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PROBLEMS RELATING TO UNEMPLOYMENT IN THE VICINITY OF HAZARD, KENTUCKY

The economy of Perry County and of South Eastern Kentucky generally has been in a process of almost continuous decline since 1948. In that year Perry County coal production began an uneven, but definite, decline, and employment in Perry County reacted in a steeper and ever more uncompromising regression. The economic effect of these declines on the area can be measured in many ways. Probably the two most revealing are the change in total employment and the heavy migration of the region's population. In Perry County there are 6000 fewer jobs today than 15 years ago a decline of almost two-thirds in the total work force. In the ten years between the 1950 and 1960 census reports, over 20,000 people migrated from the county reducing the population by a full quarter.

Migration, as rapid as it has been, has not kept pace with the declining job market. Unemployment in the area of Hazard, Kentucky, has been in the "substantial and persistent labour surplus" category since the early 1950's. Many of the unemployed have long since exhausted their unemployment benefits. State figures indicate exhaustees have been occurring at a high rate in Perry County since the State Bureau of Economic Security began keeping records in 1955 (see chart I).

Chart I
State Unemployment Insurance Exhaustees
Hazard Employment Security Area (7)
for the month of September

Year	No. Of Exhaustees	Year	No. Of Exhaustees
Sept. 1955	80	Sept. 1959	134
" 1956	23	" 1960	48
" 1957	68	" 1961	129
" 1958	189	" 1962	48

Source: Research and Statistics Service, Kentucky State Bureau of Economic Security.

The picture is not much brighter in the non-industrial segments of the economy. The area surrounding Hazard is unsuitable for all but small family farms which have also been declining in number and productivity. Employment in all sectors except manufacturing and coal mining has either grown slowly or has remained constant over the period covered by the table. In the manufacturing and mining segments, however, employment has declined precipitously. The largest decline in employment has clearly been in the coal industry; job losses in this single industry total more than current employment in all industries. The role of coal mining in the creation of long-term unemployment is confirmed in a survey made by the Kentucky State Unemployment Bureau. Miners made up 17.8% of the total new claimants for unemployment compensation and 25.8% of the benefit exhaustees, indicating the prominence of coal mining in Kentucky's long-term unemployment problems.

The failure of the other segments of the local economy to absorb the workers released from the coal mines has created a pool of surplus workers. The only drain for this pool has been continuous migration of workers from the Hazard area. Because migration has not been possible in a great many cases, substantial unemployment has persisted in the Hazard area to the point of becoming a way of life.

These unemployed and partially employed workers are responsible in large measure for the low median income of Perry County. While the median family income of the United States is \$5,660, the median in Perry County is \$2,689. This comparatively low median income is indicative of the approximately 20% of Perry County families who have

incomes of under \$1,000 a year as compared with the 5.6% of such families in the national population.

In a nutshell, the problem of Hazard, Kentucky, is a consistently high rate of unemployment with few prospects for a reduction in the near future.

The unemployed of Hazard are difficult to define. Depending on what is meant by unemployment, local estimates run anywhere from 5% to 50% of the total work force. However, in Hazard it is not the current figures pertaining to unemployment that are significant. The migration of workers over an extended period of time has kept the number of unemployed, as well as the rate of unemployment, within a reasonable order of magnitude.

In order to appreciate the extent of the unemployment problem in the Hazard area, it is necessary to look at employment in its historical perspective. According to the Bureau of Economic Security's statistics, fifteen years ago there were 97000 jobs in Perry County; today there are about 3700.

Like all such statistics these figures fail to take into account the problem of underemployment and, in the case of Hazard, changes that have taken place in the quality of jobs available. In the first case, the number of people employed in jobs which provide irregular employment or abbreviated work years is greater in Perry County than for the country as a whole. In the second case, even though some workers have found alternate jobs, the substitute jobs are frequently inferior to their normal work in both pay scale and working conditions. In this group are those workers formerly employed by one of Perry County's large unionized mining operations who after layoff found new work in small non-union truck mines. The pay scale on these jobs was lower and the working conditions inferior to their former employment. These small operations present other obstacles to the statistical analysis of the Hazard employment picture. The above figures do not include those hired by operations not paying state unemployment insurance taxes. These firms have avoided taxation either because their operations are so small that they do not fall within the statutory requirements, or because they are simply violating the law. The problems would be picayune were it not for the important role that the small truck mine has played in the changes taking place in the Hazard economy. Probably the most pressing problem arising in connection with unemployment has been the substitution of small truck mines for the capital-intensive rail mines. This change has meant a change not only in the physical operations of the mines but in their ownership and financing as well. Whereas the mines that typified the "prosperous period" in the Hazard area were large stock corporations easily negotiated with by the union and able to pay high wages, the new owners are small entrepreneurs who operate on small and therefore closely watched profit margins.

