Second Draft
December 3, 1975

Employment in America 1976 to 1990: An Alternative to Economic Growth

Paul Harris
Director, Task Force on Work
Office of Career Services
Harvard College
54 Dunster St.
Cambridge, MA 02138

The Harvard Task Force on Work was formed in September, 1973 to consider employment problems to be faced by college graduates during the next 15 years. The task force consists of several students and recent graduates of Harvard College. The advisory board includes an economist, a sociologist, and several professors of the Harvard Business School. Between September, 1973 and September, 1975, task force members interviewed over 150 recent graduates of Harvard College and over 100 people involved in business and government representing 27 Boston area employers. The interviews concerned how recent Harvard graduates and Boston area employers were responding to increasingly tight labor market conditions. The data collected in these interviews is currently being prepared for publication by the Harvard Office of Career Services.

While the above survey was being conducted, the task force also held weekly meetings to discuss possible approaches to U.S. employment during the next 15 years. This paper presents information and ideas discussed in these meetings and attempts to provide some initial groundwork for a general theory of employment in a low growth economy.

The task force identified two major employment problems for college graduates. From 1976 to 1980 the primary problem will be finding jobs for the 5,000,000 "baby boom" college graduates who enter the labor force during these 5 years. From 1981 to 1990 the problem will shift to finding ways to keep college graduates satisfied with their employment. Currently 50% of the young people entering the labor force have some college background, yet only 2 out of 10 jobs require more than a high school degree. As a result, starting salaries of college graduates have been decreasing. Professor Richard Freeman of the Harvard Economics Department writes "by 1974 real college starting rates were 15-20% below those five years earlier and earnings relative

to those of other workers 20-25% below 1969 levels." Unemployment and underemployment will also be major problems for noncollege graduates during the next 15 years.

The number of people in the 17-21 year old age group will peak at about 21 million in 1978. The low point will be about 17.5 million in 1987 followed by gradual increases in the 1990s. The number of people in the 62 to 66 year old age group will peak at about 10 million in 1987 followed by declines in the 1990s. The female participation rate increased from 33.4% to 39.4% of the total labor force from 1960 to 1974. It is expected to continue to increase, though at a slower rate, during the next 15 years. Historical and estimated civilian labor force figures are given below in millions of persons:

	Historical			Estimated			
	1960	1965	1970	1975	1980	1985	1990
Total labor force	69.7	74.4	82.8	92.3	101.6	109.5	115.0
Percent increase	--	6.7	11.3	11.5	10.1	7.8	5.0

There seems to be general consensus that unemployment and underemployment of new entrants to the labor force are important and serious problems. Among businessmen there also seems to be general consensus that the only solution lies in economic growth. Since this solution has already been widely discussed, the Harvard task force chose to explore an alternate solution-- increasing the availability and development of leisure time.

Increasing leisure time during the next 5 years can create jobs by allowing work to be spread among new entrants to the labor force. It can add to the employment satisfaction of young workers in the 1980s by allowing them to pursue outside interests.

Questions relating to this solution include: Do people want to work less? Can people afford to work less? Can employers provide more flexible work schedules? and Will the public resist a weakening of the "work ethic?"

One reason for confusion concerning the value of the "work ethic" is that "work" can mean "employment" or "productive activity." In this paper "work" means "employment," i.e. an activity for which one is paid. A leisure activity is one which is chosen for its own sake and for which one is not paid. Examples include playing golf, playing the violin, building one's own furniture, reading a novel, helping the Red Cross, talking with a friend, relaxing alone, and participating in a religious activity. Some activities, such as shopping and washing the dishes, are considered neither work nor leisure.

Assuming that the labor force will continue to grow during the next 15 years and that we hope to increase productivity and reduce unemployment, we are left with the following question: "Would we prefer American society in 1990 to be distinguished from the present by virtue of its greater GNP or by the greater availability and development of leisure time?" In other words, should we direct our efforts toward increasing real GNP or toward reducing the average annual hours of work?

From 1954 to 1973 the average annual hours of work per person declined approximately .5% per year. This decline was primarily due to an increased number of part-time employees and to the changing industry mix. The average increase in real GNP during the same period was approximately 3.9% per year. In 1975, 55% of the U.S. population 16 years old and over was employed. Of those employed about 14% worked less than full time. If 92% of the U.S. population 16 years old and over had been employed, they could have produced the same 1975 real GNP with an average

work week of 3 days. (55% x 5 days = 92% x 3 days.) Such a distribution of work would imply significant changes in people's attitudes, life styles, and goals. Whether or not these changes are desirable depends upon one's vision of a better world. Our society must decide to what extent we wish to foster growth and to what extent leisure. We must also determine how work and leisure are to be distributed.

