

DISCUSSION

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Since my own current research efforts are largely concerned with underutilization of manpower, I should, perhaps, have confined my remarks to Harold Goldstein's stimulating paper. However, I cannot resist the temptation to comment briefly on the other two papers as well.

The main thrust of Mr. Mills' paper is that before much headway can be made in analyzing the sources and flows of manpower in the construction industry, new data -- some of which are already being collected -- must be made available to interested researchers. As an omnivorous consumer of manpower statistics in related fields, I can only applaud his efforts to increase our knowledge about this important industry.

At the same time, it must be added that economists have always wanted more and better data, and that the prospects of getting them have often turned on how much the missing information might contribute to policy issues of great moment. Mills mentions one such issue -- the extent to which the supply of manpower to construction would support a large scale program to rebuild our cities. Let me mention another one. In comparing the economic effects of monetary and fiscal policies to combat inflation, the point is generally made that reliance on tight money imposes a disproportionate burden on the construction industry. Yet we know very little about the extent to which the various groups of workers in this industry are able to find temporary jobs elsewhere when a decline in building construction occurs. The data Mills seeks ought to yield some tentative answers to these and other important questions.

I would also urge investigators in this field not to neglect the theoretical framework for their research. Constructing models with testable implications should help us to select the key empirical relations to be explored and should also help to clarify what particular kinds of data are needed most. Mills' already persuasive case for more data would have been even more persuasive had he developed more fully some of the specific propositions he wishes to test.

I turn now to the challenging paper by Weinstein and Jurkowitz. As the authors suggest, the problem here is not lack of data but what to make of the intriguing results that we

observe. This paper strikes me as a valiant effort to estimate the impact of military vocational training on the subsequent civilian earnings of veterans -- an inquiry of major importance; but I am not entirely convinced by the authors' findings that this impact is nil.

While I do not fully understand all of the intricacies of the statistical methods employed, certain aspects of the model are unsettling. One is the technique of interviewing by telephone. Another is the extremely low response rate (28 percent) for former infantrymen, who serve as the "control group" in the interoccupational analysis, and the bias that this low rate of response may have generated. (In this connection, I wonder whether a sample of men with no military service at all would not have constituted a better control group -- to guard against the possibility that even infantry training conveys some lasting economic benefits. But this alternative approach may not have been feasible.)

I am also concerned about the authors' choice of control variables in the multi-group analysis (p. 7). Why, for example, was it necessary to control for the relation between the veteran's post-service earnings and (1) the number of dependents he had at the time he left the service, or (2) the number of post-service jobs he had held, or (3) the relation of his post-service occupation to his military vocational training? The flow of causation between family size and subsequent earnings is, at best, obscure; and the other two variables are likely to be by-products, at least in part, of whatever occupational skills the individual may have acquired during military service. At the same time, the apparent failure to include color as a control variable is also puzzling.¹ For all of these reasons, I am reluctant to accept at face value the absence of any significant difference between the adjusted civilian earnings of veterans in the infantry group and the earnings of veterans with some in-service vocational training.

¹After the session, the authors indicated that color had been explicitly taken into account in other phases of their research, but that this characteristic had proved to be statistically nonsignificant. An evaluation of this surprising result must be deferred until the more detailed findings of this study have been published.

Later on in the paper Weinstein and Jurkowitz observe that those veterans who had a pre-service job and related military vocational training tended to have lower earnings (on balance) than their counterparts with a pre-service job but no related military vocational training; and the authors interpret this result as "confirming" the conclusion "that military vocational training was without economic benefit" (p. 12). I am not so sure. The second of these two groups contains those veterans who received military vocational training that was unrelated to their pre-service work experience, but it scarcely follows that the latter set of skills would be less valuable in the long run than those skills that were related to previous civilian jobs. Indeed, just the opposite might be true.

Finally, the authors indicate some lack of confidence in the occupational categories and measures of crossover employed -- a lack of confidence I share. Specifically, variable Z_4 may underestimate the extent to which veterans with low scores on this characteristic were actually using skills acquired during their period of military service. At any rate, a more precise measure of the amount of occupational training received by servicemen while on active duty is needed, in my view, before the impact of this training on subsequent earnings can be confidently appraised.

Mr. Goldstein's paper offers a comprehensive and perceptive discussion of the major forms of underutilization of human resources in our economy, as well as some recent BLS data on the quantitative dimensions of the problem. In the balance of my allotted time, I wish to comment on only one kind of underutilization -- specifically, what Goldstein refers to as "involuntary nonparticipation in the labor force."

Goldstein mentions a number of programs that the government might adopt to reduce the amount of this kind of economic loss, and they have much to commend them. Let me simply mention another policy whose benefits in this regard should not be overlooked, and that is the macro-policy of maintaining a high rate of growth of aggregate demand. A substantial body of recent research by Glen Cain, Alfred Tella, Jacob Mincer, and William Bowen and

myself (among others) leaves little doubt that the labor force participation rate of most major demographic groups is inversely related to the overall rate of unemployment in the economy. In short, a policy that succeeds in keeping labor markets relatively tight will not only reduce the level of reported unemployment (especially among disadvantaged groups) but will also raise the overall labor force participation rate.

In this connection, Goldstein cites the results of a survey made in September 1966 indicating that 750,000 persons were not in the labor force that month because they believed it was impossible to find work. The figure is instructive, if only because it shows that the number of "discouraged workers" does not fall to zero once the unemployment rate reaches 4 percent. But I am confident that a similar survey conducted three or four years earlier would have revealed a much larger number of discouraged workers.

Research on the reasons that persons give for nonparticipation holds considerable promise, and current efforts of the Bureau of Labor Statistics to increase our knowledge in this area are certainly to be commended. But this line of inquiry also has its limitations, in that the reasons people offer for their current labor force status may be related in rather complex ways to the labor market conditions prevailing at the time. One might very well find, for example, that housewives who report they are not seeking market work for personal (non-economic) reasons during a recession year would gladly accept such work if wages were higher or jobs of the desired kind were more plentiful. Similarly, the same chronic health condition which is cited as the reason for not seeking work in a recession may prove to be less of a handicap when job prospects are brighter.

Thus, I hope that major efforts will be made to relate the findings of these household interviews with the results obtained from statistical analyses of ex-post relationships between participation rates and objective measures of personal characteristics and labor market conditions.