The owners of such firms make it a mark of pride to have avoided unionization and their small size and great number make them difficult targets for union organization. Although the owners of the truck mines represent only a small capital investment, it has not meant that the truck mining operations were necessarily less efficient users of labor than their capital-intensive counterparts. The growth of the truck mining industry has depended on this fact. The small mines have compensated for the obvious drawbacks of size and inaccessibility in three ways: 1) rental of mining machinery from the former large mines; 2) piece rate wages; and 3) reduced crews. That efficiency which the truck mines lack, as well as the marketing disadvantages of small operations, is made up for by the competitive labor market. While minimum wages are fixed by union contract in the large mines, wages in the truck mines know only the law of supply and demand. It is interesting to note that the operators themselves do not feel that they have any power to fix wages lower than the prevailing scale, and in this respect indicate a tacit acknowledgement of the competitive conditions at work in the industry. This very competitive supply market coupled with a falling demand for coal has resulted in a low wage level for many of the employed miners in the Hazard area. Wages as low as three dollars a day have been cited and the Wage and Hour Division of the U.S. Department

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of Labor has filed civil actions against three coal operators for violations of the Fair Labor Standards Act and has started an administrative proceeding under the Walsh-Healy Act. Similarly, civil actions are being pressed against coal operators in the surrounding counties; four in Harlan County, three in Letcher County, and one in Knott County.

The low wage level in conjunction with the relatively high rate of labor efficiency maintained by the truck mines has placed them at a competitive advantage over the larger rail mines. Of the twenty-seven unionized rail mines in operation in Perry County during its post-war "prosperity period" only one is left. It is able to continue production only because it has introduced the most efficient mining methods into its operations. In the last three years the company has invested more than one and a half million dollars in capital equipment.

The other unionized rail mines of Perry County have fallen by the wayside. Much of the blame for their closing may be placed in an economic if not moral sense at the door of the United Mine Workers of America. It has been the policy of the UMWA since the early 1940's to maintain high wages in the coal industry while maintaining high profits for the operators by 1) standardizing coal wages throughout the country, and 2) increasing the productivity per man hour by encouraging the introduction of machinery. This policy is meant to reduce the number of firms in the industry and weed out those mines which could only remain competitive by holding down wages and short-cutting on safety measures. The union has recognized that such measures would inevitably reduce the number of men working in what John L. Lewis considered a dirty and dangerous trade. The result has been that Fortune magazine has seen fit to label John L. Lewis "the best salesman the machinery industry ever had."

John L. Lewis' concept of the coal industry broke down because its solution for the unemployment problem rested on the continuous prosperity of the rest of the economy. Unfortunately declines in output and employment in the other basic industries have resulted in a situation where "no longer can the young men of the mining industry go to the steel industry to get a job, or the auto industry to get a job, or the ship building industry or any other industry and hope to get employment. The former miners have been trapped in the stress of their former jobs.

The situation in Perry County at present is one that it seems certain was not envisioned by John L. Lewis. Instead of fewer firms, there are more; instead of wages being stabilized at a high level, they have fallen. While the number of men working in the coal mines has been reduced in many cases the remaining ones provide worse rather than better working conditions. The stability of the industry and the profit margins of the unionized forms have been jeopardized, and in Perry County at least, the union has been destroyed.

The system has operated in a spiral. Workers laid off from the mechanized firms are forced to take jobs at reduced pay with the unautomated mines which in turn under-sell and therefore force the closing the big mines. It is not necessary for the truck mines to take the major portion of a large mine's market to force the closing of a mechanized mine. All that is needed is that the highly capitalized mines be prevented from operating constantly enough to make the capital equipment pay for itself. Faced with this prospect, many of the operators closed down their large mining operations. Greater profits were to be made by leasing mining machinery and operating tipples as a processing service for truck mines. The workers thus released into the labor market further reduce wages in the non-union mines and by this process the truck miner's spiral has even affected the production of the most efficient mines.

The union has been unable to halt this process for several reasons, the most important being the inability of the workers to get jobs outside of the coal industry.

As a result the workers who remain in the area all too quickly exhaust their unemployment benefits and must look for alternative sources of support for their large families. Traditionally such support would come from the more fortunate members of the family, e.g. employed uncles, brothers, cousins, etc.; but given a situation as inclusive as the present, few families are fortunate enough to be self-sustaining. The result has been strong pressure to return to mining in non-union operations. In a sense, the struggle has been between two conflicting loyalties: loyalty to family and loyalty to union. Casual observation indicates that family loyalty wins out in most cases, even though Perry County has in past years been a strong United Mine Workers area. A certain part of the mining population, however, has decided in favor of the United Mine Workers. In many cases these are the people who have alternate incomes or are able to maintain themselves above the starvation level either through family, farm, pension, or welfare. By and large these are the people who have supported the unauthorized strike through the Fall and Winter of 1962-63.