The Case for Economic Growth: Happiness is a 6% increase in real GNP.

Growth is inherent in all activities of nature. Economic growth allows us to quantify those things we want, to determine their relative values, and then to satisfy those which are most important. People may disagree with the composition of GNP or with the relative portions which go to income and profits, but only through economic growth can everyone get more and no one less.

There are still many needs in our country. We must reduce poverty, develop pollution control, and provide more and better goods and services including food, clothing, shelter, and transportation. We have historically helped the poor by increasing the total size of the pie, not by redistributing it. We need growth to provide jobs (hence incomes) for the unemployed and to support social security and other social obligations.

There are still many resources in the world which have not been developed. We have the skills and experience necessary to develop these resources for the benefit of all people.

Economic growth is what keeps our economy dynamic, interesting, and useful. It is in periods when growth has fallen that Americans

have been most unhappy. Growth gives the U.S. a sense of progress and improvement. It is necessary to support new adventures such as space exploration, oceanography, and the development of new scientific processes. If we want to remain the leader of the free world, we must continue to grow.

Economic growth allows children to have more than their parents. It allows people to advance according to their abilities rather than being stuck in one job. As companies grow individuals can be promoted and take on ever greater challenges and responsibility. Without growth people become bored, disenchanted, and resentful.

Increasing wealth is an important goal for individuals. Wealth is a tangible measure of success. It allows one to have more possessions, status, self-esteem, and independence. Growth encourages creativity, usefulness, self-reliance, and self-respect. It results in more education and appreciation of life.

Most people want economic growth. They live beyond their means and are scrambling to catch up. They would rather work more, not less. Economic growth gives people something to do. Most people wouldn't know what to do with more free time. Work is as much fun as moping around so why not be useful and get paid? Many wives don't want their husbands to have more time off because it would only disrupt their family lives. Economic growth involves excitement and responsibility. Leisure is only important to the extent that it helps one to rejuvenate and be ready to work again.

We know how to achieve economic growth reasonably well. We don't know how to maximize leisure time. If we begin reducing the average work year we don't know that the result may be. Economic growth allows us to measure progress. With more leisure, how will we know whether or not people are any better off?

It would be too difficult for our society to make the transition (economically, socially, and culturally) from a growth

orientation to a leisure orientation. We might only end up with a huge unemployment problem. As long as businesses can find people willing to work full time, why should they act any differently?

Reducing growth would reduce efficiency. It is hard enough doing without people for 2 weeks each year while they go on vacation. Longer periods would only make things more difficult. Upward mobility within firms would be reduced causing job dissatisfaction. Productivity would go down so wages or profits would go down, or prices would go up. The poor would suffer most, as they have in previous no-growth periods. Without growth, increasing capital ceases to be important. This hurts everyone who has money invested.

America has been built on free enterprise capitalism (The Wealth of Nations was published in 1776). Capitalism requires economic growth as its driving force. An end to growth would result in an end to capitalism, and that can only mean authoritarian national leadership and the loss of democratic ideals.

The Case for Leisure: Living better for less.

Leisure in America is in its infancy. Motorboats and TV game shows are indications of its undeveloped state. Leisure is properly associated with the pursuit and expression of truth, beauty, and love. It means having one's time free from the demands of paid employment or other duty. Thus leisure is freedom.

The natural development of civilizations is that after economic growth comes cultural growth. The desire and ability to own ever more material possessions gradually gives way to greater interest in self-fulfillment, relations with other people, and religious activities. The American public already shows signs of making this change in values. Yankelovich found recently that 80% of college youth and 74% of noncollege youth would welcome less emphasis on money. Many people want to devote more time to their families and their communities. They are increasingly interested in music and the arts. They are finding that playing a guitar well brings more lasting enjoyment than driving a Cadillac. Schools are caught in the dilemma between teaching vocational courses (for economic growth) or liberal arts (for better use of leisure time).

Many problems in the U.S. are the result of too much production, not too little. We have too much litter, water pollution, air pollution, noise, traffic, and tension. In 1970, there were twice as many surgeons per capita and twice as many operations per capita in the U.S. as in Great Britain. Is this a sign that we are more healthy or less healthy? The growth ethic results in resource shortages which cause both inflation and unemployment. With 6% of the world's population, the U.S. uses 40% of the world's energy. Foreign countries are becoming more sophisticated and are standing up to the U.S. in trade agreements. As natural resources are used up and as other nations develop economically, growth in the U.S. becomes increasingly difficult.

