APPRAISAL: THE RETRAINING ACT AND THE U.S. EMPLOYMENT SERVICE
--THEIR IMPACT ON RURAL COMMUNITIES

by C. E. Bishop

In his paper Mr. Freeman emphasized the low returns for labor in agriculture and the persistent unemployment and underemployment of labor. He reviewed some of the provisions of the Manpower Development and Training Act and plans for future activities by the U.S. Employment Service.

Freeman is correct in tying the problems of manpower training and development to the problems of economic growth and to structural change in the economy. The agricultural problem also is importantly related to economic growth and structural change. Economic development makes its impact upon agriculture through changes in technology and in the organizational structure of the industry. Initially, changes in technology increase output per worker and give rise to capital accumulation.

As a consequence, the price of capital decreases relative to the price of labor. This provides incentives to substitute capital for labor in the production of farm commodities. It also causes intensification of research efforts to develop new techniques which make possible still further substitution of capital for labor. As this process accelerates, changes occur in the demand for labor, with increases in the demand for skilled labor and decreases in the demand for unskilled labor. Unemployment and underemployment, therefore, occur largely among unskilled workers. Underemployment becomes intensified as economic development proceeds, except during periods of slow technological change and in periods of rapidly rising employment in the nonfarm sector of the economy.

Economic progress in agriculture, therefore, involves changes in the demand for resources in agriculture. It increases the demand for machinery and equipment and the demand for skilled labor while it decreases the demand for unskilled labor. Additional investment in people is required to provide them with the skills necessary to take advantage of the technological progress made possible through the mechanization of farm production.

Economic progress in agriculture also creates a need for adaptability and occupational mobility of labor no longer needed on farms. Often this adaptability and mobility may be possible only if new skills are acquired by the labor no longer needed.

Economic progress does not occur as a heavenly mist with uniform

1 Dr. Bishop is executive director, Agricultural Policy Institute, North Carolina State College
impact upon all areas. It is especially characteristic of industrial growth and development that it tends to proceed outward from centers of progress. Because of the variation in industrial geographic development, occupational and geographic mobility are essential aspects of economic progress.

Since migration has costs and returns associated with it, it should be viewed as an investment which is made with a view to increasing the productivity of labor.² It should be recognized that the returns from migration depend upon the education and training of the labor involved. Weisbrod has pointed out that in addition to the direct financial return, additional investment in education may provide returns in the form of increased formal and nonformal education which may be available to the recipient. Also through the flexibility to hedge against changes in technology through the choice of alternative occupations.³

Title II of the Manpower Development and Training Act is weak in that it emphasizes a local orientation to the training of the labor. In the development of training programs priority is given to the needs of the local labor market and, then, to the needs of the labor market in the state concerned. One cannot help but be concerned that greater emphasis is not placed upon the training of people for employment irrespective of current residence or geographic location of potential jobs.

A well trained, mobile population is a valuable national asset. The studies of Denison suggest that the returns on educational investment in people account for approximately 23 per cent of economic growth during the period 1930-57.⁴ More and more of our national capital is being accumulated in the form of human beings. Professor Schultz estimates that the stock of human capital increased from 180 billion dollars in 1930 to 535 billion dollars by 1957.⁵

The farm population has not received as much formal education as other residence groups in our society. Nevertheless, the farm population has been highly mobile. During the 1940's there was a net migration of 9.5 million persons from farms to nonfarm residences, and during the

1950's a net migration of 8 million. I have estimated that during the 1960's we may expect between 5.8 and 7.1 million additional net migration from farms, depending upon the level of employment in the general economy. 6

Net migration, however, tells only part of the story. During the period 1920-60 more than 68 billion persons left farms and 41 million migrated in the opposite direction. Not all of these were the same people, but it is obvious that there was a great deal of movement back into agriculture by people who were unable to obtain suitable employment in nonfarm occupations. This heavy back-migration emphasizes the need for better guidance and counselling of potential migrants and for investment in farm people to prepare them for nonfarm employment. Many of the migrants were ill-prepared for migration and possessed no marketable skills.

Better job market information is needed to reduce the waste now apparent in migration. Much of the migration which has taken place has been long distance migration. The sources of information which are available to potential migrants concerning jobs over such long distances are not very reliable. Several studies have indicated that relatives and friends are by far the most frequent sources of information. Obviously, information which is distributed by relatives and friends is biased by the range of experiences of these people. Consequently, one observes well-established patterns of movement of migrants from areas to particular communities. It is to be hoped that in the future the Employment-Service will provide more general information relative to job opportunities throughout the nation.

In assessing the training programs which are to be provided under the Manpower Development and Training Act there is a need to analyze more specifically the future demand for labor in various occupations. Studies of this type are to be encouraged under Title I of the act. Research workers should devote additional efforts to estimating the future demand for labor in agriculture. Particular attention should be given to the number, type, size and location of farms. Emphasis should be upon the number of farms which can provide people in agriculture with a reasonable return for labor and other resources.