There are three basic choices left to people who have found themselves unemployed in Perry County: migration, stagnation, or re-employment in non-union mines. The fact that none of the three choices offers a clear advantage to the people involved has resulted in examples of all three decisions appearing in the area. A fourth choice, re-employment in alternative native local industry, is quite simply not open to the former miners.

The chances of bringing in industry are remote for many reasons, the most important having to do with the remoteness of Hazard itself. As it stands now, Hazard has little if anything to offer to a prospective company--it is distant from national markets, and it obviously does not have the technical resources to attract any of the electronics or technical equipment manufacturers. The town has few plant sites since much of the flat land in the area is subject to seasonal flooding. Even after a new highway is completed, Hazard will be many hours away from any large metropolitan district. The long term prospects for re-employment in the Hazard area are therefore almost as dim as the short-run.

Most of the families which move out of the Hazard area migrate to one of the industrial areas of Michigan, Indiana, or Ohio. In many cases the families move to an area in which former neighbors or relatives have already settled. The migration solution to the problems of unemployment in Hazard is in some respects the only hope of the area and in others the source of its greatest problems. It is obvious that if industry will not move to the workers, the workers will have to move to the industry. But most of the industrial areas which the Perry County migrants have chosen have unemployment problems of their own. The result is that the migrants find themselves in a strange environment, without jobs, without the job skills and education of the northern worker with whom they must compete in the job market, and most importantly without settled and friendly neighbors and relatives to whom they may turn in a moment of desperation. The migrants therefore take their problems with them when they leave the Hazard area.

For Hazard the migration of workers makes the community even less desirable to private industry. One of the few resources Hazard has to offer private industry is a willing and able work force. Migration tends to select the best trained and most ambitious workers and as can be seen from the above discussion, the younger workers as well. The problem is not limited to workers. Students who go on to college do not return to Hazard after graduation, and professionals of the area show dissatisfaction with its limited recreational and cultural facilities. The result is a general exodus of those people who might have created the pool of trained workers in which the government has placed its hopes for the industrial development of the area.

It is widely recognized that the character of the American job market is changing. The great preponderance of the unemployed in the Hazard area fall in the three low-skilled classifications: no work experience, unskilled, and semi-skilled. These three categories accounted for 1530 of the 1940 people applying for unemployment insurance or jobs through the Hazard employment office in the month of June, 1963. These people represent the jobs which machinery has eliminated.

The tragedy has been the fact that while the industry was at its peak it drew men out of the high schools by presenting an opportunity for quick employment and providing few rewards for the well-educated. Now the industry has cast the uneducated aside and as a result the Hazard area has a large number of unemployed who are incapable of competing in the national job market against workers educated through high school and beyond. It has been estimated that in Eastern Kentucky there are over 61,000 functional illiterates, i.e. people unable to write telephone numbers or add up restaurant bills. The median number of grades completed in Perry County is 8.0, in comparison with the national median of 10.6 and the state median of 8.7. Most of the surrounding counties have even lower medians.

The higher drop-out rates among the farm and mine Perry County residents gives some idea of the concentration of the poorly educated among the unemployed and low income members of the community. This condition is further verified by the fact that the median education level in rural Perry County is 7.5 while the town of Hazard is 9.9 years.

The Federal government has recognized the importance of education and retraining in the solution of Eastern Kentucky's unemployment problems, and provides two programs for retraining. One is financed through the Man Power Development and Training Act and the other through the Area Redevelopment Act. The training for these programs in the Hazard area is done through the Hazard Vocational School, a public institution financed jointly by the state, federal, and local governments. The school offers ten different programs of vocational study to a student body of about 300. Most of the students are still in high school and attend the vocational school on a half-day basis. The remaining students are out-of-school youth and adults either unemployed or seeking advancement in their current job. Adult tuition is \$15 a month while out-of-school youth (age 16-20) pay a \$10 enrollement fee and a \$3 a month tuition. Tuition for the high school students is paid by the Hazard Board of Education. The ARA students receive a weekly allowance while MDTA provides an allowance and tuition. Table II summarizes current projects under the MDTA and ARA in the Hazard Area.

The present Federal retraining program is inadequate in several respects. In the first place, the present program is training too few, only 103. In an area where thousands are currently unemployed, 103 people barely begins to scratch the surface of the problem. Secondly, the present program accepts only those people who are easily trained; the typing and stenographic courses accept only people with previous training. Neither of the federal programs accepts students without a high school education and all students must pass an aptitude test. Such requirements clearly exclude a large if not a major portion of the area's unemployed. The Johnson administration is now supporting a bill introduced by Representative Perkins which would liberalize these requirements and provide training in the basic learning skills as well as training in the trades. In a speech outlining the government's policies toward the Eastern Kentucky unemployment problems, Wilbur Cohen, assistant U. S. Secretary of Health Education and Welfare, said that current administration plans for retraining would triple funds and expand the range of classes receiving funds. Mr. Cohen outlined a program in which the trained workers would create their own employment, based on the hope that a pool of skilled workers would be an attraction to industry.