Maximizing material goods requires ever more natural resources, maximizing leisure does not. As leisure is maximized inflation comes down because demand is reduced. Unemployment can be reduced by spreading work among the entire labor force.

Many young people today want to live in the country, work in the city, and not commute. Cities are filled with crime, traffic, noise, concrete, and machines. The country has few people, fewer jobs, and the activities seem less important than those in the cities. We must find ways to take work from the cities to the country and leisure from the country to the cities. Commuting, which wastes time and energy, should be minimized.

Some people work to live, others live to work. One who devotes his or her life to work is similar to the child who went sledding for the first time. He would drag his sled to the top of the hill, then pick it up over his head and carry it back down the hill. He got lots of exercise and felt good about how hard he was working, but he couldn't help feeling that there must be something more to sledding than that. Work and investment are means; leisure and consumption are ends. Means make ends possible, while ends make means meaningful.

People often work compulsively and the compulsion spreads into other parts of their lives such as their eating, drinking, and worrying. Leisure allows people time to slow down, assess where they are, and think about where they want to go. The U.S. is probably the only country in the world where people think that there is something wrong with you if you are <u>not</u> seeing a psychiatrist. This could be a sign of misallocated personal resources, not to mention extravagance. Problems which can result from too much work include divorces, selfishness, depression, resentment, confusion, juvenile delinquency (when parents aren't around enough), and health problems (backaches, headaches, ulcers, and emotional strain).

Most jobs are highly specialized and limit one's perspective considerably. Leisure time can be used to get a broader, longer term perspective through travel, conversation, cultural activities, and school. People can spend more time shopping, enjoy the process more, and get better buys. They can make and repair many of their own goods. They can help each other out of friendship and concern, rather than for money. Having more free time may also increase productivity. Employees will be less likely to do errands during working hours. As they become interested in outside activities they will want to produce more efficiently so that their average work year can continue to decline.

Emotional involvement is a handicap in many jobs. Feelings can get in the way of a productive, efficient routine. Leisure allows people time to experience, confront, and understand basic emotions such as anger, fear, pain, and love. Not only are these emotions important to each person privately, but they are also the means through which people communicate and identify with each other and with the human race as a whole. Leisure forces one to face oneself, including one's loneliness, inadequacies, and unreached goals. But through this process comes self-awareness, optimism, and fulfillment.

> "When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest values. We shall be able to afford to dare to assess the money-motive at its true value..."
>
> -- John M. Keynes
> "Essays in Persuasion,"
> 1933.

Distributing Work and Leisure: The joy of sharing.

One way to distribute work and leisure is to give some people all of the work and others all of the free time. This is close to the situation in the U.S. today. Since it would be difficult to give some people all of the food and other people none, a different pattern is required for distributing food and the other consumption components of GNP. As the nuclear family, supported by a working head of household, has become a less reliable means of distribution, other means have become more important. These include welfare, unemployment compensation, social security, pensions, alimony, and theft.

In the past, a person who worked supported himself and others close to him, e.g. his wife, children, mother, other relatives, and perhaps family help. Today, working people spend less money supporting those close to them, but more money contributing to the support of large classes of non-working people. Anger, hostility, and resentment are building up between those who work and those who don't work. Meanwhile, workers are unable to enjoy the rewards of leisure and non-workers are unable to enjoy the rewards of work. A logical solution to this conflict is to share both work and leisure. Then the total number of people working goes up and the average annual hours worked by each person goes down.

Work is an important part of American life. One's employment or nonemployment can greatly affect his or her self-esteem, sense of participation, and interest in events and trends which affect America's development. Women are becoming increasingly interested in paid employment. Many married couples would like to share both outside work and child rearing. Each activity satisfies different needs. Work sharing between husband and

wife does not necessarily have any effect on their family income, on economic growth, or on unemployment. It can simply be a redistribution within the family of outside work and domestic chores.

Many college graduates would gladly trade some of their income for more free time. During college they learned to live on low budgets but with considerable time flexibility. While businessmen would like college to become more like work, these college graduates would like work to become more like college.

Retired people often like to work part-time in order to keep in touch with old friendships and activities, continue providing useful services, supplement their income, and because they enjoy a certain amount of work.

There are a number of health advantages to work sharing, both to those previously not working (because they perform useful functions, participate more in society, come into contact with people, and have more self-esteem) and to those previously working (e.g. the reduction of tensions, the ability to take part in healthy outside activities, and the time to pursue personal interests).

