

JOB CREATION SCHEMES IN THE UNITED STATES IN THE DEPRESSION

Notes for the COSATU workshop
on "One Million Jobs by January 1992"

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During the 1930's the world experienced the most wide-spread and severe economic depression in its history. The beginning of the Great Depression was signalled by the great crash on the New York Stock Exchange in 1929.

The shock of the depression was at its worst in the United States. There was a massive fall in output and millions of people suddenly lost their jobs.

The government did not know what to do. It was unwilling to intervene to help impoverished people.

So a new government was elected in 1933. This was headed by President Franklin D Roosevelt. Roosevelt's aim was to end the economic crisis and put the country back to work. His policy programme was known as "The New Deal".

The New Deal covered an enormous range of policies. These included:

- * The regulation of the banks, holding companies, big power companies and the stock exchanges to protect investors and ordinary people
- * Aid to farmers in the form of generous loans and schemes to compensate farmers for low crop prices
- * New rights for trade unions
- * The National Industrial Recovery Act to promote economic growth (it didn't work!)
- * Direct relief for the jobless and unemployable

This last policy area was the main measure of the effectiveness of the New Deal for many Americans. Increased government spending did not, as had been hoped, lead to economic recovery. 12 million people, one fifth of the population, were unemployed when Roosevelt took office in 1933. There were still 10 million unemployed in 1938. Recovery only came with the Second World War which pushed the economy into a boom and rapid growth that absorbed all the unemployed as fighting soldiers and workers in wartime industries.

The New Deal did not save the economy, but it did enhance the lives of all Americans and relieve the extremes of suffering and destitution. Over

46 000 000 people, 35 percent of the population, at one time or another during the 1930's received public assistance or social insurance from New Deal institutions.

We can't draw a direct link between America in the 1930's and South Africa's problems in the 1990's. Our unemployment and economic stagnation has very different causes. But the job creation schemes implemented by Roosevelt were amongst the most popular and effective of all the New Deal programmes. They provide an inspiring historical background to our discussions on public works schemes for South Africa today.

From Relief Payments to Job Creation

The United States of America was made up of 48 separate states in 1933. Each state had its own legislature and its own laws and was very much more independent than are the provinces of South Africa. The States were united under the Federal Government that, through Congress and the Senate, made laws that covered all the states. The President is the head of the Federal Government.

FERA, the Federal Emergency Relief Administration was set up as soon as Roosevelt took office in March 1933. It provided a direct federal grant of \$250 million to assist poor and unemployed people. Each state could get a matching extra dollar for every \$3 of state money spent on relief. On average, \$25 per month was paid to families. This was less than the average weekly wage before the depression and far below the minimum subsistence level of \$100 per month. But these payments rescued many families from the threat of starvation. [We can get some idea of the value of money in today's terms by converting each dollar into R8 - so the minimum subsistence level was about R800 and the average relief payment R200 per month].

New Dealers did not like the direct relief system. You could not get paid unless you could prove you were destitute. This 'means test' was humiliating to people. FERA money was all administered by the state governments. Some states had a very negative attitude to poor people and refused to pay proper grants. Or they gave food tickets instead of money.

The Emergency Relief schemes paid out a lot of money very quickly. But they were only short-term schemes. When it became clear that economic recovery would be delayed, the head of the FERA, Harry Hopkins, proposed that work relief schemes be developed alongside the direct relief dole payments. His aim was to provide proper jobs - not 'make work' and to ensure that work was not specified by states as a punishment for poverty. The aim was to give unemployed people back their pride and their dignity.

The CWA, the Civil Works Administration, had a short but flashy life. The idea was to employ people at standard government pay rates on the construction and repair of roads and public buildings. There was no means test - anyone could apply.

This was the life story of the CWA:

2 November 1933	Approved by the President	Employment: 0
15 November	Planning completed	Employment: 0
23 November	First weeks wages paid	Employment: 814 511
25 December		Employment: 3 500 000
18 January 1934		Employment: 4 200 000
31 March 1934	CWA wound up - too costly	

Within three months, almost a quarter of the unemployed had been recruited into the CWA! The high wages made the scheme popular - but impossible to sustain. It cost too much and was vigorously opposed by employers, some of whom paid lower wages to their workers. Social workers also felt that need was an important criterion in selecting people for these programmes.

The WPA, the Works Progress Administration, emerged in 1935 as the long-term co-ordinator of work relief programmes. This was the largest welfare programme of the entire New Deal and rested on an initial grant of \$4,88 billion. Between 1936 and 1941 it provided low-wage employment to 3,3 million workers a month - about one third of those needing work. By 1943, when it was wound up, it had employed eight million people at one time or another, one fifth of the total workforce of the United States!