TABLE II
ARA and MDTA Projects for the Hazard Area Vocational School

	<u>No. of Trainees</u>	<u>Training Cost</u>	<u>Average Cost for Trainee</u>
MDTA Projects			
Auto Mechanics	30	\$26,312	
Draftsmen	18	16,383	\$899
Total MDTA	48	42,695	
ARA Projects			
Clerk-Stenographer	15	2,807	
Automatic Transmission	20	3,785	181
Atenographer	20	3,417	
Total ARA	55	10,009	
Total ARA and MDTA	103	52,704	511

Source: Kentucky Office ARA and MDTA, "ARA and MDTA Projects by Schools
as of July 1963, Frankfort.

In the case of the younger workers there can be no doubt as to the usefulness of such aid. Even if they are not immediately employed, the productivity that the society can expect from such workers would pay for the programs many times over. For the older workers the answer is not as easy. Not only is there a question of the ability and desire of such people to take training courses; there is a question as to employability of such workers.

Graduates of the present program have by and large been more able to find jobs than their untrained peers. Over 90% of Hazard Vocational School graduates have found employment in their field of training or a related field. There is a question as to whether the present program could be expanded and still equal the success of the present arrangements. The question is whether the government is justified in its hope for auto-creation of jobs for skilled workers. Two factors, the lack of new job opportunities and the existence of large numbers of untrainable or difficult-to-train workers, provide the most difficult employment challenge the region has to face.

In addition to the present numbers of unskilled workers, the region faces the problem of additional students leaving the schools and aggravating the situation. The Perry County school system suffers from two problems: 1) the poor quality of the physical plant, and 2) the lack of funds for either improvements or for teacher's salaries.

The poor quality of the physical plant in the Perry County school system can be inferred from the large numbers of small schools on which the county relies for its elementary teaching.

37 one room schools
21 two room schools
7 three room schools
1 four room school
12 consolidated schools
1 consolidated high school

Source: Perry County School System information, supplied by Dennis Wooton, Superintendent.

For the most part, these schools represent old ramshackle buildings with poor heating and no plumbing. The Hazard School System fares better, having four large elementary schools and one large high school. The small Perry County schools suffer from not only the poor physical plant, but also the difficulty of attracting good teachers into the small isolated communities in which the schools are located. The teacher shortage was so acute in 1963 that the Perry County School system was forced to hire 73 "emergency," i.e., unqualified, teachers to teach 3,504 students. Solutions for the problem through consolidation are difficult because of the impossibility of providing transportation for the pupils in the communities lacking roads.

The financing of Perry County Schools is through 90% state funds and 10% local taxes. Reductions in the local property assessments have caused revenues from local taxes to fall even further. Raising low teacher's salaries is therefore difficult. The present salary maximum in the Perry County School System is \$4,690 for a teacher with ten years of experience, an M.A., and 36 hours of credits. Starting salary for a B.A. is \$3,600.

The Perry County School System suffers from much the same personal problems as the rest of the community. All of the best people can command much higher salaries and working conditions in other areas. Teachers in the Perry system find that Ohio is willing to hire them for better positions at better salaries under better working conditions and as a result Perry suffers from a high teacher turnover. Improvements in salaries have taken place as well as other improvements in order to remedy the situation. Bringing Perry County schools up to the national standard, however, will be a much more difficult task.

Inadequate education in the early grades and high school contributes to the problems of unemployment both by failing to provide the motivation for further training and by failing to provide the foundations on which further education and training must be based.

A small plot of land, friends, federal food stamps and possibly a disability benefit are sufficient to sustain a family in Hazard, if not provide it with the fruits of American free enterprise. There were 2723 households in Perry County or 13,289 people receiving free food in the last month of the Commodity Distribution Program (February 1963). This amounts to better than a third of the total population. With the new Food Stamp Program which includes an examination of financial status to determine eligibility, there are 1414 households or approximately 7000 people receiving aid, still approximately one-sixth of the population. In addition to the food programs there are 5,829 persons in Perry County receiving some sort of benefit from the Social Security Administration. These programs provide about \$330,000 dollars per month in direct assistance to Perry County residents. In comparison, in an average month, coal production in Perry County produces about \$500,000 in wages. This means that the Federal government alone is making welfare payments equal to more than one-half of the wage payments of the coal industry. This seriously underestimates the role of government in supporting a large unemployed population. In addition to the Federal government's payments are those of the state unemployment compensation. Welfare programs are supporting a significant part of the area's population in idleness. The effect of such programs is no doubt a stabilizing influence on the retail industry, but it sustains a way of life that is neither productive to the community nor capable of providing a rich environment for the families involved.