Because work sharing involves more people in the system, it should result in a better overall understanding of the benefits which result from large institutions and the difficulties which these institutions face. If artists were to spend more time working with manufacturers and manufacturers were to take more time off to learn to appreciate art, both groups would probably benefit.

Sharing work and leisure can result in a more well rounded, emotionally healthy population. All people have economic needs (e.g. food, clothing, and shelter) and noneconomic needs (e.g. psychological, interpersonal, social, cultural, and spiritual needs). Many people today satisfy one kind of need at the expense of the other.

Fewer resources are available in the U.S. today for economic development and there are fewer immigrants to push people up into higher positions. If an individual corporation decides not to emphasize growth, internal mobility becomes largely a zero sum game. Upward mobility must be balanced by downward mobility somewhere else. If work is shared people can gain fulfillment outside their work so that upward mobility ceases to be as important.

The primary resistance to work sharing today comes from large employers. They are in a good position to see the difficulties, they are the institutions which would be most significantly affected, and they would have to be closely involved in any transition process. A few of the difficulties which employers mention when asked to consider work sharing are:

1. The goal of a corporation is to provide consumers with goods and services as efficiently as possible. The fewer employees, and the fewer complications involving employees, the better.

2. Productivity could go down. Having more people requires more administrative work increasing total costs. The transition would also be expensive and difficult. Who would arrange it and who would pay for it?

3. Personnel officers are already overworked. They face problems relating to equal opportunity and other government requirements, a lack of advancement opportunities for young managers, strained relations with middle managers, and general employee dissatisfaction. They don't want to do anything which would stir up more commotion.

4. Other issues are more important. Only immediate crises are addressed.

5. The current work structures are convenient. Employees, managers, and consumers are used to them. Work sharing would be a gamble. What if it doesn't work?

6. Managers don't want their employees to have split commitments. They want work to come first. Work sharing may soften the work ethic. Paying and establishing salaries would be more difficult. Different schedules would disrupt the continuity of work. Keeping track of employees would be more difficult. As unemployment decreased, less qualified people would have to be hired who would be more difficult to supervise.

7. Employees don't want work sharing. They want more work (i.e. more income), not less.

In order for large employers to encourage work sharing they must have a vision of society in which sharing work and leisure is an integral part. They must also see themselves as important vehicles for realizing this vision. As the vision becomes increasingly developed, understood, and accepted, and as the role of large employers becomes more clear, solutions to the difficulties listed above will begin to appear. Employers should not be discouraged by the size of the task involved. Because the U.S. is so large, progress will undoubtedly be slow and difficult. But the alternative is unemployment, disenchantment, and an increasing strain on our resources and on our environment.

There are two ways to establish a balance between economic growth and the average work year. The top down approach involves determining how much economic growth we want and can support, then spreading work so that unemployment is low. The bottom up approach involves allowing each person to choose how much he or she wants to work and then attempting to provide enough jobs for everyone. The difficulty with the bottom up approach is that it can result in a spiral of decreasing real wages. As natural resources become scarce, prices go up and real wages go down. Each person attempts to catch up to his previous income by working more. Thus labor

becomes more plentiful, unemployment goes up, and real wages go down again. The more people work, the less they get. An employer who encourages employees to work more, contributes to this spiral. An employer who encourages employees to work less, helps to reverse it.

Employers need to work with community leaders to determine community employment and production goals based on the labor force, material needs, and resources available. Each employer should have an individual employment and production goal which is compatible with the goals of the community.

There is a lot of work which remains to be done concerning how individual employers can most effectively respond to community employment needs. Wherever there is unemployment, work sharing should be considered a possible alternative. Work can be shared throughout a firm, within specified divisions only, or on an individual employee basis. Specific techniques for decreasing the average work year include sabbaticals, leaves of absence, longer vacations, more frequent vacations, fewer days per week, and fewer hours per day. A given department could have a wage budget of X dollars, an employment goal of Y people, and a production requirement of Z widgets. Distributing the money and work could be at the discretion of the manager and those whom he supervises. In general, the people who work less should be those who want to work less and can afford it. Wives, young people, professional staff, and employees nearing retirement age are all likely candidates.

Hopefully this paper will help to stimulate discussions among businessmen and community leaders concerning work sharing. The primary focus at this point should be how large employers can use work sharing techniques to help reduce unemployment. At the same time, discussions should take place concerning the development of leisure activities which are highly satisfying, yet inexpensive.