Some rough estimates of this nature already are available. For example, we know that only farms which are family operated and which produce $10,000 or more of products for sale annually are increasing in number. 7 There were 680,000 of these farms in 1960. It is estimated that 150,000 of these will become available to new owners during this decade through death or retirement.

of the present owners. On the other hand, there were 1,500,000 rural farm male residents in the age group 10-19 in 1960. It appears, therefore, that there will be good farming opportunities for fewer than one of ten of the rural farm youth who are potential new farm operators during the decade.

In 1960 there were 1.6 million small farms selling less than $10,000 of products. If combination of these farms into larger units continues at the same rate as during the 1950's, we could expect about 1,000,000 of these farms to be combined into 660,000 units producing sales of $10,000 or more by 1970. This would leave approximately 600,000 small farms in the nation producing sales of less than $10,000 in 1970. In order for this to be accomplished, however, it would be necessary to create nonfarm jobs for 1.6 million farm operators and potential young farm operators during the decade plus jobs for some persons who are now employed as hired farm workers and some who are engaged in part-time farming. This feat will not be easily accomplished.

One of the major difficulties encountered in finding nonfarm employment for low income farm families is the age of the farm operators. More than 2/3 of the farmers who now sell $10,000 or less of products are over 45 years of age. The rate of migration for people in this age group is nil. These people are largely dependent upon economic conditions in agriculture. Their problems are largely problems of social policy and not of resource allocation. They have few, if any, practical alternatives to farming.

From the above discussion, it may be concluded that the problems of labor adjustment in agriculture must be viewed in a long-run context. The characteristics of the people who are underemployed in agriculture dictate that the problems cannot be solved in the short run. The agriculture problem is destined to continue for a period of at least 10 to 15 years. It is indeed important, therefore, that the Manpower Training and Development Act be considered as a long-run venture and that it not be carried out as a crash program.

If training and retraining programs are to be most effective in solving the nation's economic problems, they must be viewed in long-run context and should be appraised in terms of returns from investment in people. There is a growing body of literature which suggests that returns from investment in human beings is comparatively high. Estimates of returns from investment in education at the elementary level, for example, indicate a return of 35 to 54 percent; at the secondary level 14 to 17 percent; at the college level and in on-the-job training, 9 to 12 percent.  

8 Bishop and Tolley, op. cit.
9 B. A. Weisbrod, op. cit., p. 112.
It should be emphasized, however, that formal education is prerequisite to effective on-the-job training. Returns from on-the-job training increase as the level of formal education of the recipient increases.\textsuperscript{10} In short, the potential payoff from investment in elementary education seems to be especially high in the United States.

Mr. Freeman emphasized that the funds which have been provided for the Manpower Development and Training Program are small in relation to the size of the job to be done. He indicated that not more than 50,000 persons could be trained during the current year. In view of the limited funds and the magnitude of the job to be done, serious consideration should be given to the question of where the nation can receive the greatest benefits from the use of these funds. I seriously question whether large benefits will be derived from the use of MDTA funds for agricultural education programs. The recent report of the President's Panel of Consultants on Vocational Education presents the following data on enrollment in vocational education programs:\textsuperscript{11} This same

\begin{center}
\begin{tabular}{l|cc}
\textbf{Ratio of} & \textbf{1955 enrollment to} & \textbf{1961 enrollment} \\
\hline
Agriculture & 10 & 100 \\
Distributive education & 1 & 200 \\
Trades and industries & 2 & 444 \\
\hline
\end{tabular}
\end{center}

report shows that more than 805,000 persons currently are enrolled in vocational agriculture education programs. A very high percentage of the youths of high school age who are enrolled in high school are currently enrolled in vocational agriculture. Many schools require all freshmen to take vocational agriculture. In addition, other agricultural agencies provide educational services to farm people. In view of the already heavy investment in agricultural education and in view of the apparent necessity to train many farm youths for nonfarm occupations, the allocation of

substantial additional funds under the MDTA programs to agricultural education would appear questionable.

In summary, the Manpower Training and Development Act represents a milestone in social responsibility in coping with a serious problem in the development and allocation of the nation's manpower resources. However, the funds which have been provided for the program are meager indeed in relation to the magnitude of the job to be done. Whether the program will be effective in solving the problems to which it is directed remains to be seen. This will be determined in large part by the support given to the program and by the effectiveness of allied programs. Clearly, the Manpower Development and Training Act cannot succeed in achieving its objectives unless the nation makes greater progress toward full employment. The attainment of full employment is the central problem of the U. S. economy. There is a growing tendency to argue that investment in people should be made on the basis of what the labor could earn, not what it will earn or produce. While it may be desirable to invest in people merely to "develop capacity to be mobile," it is obvious that the return will be exceedingly low unless jobs are created to employ this labor.