In addition to the sociological problems generated by "maintenance" welfare measures, there are economically damaging aspects of an immobile, employed work force. In Hazard, the pool of idle workers created by such programs serves as the basis for a competitive labor market which holds down wages and retards the process of automation in the local industry. By retarding the mobility of the work force, the current welfare programs create problems for the employed workers in the community. Obviously the welfare measures are necessary to the well-being of the people involved and must be continued, but at the same time, cognizance should be taken of the responsibility of the community to provide more jobs either within or outside the area in order to relieve the pressure on the labor market.

Approximately 1000 workers are currently employed in truck mines, including auger and strip operations. Although it has been claimed that the number of jobs available in the truck mines is almost unlimited, it appears that employment will never be much higher than the current figure. The impossibility of determining either the elasticity of supply or demand precludes determining accurately how many workers could or would be employed at any given wage level. However, since wages in the small mines already are approaching the federal minimum, it is unlikely that many more jobs will be created by falling wages, even if the workers have not reached the point of withdrawing their services from the market. Many workers have already reached the point and refuse to work in the truck mines. Among the reasons cited for refusal to accept such jobs are union loyalty, fear of poor working conditions and violations of safety regulations as well as poor wages.

Many workers, however, have found the acceptance of such jobs a moral imperative when the health and welfare of their families are involved. In some cases incomes from the truck mines were supplemented by food from the Federal welfare measures. The leaders of the striking miners have accused the Federal government of subsidizing low wages through the distribution of free food, but the government officials administering the program maintain that the new investigations make such

violations unlikely. Over 1,000 families were dropped from the food distribution program lists with the institution of eligibility investigations in March of 1963.

The fact that the number of union mines in Perry County and throughout Eastern Kentucky was rapidly falling had several serious effects on the United Mine Workers. Revenues for the Mine Workers Welfare fund began to decline along with dues and membership. Alarmed by the decline, the union moved to cut off the small truck mines from their markets and source of coal and labor. In their attempts to end the production of coal under non-union conditions the UMWA acted on two levels, through governmental and private contract with the employers.

On the governmental level the United Mine Workers joined with the largest of the northern producers to cut off the truck mines from governmental markets. In 1954 the union and the Pittsburgh-Consolidation Coal Company filed a petition under the provisions of the Walsch-Healy Act, asking that the government establish a minimum wage for the companies from which it purchases coal. The government accepted the petition and, as traditional with Walsch-Healey determinations, the government established the then union scale wage as the prevailing minimum.

Several factors, however, made this an ineffective approach to the problem: 1) the union negotiated a new contract with substantial wage increases less than a month after the government had established the 1952 contract wage as the prevailing rate; 2) the Walsch-Healey determination did not include the then 30¢ and now 40¢ ton Welfare Fund royalty payment; and 3) the Federal purchases of coal were not sufficient to narrow the market for non-union coal to the point of forcing the operators to raise their wage scales. Even though the government is investigating possible violations of the Walsch-Healey Act in the Hazard area it is doubtful that their effort will substantially change the production pattern of the county. There are too many other markets for the coal produced from non-union mines for this type of action to have substantial effect.

The United Mine Workers' second attempt to regain control over the labor market in the region was more direct. During the 1958 wage negotiations the union

demanding the insertion of a "protective wage clause" which would have prevented union operations from handling non-union coal or from leasing coal lands to non-union operations. If the measure had been contracted, it would have smothered the truck-mines at their base by preventing the small companies from obtaining mineral rights for the coal they mined and preventing the non-union coal from reaching the national market. The action was clearly aimed at the essential feature of the truck mines: their low capitalization. Since most of the small operators could not have afforded the capital expenditure to either buy coal rights or to sink capital funds into a tippie with its washing, sorting and other processing equipment, the "protective wage clause" would have, in all likelihood, effectively ended the threat to the automated high wage mines.

The northern companies agreed to the clause without much objection. In the first place, they were not involved in the practice, and in the second, coal from the non-union operations threatened their markets. The southern companies, on the other hand, refused to sign the agreement and broke quite openly with the northern operators over the clause. The Southern Coal Producers' Association contended that the agreement was in violation of the anti-trust laws and refused to grant their negotiators authority to sign the contract except at the discretion of individual companies. As the center of the truck mining industry, the Eastern Kentucky operators were particularly opposed to signing the agreement. When the contract expired on March 7, 1959, the union struck the mines in southeastern Kentucky, both to gain compliance with the provisions of the contract and to reorganize the area. The strike was marked by violence and high emotions. After 12 months of strike, the UMWA agreed to a National Labor Relations Board decision forbidding the union to attempt enforcement of the "protective wage clause." During the course of the strike the union became the subject of approximately \$12,000,000 in damage suits. In the North the clause was abandoned when challenged as a violation of the newly enacted Landrum-Griffin Act.

