company in each of the last three contract negotiations; a 66-day strike against Ford in 1967; a 69-day strike against General Motors in 1970; and a 9-day walkout at Chrysler in 1973. Historically, Federal involvement in the negotiations has neither been sought nor welcomed by either party.

## WAGE TRENDS

Auto wages generally have kept pace with inflation, but the costs of the total compensation package have increased significantly. Recent auto worker contracts have included a cost-of-living adjustment (COLA) 1/, which has exceeded the annual negotiated increase (3 percent in 1975) by more than 50 percent. The cost of providing benefits in the last ten years has increased by 240 percent (versus an 83 percent increase for wages); in 1975, benefits comprised 33.7 percent of the compensation package.

## INDUSTRY TRENDS

Profits for the automakers fell by 65 percent from 1973 to 1974 and remained low in 1975, partly as a result of increased imports. Temporary or indefinite layoffs at their peak in January, 1975, involved more than 200,000 workers. The heavy layoffs forced suspension of payments from the negotiated Supplementary Unemployment Benefit (SUB) funds at Chrysler and General Motors, but not at Ford. Sales have continued to improve since the introduction of the 1976 models and the import share of automobile sales has declined, creating record level profits in recent quarters in the auto industry.

## KEY ISSUES

The issue of job security (shorter work weeks, longer vacations, and limits on sub-contracting have been suggested to increase total employment) presents a difficult bargaining issue and could be the major stumbling block to an early settlement of the strike with Ford. A complication is the applicability of the agreement to Canadian workers who face strict wage and price controls. Financing and restructuring Supplemental Unemployment Benefits to protect long-term employees who are the last to get laid-off is an important issue following last year's extended layoffs. A skilled-trades wage differential (above the anticipated 3 percent a year wage increase) is being sought. Another issue is how much of the \$1.14 COLA currently accrued, should be included in the wage base before the annual percentage increase is computed. Adjustment of pensions for those already retired, though not a subject of bargaining this year, has been discussed at the negotiations.

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1/ Uncapped COLA: 1 cent increase per .3 rise in combined U.S. - Canada CPI (U.S. 1967=100; Canada 1961=100, weighted 9 (U.S.) to 1 (Canada)).



## ECONOMIC IMPACT

- o Production cutbacks due to the strike amount to approximately 40,000 autos and 20,000 trucks per week. This year through the week ending 11 August, Ford accounted for 26% of domestic auto output and 32% of truck and bus output.
- o The economic effect of a short strike on suppliers should not be great. The severe potential effects are in rubber and transportation.

Over 70% of the value added in the car manufacture is accounted for by Labor (30%), Parts (28%), and Iron and steel (12%). Of the remaining 30% no single industry accounts to more than 2% of value added. Ford manufacturers 45% of its own steel, 100% of its glass and 100% of its own paint.

- o Suppliers are expected to continue output at present levels for at least 10 days, unless they come to expect a long strike. Suppliers can assume, if the strike is short, that Ford will attempt to make up any lost production through overtime once the strike is over.
- o Service industries will be affected more severely as many are directly related to day-to-day production. Railroads and trucking will feel production cutbacks immediately.
- o The rubber industry should be little affected; it is just recovering from a protracted strike and is producing to rebuild inventories and to supply spare tires for cars sold without spares during the strike.
- o Auto industry sales will be little affected in the event of a short strike (i.e. 2 weeks or less) as there will be only a minor effect on availability of new cars.
- o Area impact will be most severe in the Midwest as 52% of Ford UAW members are in Michigan and 19% in Ohio. Suppliers are even more heavily concentrated in the Detroit area.
- o A strike which lasted more than a month would have a much greater effect. Permanent losses in auto industry sales would occur. Although many car buyers will simply take their business to other manufacturers, many will postpone purchase altogether. This effect would be felt by major automotive parts manufacturers and other suppliers.

## OUTLOOK

Ford made three offers which were rejected by the UAW prior to the strike; the third offer, which was rejected Monday night, provided for a complicated formula for more paid time off, extension of dental care benefits to pensioners, some additional wage relief, and increased SUB contributions. The union rejected this offer by Ford, asserted that the company and the union were still far apart, and made preparations for yesterday's strike. Ford, faced with the possibility of record third quarter profits, did not want a strike. Many workers, recently returned from extended layoffs, were not eager to strike. However, the SUB fund at Ford was not depleted during the layoffs; this lessened the economic hardship for laid-off employees who continued to receive about 90 percent of normal take-home pay. The UAW strike fund is at a record \$175 million which could provide strike benefits for approximately sixteen weeks. Still the duration of the strike is anticipated to be two weeks or less; therefore no federal action beyond monitoring the effects of the strike is advised.