The money was allocated as follows:

Construction of highways	\$800 000 000
Rural relief (irrigation and land reclamation)	\$500 000 000
Housing	\$430 000 000
Rural electrification	\$1 000 000 000
Education Aid	\$300 000 000
Civilian Conservation Corps (forestry)	\$600 000 000
Local agencies for "self-liquidating" projects	\$900 000 000
Reforestation, erosion & flood control (dams)	\$350 000 000
	<u>\$4 880 000 000</u>

Wage rates on WPA projects were well below industry levels. 90% of workers had to come from the relief rolls - so most had to take the means test before they were eligible. People who were offered jobs in industry could not get WPA jobs. The aim was to get people off the relief rolls so funds had to be spent quickly and a large proportion of grants (usually above 50%) had to be spent on wages. Big-scale public works, such as the Grand Coulee Dam and the Golden Gate Bridge, were undertaken by the Public Works Administration at proper wage levels and using capital-intensive construction methods. Most WPA projects had a budget below \$25 000 and had to employ lots of labour.

What sort of work was done?

The work provided was largely in unskilled construction jobs. Between them, the CWA and the WPA:

- built 11 000 buildings - courthouses, hospitals & schools
- improved or repaired 30 000 buildings
- laid 64 000 km of new roads
- repaired 250 000km of old roads
- built 1 400 athletic fields and 1 800 swimming pools
- re-forested 20 000 acres
- planted 20 million trees and bushes
- laid out thousands of parks, playgrounds and airfields

But the WPA covered an enormous breadth of projects and also provided jobs for women and for white-collar workers. For example, WPA projects included:

- establishing hundreds of libraries in rural areas
- recording "talking books" for the blind
- surveying ship wrecks around the coast
- cataloguing books and museum collections
- employing teachers for 200 000 people in literacy programmes
- giving job training to 150 000
- providing teachers for adult education programmes
- 3 479 artists painting murals on Federal buildings
- collecting oral histories from former slaves

Federal Project One - with \$27 million to give comprehensive and systematic assistance to artists, actors, writers and musicians (18 000 musicians lost their jobs when silent movies were phased out!)

The Art project yielded 2 566 murals, 17 544 sculptures and 108 899 easel paintings

The Theatre project employed 11 000 actors and performed for 30 million people by 1939

The Writers project employed 5 000 writers and produced 276 books and 701 pamphlets - some recorded folklore and ethnic culture

The Music project set up 38 orchestras, ran jazz bands and gave free dances in Central Park. It recorded 419 discs of black folk songs.

More than half of the 400 000 women who occupied 15% of WPA jobs were employed in sewing projects. Others worked as teachers, nurses, clerks and in the arts projects. Projects for women were often cut back before those for men.

The Youth

"Lost Generation" was a phrase that was used with great frequency in discussions of America's youth in the 1930's.

School attendance began to drop in 1931, as parents were unable to afford tuition fees and students could not find part-time jobs. The United States had been proud of its school system, but by 1935, half of the young people on relief projects had less than eight years of education. Out of every 100 young people, only 10 finished high school and only two graduated from university.

Out of school, young people found themselves looking for jobs in a world that had few jobs to offer. Of the 22 million people aged between 16 and 25, about 5 million were out of school and out of work. Every year 2,25 more young people were leaving school and university - and few could find work. They were becoming embittered and disillusioned. The President's Advisory Committee on Education warned of a whole "lost generation of young people".

The New Deal produced two remarkable employment schemes for young people.

The CCC, the Civilian Conservation Corps was started long before the WPA, as soon as Roosevelt moved into the White House. His idea was for an army of unemployed youth to work in the forests. The scheme was run on military lines. Youths were recruited by the labour department from single men aged from 18 to 25 whose families were on relief. They lived in camps run by the military and wore green and khaki uniforms. Their work was closely supervised by civilians from the forestry and agriculture departments. The director of the Corps, to side-track union complaints about the militarisation of labour, was a trade union Vice President, Robert Fechner of the Machinists union.

The CCC was approved by Congress on 31 March 1933. By June 1 300 camps were established and by the end of July 300 000 boys were in the woods. "They planted trees, made reservoirs and fish ponds, built check dams, dug diversion ditches, raised bridges and fire towers, fought blister-rust and pine-twig blight and the Dutch elm disease, restored historic battlefields, cleared beaches and camping grounds, and in a multitude of ways protected and improved, parks, forests, watersheds and recreational areas."

Peak enrolment was in 1935, when 500 000 young men worked from 2 000 forest camps. In total, 2.5 million people got jobs with the CCC, varying in length from 6 months to a year. Their pay was a dollar a day - which was remitted to their families.

At the end of the first year, Roosevelt said: "The CCC camp activity has probably been the most successful of anything we have done".