Between the 1959 strike and the Fall of 1963, the United Mine Workers adopted a wait-and-see attitude toward the area. As payments to the Welfare Fund continued to dwindle, the Fund was forced to cut back on the benefits, reducing pensions from

\$100 per month to \$75 per month in February of 1961, and revoking Hospital Cards in September of 1962 of miners who had been unemployed for more than a year or who had become re-employed in a non-union mine.

The revocation of the Hospital Cards was the signal for a relatively popular unauthorized strike in the area of Southeastern Kentucky in late 1962. The UMWA refused to support the strike on the grounds that the union stood to lose more funds if the violence which marked the unsuccessful 1959 strike were to recur. The strikers were left to their own devices with regard to leadership and funds. The strike received momentary and moral support from radical groups who perhaps mistook the traditional violence of the people involved as an indication of especially severe conditions. In fact, the violence represents the product of a smoldering resentment dating back to the original organization drives of the 1930's and is not directly related to the severity of the operators' resistance. Much of the violence took place between pickets and non-pickets, rather than between the workers and the companies. For many reasons, including a lack of clear objectives among the strike leaders and a fear of the "red menace" among the traditionally chauvinistic and politically unsophisticated people of the area, the strike petered out as the Winter wore on. Even though the more visible signs of the strike disappeared, violence in the form of dynamitings of homes and railroads continued on through the Spring and into the Summer of 1963. In June, the leaders of the strike were arrested under a charge of conspiracy to destroy the railroads. Despite the arrests, violence continued and the protest of the unemployed was revived under much the same leadership as the earlier strike. During the Summer, however, the approach of the group turned away from the traditional union tactics of strike and organization toward more political forms of dissent. The organization demanded representation on the newly formed Hospital Board for administration of the MWA Welfare Fund Hospitals under the Presbyterian non-profit corporation and proposed a march on Washington to demand "jobs and trade union conditions."

In the wake of these proposals, the United Mine Workers renewed their efforts officially to reorganize the area. It remains to be seen whether these actions will

have any effect on either working conditions and wages or unemployment. For the present, however, non-union coal production continues to expand in the Hazard field.

The relation of the United Mine Workers to unemployment is both casual and problematical. The United Mine Workers first organized Perry County in 1933. The social and economic conditions in the area were such at the time that unlike neighboring Bell and Harlan Counties the UMWA was able to sign up 30,000 people in two months with relatively little violence. The early contracts which the United Mine Workers signed in Perry County were of the "Southern Pattern," i.e., they included the southern differential, a 40¢ per day lower wage scale than was negotiated in the northern field. The justification of this differential was partly traditional and partly to offset the fact that coal mining in the southern field was less efficient than in the north due to the physical structure of the coal veins. Since the northern veins are thicker, production per man hour tends to be higher and mining machinery can be used more efficiently. The UMWA never accepted the differential as a theoretical sound clause, and as soon as they had the strength, eliminated it from the contracts.

In combination with the lower freight rates, the differential gave the southern field a competitive advantage over the northern mines which allowed them to gain increasingly a larger part of the national market.

Because of its peculiar railroad situation, the Hazard field was only able to exploit a part of the southern competitive advantage. Even though it is a part of the southern field, the only railroad in Perry County runs northward. It has thus been barred from sharing in the export and southern freight rate reductions. It is difficult to understand why this situation has been allowed to exist, since only a short distance separates the Lexington-Fleming Division of the Louisville and Nashville Railroad serving Perry County from the C and O Railroad serving the South. The fact that the connection has never been made has severely limited the market area for the Hazard field and is in some part a cause of the present difficulties.

In 1941 the United Mine Workers were able to eliminate the southern differential and thus complete their drive to remove wages from the competitive forces at work

in the coal industry. The operators had considered the differential as economic adjustment which had enabled firms in less favored areas to mine coal and therefore maintain employment. The union, however, contended that such coal was only mined at the expense of high wage mines in the more efficient areas and therefore represented a penalty to the higher wage paying operators. For this reason, the elimination of the southern differential was considered a great victory by the United Mine Workers. The southern operators, despite their misgivings, were not left without some advantages over the northern compatriots, mainly in the form of lower freight rates, and continued to expand their share of the market, if more slowly than before. As noted earlier, the mines of Perry County have not been able to take advantage of the more favorable rates enjoyed by the nearby competitive fields. As a result, when the southern differential was struck from the contracts, the mines of Perry County were severely limited in their area of equal competitive advantage. Because of the war-time boom in coal production, the results of the wage equalization agreement were not immediately felt in the Hazard field. As the competition tightened into the early 1950's, however, the price of coal began to fall and the Hazard area operations found themselves unable to compete with those operations having either more favorable freight rates or more favorable seam conditions. The results of this squeeze can be observed in the rapid demise of the union rail operation in Perry County.

The delay factor in the effect of the equalization of wage rates has largely obscured its importance in the minds of the local operators who prefer to consider the United Mine Workers Welfare and Retirement Fund as the major cause of their ills. As an area of high production costs and low margin, the Hazard coal operators have felt the burden of the royalty more keenly than their more fortunate competitors. On the other hand, since the royalty was applied equally to every ton of coal produced in a relatively competitive industry, its effect has probably been more dissipated than the operators are willing to concede. The prominence of this attribution of financial difficulties to the Welfare Fund royalty payment is probably more due to the chronological proximity of Welfare Fund publicity and the financial difficulties of the operators than to a causal link between the two. In addition the Welfare Fund payments make a sizable lump-sum outlay for the operators which is easily grasped as a source of "unnecessary" expenditure and is, therefore, a convenient scapegoat.

The results of the 1941 contract are now coming back to haunt the UMWA. Although the UMWA has always realized that the encouragement of high-wage, high efficiency mining would mean unemployment for many of its members, the UMWA has felt that the transition would take place slowly enough to allow for the relocation of the miners in other industries. What the UMWA failed to conculate was the low skill level of their membership and the general decline in the ratio of employment opportunities to job seekers.

The result has been large-scale, long-term^{un}employment in coal mining communities throughout the United States. This unemployment represents frictional, cyclical, and technological factors at work on the labor force, but in the sense that the United Mine Workers have seen fit to maintain a wage rate well above the market equilibrium, they are responsible for much of the unemployment in the coal mining areas.

Coal production in the Hazard area has grown in two great bursts during and following the two World Wars. During each of these periods the productive capacity grew to levels far in excess of the demand for the year following the boom periods. This capacity in part represented an influx of workers into the coal fields during these same periods. In the post-war periods, the excess capacity also represented excess workers.

Other structural causes of unemployment can be traced to various changes in the resource-use pattern within the national economy. One of the prime factors affecting the demand for coal has been the change from steam to diesel engines on the railroads. The other has been the decline in the use of coal for home heating, although the extent of this loss is perhaps exaggerated by a failure to attribute at least part of the growth in coal consumption by electric utilities providing alternate heating arrangements. Nevertheless, the tendency within the economy to substitute alternative fuels for coal is clear.

By far the most important factor in the increased operating efficiency of the coal mining industry has been mechanization. As an example, Blue Diamond's Leatherwood I mine, producing an almost identical amount of coal today as in 1948, uses approximately one third the staff. If anything this understates the technological progress that has taken place, for it fails to take into account the tendencies toward reduced efficiency of this mine caused by increased age. The first coal, taken from a mine within feet of the mine portal, is cheaper to produce than that coal taken out fifteen years later literally miles from the tippie. The two-thirds of the work force displaced in this mine by machinery falls quite obviously in the category of technological unemployment.

The present unemployed worker in Perry County, must also be viewed in the light of the fact that he has failed to take the course that over 20,000 of his compatriots have taken, i.e. to move. The importance of friction in the unemployment problems of the Hazard area and vicinity can be easily overstated. While it is quite true that strong family ties and a traditional attachment to the land have been factors in many workers' decisions to stay in the area, it is also true that pride in family and indeed a sense of responsibility toward providing family sustenance have equally motivated some of the unemployed to seek employment in far corners of the nation. There are very real barriers to employment and mobility for the unemployed Hazard miner. Handicapped, with his low skill level and cultural "backwardness," the unemployed miner faces real difficulties even in a favorable labor situation. When he seeks to compete with other workers in the northern industrial centers, the problems are insurmountable. In addition to the general problems of education and culture among the work force, there are the special problems faced by the older miners who find themselves discriminated against because of age, and the poverty-stricken who cannot afford the gasoline to look for work, much less bear the expense of moving and resettling their families.

The problem of unemployment in Hazard cannot be viewed in isolation from the problems of the general economy. There are two important links between Hazard and the outside world which contribute to the unemployment problems of the vicinity of Hazard. The first is the general level of unemployment throughout the country. The Department of Economic Security for June of 1963 lists no areas of labor shortage and only 16 of the 150 "major production and employment centers" have job opportunities sufficient to provide employment in balance with the local work force. All of the remaining 134 areas have unemployment problems ranging from moderate to substantial.

Two of the sixteen areas of "balanced labor markets," Dayton and Columbus, Ohio, are located within the migration area of the Perry County unemployed, and it is to these areas that those workers well informed enough about job opportunities flock. Here, however, they most compete for the available jobs with workers from not only other Appalachian regions, but also from urban areas such as Pittsburgh and Buffalo. The result is as stated by the employment bureau:

Those who were capable of doing other types of work went to the industrial cities of the north and many have come back after being laid-off their jobs there. Therefore, the unemployed are made up of persons who have lost their jobs and remained in the Hazard Area and of persons who have returned after being laid-off jobs in other states.