The NYA, the National Youth Administration was set up in 1935. It had three aspects to it:

Firstly, it provided money for needy students to stay at school or university in return for doing jobs around the campus. This scheme was administered by school principals who could choose the recipients. Over 2 million students got part time jobs that paid some \$15 per month for 10 hours work a week. They did campus maintenance, they repaired books, they helped with administration.

Secondly, the NYA provided work schemes for young people out of school. There were 48 regional directors, one for each state, and each had to identify work projects under strict guidelines. "To avoid displacement of adult workers, for example, the projects could not involve work that would otherwise be undertaken by state or local government. To ensure that limited NYA funds went primarily to young people rather than to contractors or suppliers, NYA Bulletin No. 11 required that 75 percent of project allocations be spent on wages (this requirement reduced the amount that could be spent on materials and equipment essential for work projects to an unrealistically low level)." Overall, 2,5 million young people got jobs with the NYA.

In Texas, for example, NYA director Lyndon B Johnson thought up the idea of building "roadside parks" along the main highways. These involved the levelling of ground, the planting of some trees and the erection of picnic tables and fireplaces. They would improve road safety by allowing a safe place to pull off the road on long trips. The State Highway Department agreed to provide the land, the cement and the wood and to provide transport to the sites. Very importantly, they also agreed to provide the supervision - so the projects could meet the stipulation that 75% of money went on wages. By June 1936, 135 roadside parks were under construction in Texas, employing 3 600 youths at \$30 per month. Other projects and activities were proposed by local communities - by 1936 20 000 jobs were provided in the state by the NYA.

Thirdly, the NYA provided training and educational opportunities. Resident Training Centres were set up in Texas where farm youths were taught skills like reading blue-prints, carpentry, plumbing and bricklaying and then earned their keep by practising their skills at the college or school where they were based. Young women were also brought in by similar programs that employed them in secretarial and "homemaking" skills.

The NYA was good for Lyndon B Johnson. His regional directorship of the NYA was the start of the political machine he built to control Texas as a senator. But the NYA was also very good for the people. As Anthony Badger says in his book "The New Deal": "Few aspects of the New Deal relief effort were as popular as the NYA."

Conclusion

The WPA and public works schemes did not survive as a permanent feature of United States welfare policy. Despite the severe poverty in the United States today and the efforts to combat poverty in the 1960's, public works programmes have never again been introduced.

The Social Security Act of 1935 progressively assumed some of the roles of the FERA and many states adopted unemployment insurance schemes. But the new welfare system became tied to the principle of individual insurance. There was no further move towards establishing national minimum standards to ensure adequate public assistance programmes for the poor. As social security is tied to individual contributions and the rich contribute more, pensions for the poor are always lower. The patchy and flawed social welfare system in the United States has a basic anti-poor bias to it. It traces its roots to the Social Welfare Act, rather than to the hugely successful and popular employment creation schemes.

Some Issues in Summary

1. Selection Criteria

The CWA was the only programme that did not specify any selection rules. It recruited people who could do the job.

The CCC recruited single men aged 18 to 25 whose families were on relief rolls. Some women were also enrolled, under similar criteria - but they were not paid and stayed in camp only for 8 weeks at a time.

The WPA required that 90% of WPA workers had to come from relief rolls. A means test was used to gain admission to the roll. You had to be virtually destitute. After 1939, no one could work on WPA projects for longer than 18 months. So workers could be fired even if they did good work and had no other jobs. This caused discontent. The restrictions often meant that not enough skilled and supervisory workers could be recruited to make the projects efficient.

The NYA school/job program allowed for funds for jobs for 7% of the previous year's enrolment at schools. Only scholars from families already on relief were eligible. Jobs for 12% of a university's enrolment were allowed.

2. Wage Levels

The CWA was the only work relief programme that paid proper wages, related to the job being done. The CWA paid \$15 per week (R120) on average, compared to \$4 per week (R25) for relief payments. Industry complained at the high wages. Textile wages were below the CWA rates in the South. Caddies were reported scarce at coastal golf courses. The

high wages limited the numbers that could be employed. The high-wage scheme only lasted four months.

The WPA wages were double the level of FERA hand-outs on average - \$8 - \$10 per week (R50 - R80) but they never reached levels competitive with industry. There were protests from unions and sometimes hourly rates were made similar, but fewer hours were worked per week. Skilled workers could not be paid wages commensurate with their skills. Sometimes skilled workers needed for projects could not be recruited. In other cases skilled workers were just given unskilled work - there was no incentive to employ them better.

The NYA paid students an average of \$15 per month (R120) for 44 hours of part-time work for students still living at home. Colleges could pay up to \$20 per month to some students, so long as the average was \$15. NYA work schemes paid \$30 (R240) per month.

The CCC paid men a dollar a day, but women got no cash - only free, wholesome food and medical attention for 8 weeks.

3. Who paid for the public employment schemes?

The bulk of funds came from the Federal government. In some instances, states or local authorities could have three of their dollars matched by a dollar from the Federal government (similar to the FERA payments). Many states and local authorities raised bonds to pay for work on WPA projects in their areas. The Federal government might assist to raise the loans. In some cases, contributions in terms of materials, land and supervision were provided to projects so that they could meet the rules that stipulated that a large part of the WPA or NYA grant be spent on direct wages.

4. What was the role of the trade unions?

This was the greatest decade ever for American unionism. Unions seem mainly to have shouted from the sidelines against the low wages. WPA workers increasingly joined a union, the Workers Alliance, which was formed under Communist influence in 1935 to bring together the various organisations of the unemployed. In 1936 the Alliance claimed 600 000 members and organised demonstrations and strikes amongst WPA workers. Expectations had risen high with the provision of jobs and workers organised against lay-offs and wage cuts. The WPA directors positively encouraged the Workers Alliance to be the trade union for the WPA workers. Some historians say they became co-opted into being just a lobby group. But it seems they were important as a pressure group to stop New Deal relief from being slashed back.

5 Women

- Mrs Roosevelt organised a White House Conference on the Emergency Needs of Women. Some 15% of WPA jobs were given to women, but women's projects were often the first to be closed down when there were cut-backs. While the Civilian Conservation Corps provided wages to 2,5 million young men in forest camps, similar WPA camps for women provided no wages or job training. They did get some education, food and medical care but women's camps were just dropped after 5 000 had attended.

Women tended to stay on the relief rolls longer than men. They found it harder to get jobs, given their lack of work experience and the "public hostility to the idea of women working".

6 Training

Training schemes appear to have been undertaken at the local level and were there related to local skill needs or to the requirements of the project at hand. There does not appear to have been any national "strategy" to train people. On-the-job training was, in any event, the main type of training provided to all workers in the 1930's.

7 Political results

Welfare benefits, in the form of both hand-outs and relief work, were the "tangible evidence of the New Deal's concern" for people. These benefits "did more than anything to cement the loyalty of lower-income voters and disadvantaged minorities to Franklin Roosevelt and the Democratic Party." Some writers argue that the New Deal through these and other measures, simply shored up capitalism in the USA to allow it to survive its terminal crisis. The New Deal restored confidence. At the cost of minimal contributions to public welfare it set the stage for stability, based on high profits, stable prices and regressive tax on low and middle income families. This view probably underestimates the obstacles that faced the New Deal policy-makers - and the working class - in the 1930's.

8 Economic Results

A more trained, motivated and prepared workforce to rise up to the challenges of wartime production?

Some Problems with the Public Works Schemes

1. A lack of developed plans for massive public works schemes made many projects less effective.
2. The oversupply of unskilled labour - the lack of skilled and supervisory labour.

3. Rigid, bureaucratic rules.
4. Unpredictability of funding. Everyone expected the economic upturn to come very soon. Funds were allocated even on a month-by-month basis, making planning very difficult and precipitating sudden layoffs that undermined morale. This led to strikes and demonstrations.
5. Lack of funds - only a third of those who needed relief work could get it. The rest had to rely on state and local hand-outs. These were usually very meagre.
6. Localism. A lot of the administration and direction had to come from the local level. This was correct but carried its own problems. Miserly state governments, fiscal conservatives and anti-poor officials sabotaged schemes. It was hard to find capable administrators for the schemes - some were "conscientious, hard-working, sincere and incompetent". Farmers wanted relief work discontinued at harvest-time. Discrimination against blacks. Large scope for using schemes for nepotism and political influence. The schemes carried jobs and money. Some schemes were so politicised they had to be closed.
7. At a national level, WPA jobs and projects became political levers.

Some good points

Very little corruption, overall. Projects were economically and efficiently run. The problems of the young workforce, rapid turnover and the need to work all year round and with labour intensive methods was overcome with the increasing use of supervisors from the army corps of engineers. Creative thinking to expand and develop policies and programmes. Self-critical people inside the government were more important than militant pressure groups outside it. No one solution to the problems of poverty, no one plan for work relief. Many schemes were implemented, there was scope for local initiative in defining projects and in demanding funding.

Sources

I have not been thorough in indicating all quotations from books I looked at. Everything comes from someone else's book. Originality is the suppression of footnotes. These are the books I have used:

A J Badger The New Deal (Macmillan, 1987) Chapter 5 "Doles and Jobs: Welfare" is the main source I used in these notes. It is readable, interesting and detailed. Available at the Wits library on payment of a non-refundable deposit of R100.

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