Nevertheless these areas have helped to reduce unemployment and they along with some not so favorable areas have accommodated over 20,000 displaced workers and their dependents from Perry County. It must be remembered, however, that the situation is basically as outlined by John L. Lewis, "No longer can the young men of the mining industry go to the steel industry to get a job, or the ship building industry, or any other industry and hope to get a job. Now there is a waiting line of displaced men in these industries." In this sense the problem of Hazard is basically a national one and the unemployment classified as cyclical. As long as there is little opportunity for employment in the outside there will be little or no reason for an unemployed worker from Hazard to move out of the area and away from the security of his family.

The second link between the national economy and the problems of Hazard is the failure of the national economy to provide an active industrial complex capable of supplying a stable high priced market for coal. Between the high-wage policy of the United Mine Workers and a tight coal market, operators have found themselves forced to mechanize in order to remain efficient enough to compete successfully in the market place. It is, however, now doubtful that an increased market for coal could any longer be of help to the unemployed miners. Current estimates indicate that a million tons of coal require approximately 350 men to produce. Figuring on this basis, Perry County would have to double production in order to absorb its current unemployment. This is assuming that present mines in the county are not capable of increasing production with present crews. As this assumption is clearly unjustified considering the number of miners working short weeks in the area, it is improbable that unemployment relief will come from this quarter.

The population of Perry County is divided into three distinct social categories: the miners, the retail merchants, and the operators. For the most part, the miners live in the areas outside of Hazard proper. The miners are at the bottom of the local social ladder. They lack money, education, and the cultural traditions which would allow them to blend easily with the rest of the community. They have created their own sub-culture in the Kentucky hills. Very family conscious, they almost form clans reminiscent in this respect of the Scots.

Economically this is the worst section of the population. Many of them survive only through the nutritional supplements of food stamps and backyard gardens. The conditions of life of this group are not substantially different whether employed or unemployed. They live in ramshackle houses in many cases without indoor plumbing and the other amenities which have come to be considered essential to civilized living.

The retail merchants, on the other hand, characteristically live within the city of Hazard itself. They perform the civic as well as the retail business of the area. Thus, the mayor of Hazard is also the owner and operator of the largest department store in Hazard, and similarly the owner of the local Chevrolet dealership is the president of the Chamber of Commerce.

The merchants are better off financially, socially and educationally than the mine and have not suffered the effects of the economic decline as severely as the miners. Part of the protection from the economic decline can be traced to the great quantities of Federal and State transfer payments which have served to sustain the purchasing power of the community even in the face of reduced wage-earner buying power.

The effect of money going through the retail economy from the Federal and state welfare programs should not be underestimated. Federal Food stamps must be spent in their entirety with the retail merchants of the community, so that the retail merchants benefit from aid given directly to the miners. The migrants who send money back into the community help to sustain and protect the retail community since the reduction in the number of workers has not meant a proportionate decline in wage revenues coming into the area. This partly explains the well being of the retail center of Perry County.

The retail community has, however, not been unaffected by the declining economy of the area. Part of the apparent prosperity within the retail district of Hazard itself is merely a reflection of the fact that stores in the outlying area, especially commissaries in the now defunct coal towns, have been closing down, forcing the people who would have normally depended on such stores into the central business district. In this sense the retail economy is not as sound as it would appear at first observation. It must, however, be noted that the external signs of hard times, closed and boarded stores, do not exist in Hazard.

The third division of Perry County society is the upper income "power elite." This group is not concerned with the day to day civic duties as are the retail merchants. They are, however, concerned with state politics. This group represents the financial and mine operating interests of the community. Its relations with the other segments of the community is often heated and hostile reflecting in some cases honest grievances and in other jealousies and petty differences. This the miners claim they are exploited, the mine operators complain that the workers are lazy, the town officials claim that the commercial interests are standing in the way of civic improvements, etc. The upper income group not only takes relatively little interest in the civic affairs of Hazard, it is generally more outwardly oriented. It goes to Lexington and Louisville for its medical services and shopping, and is considerably more mobile than the rest of the community.

These three divisions can also be seen in the general population of the United States, but they tend to be exaggerated in Perry County by the extremes of wealth in such a small isolated area and the existence of the single central business community and governing center which Hazard represents.

The residents of Perry County are united on one issue: they all desire that Hazard return to something like the prosperity that it enjoyed in the post-war period. To the miners this means simply "more jobs and trade union conditions." To the merchants and business interests it means the development of new industry, notably of the tourist variety. In order to accomplish this the community is working with Federal grants to develop the basic facilities needed before industry will consider relocating in the area. The immediate effect of these measures is to create jobs in construction and associated industries. These are **temporary, in nature**, however, and in some cases present outside labor brought in by the contractors.

The chances of bringing in permanent employment are slight. The Federal government has already refused grants to help develop a mountain top tourist complex until such time as highways into the area are completed. The potentialities of the tourist industry are substantially as set down in the Kentucky University Study of the Appalachian region:

There is little reason to doubt that the potential of the tourist industry is much greater than has been realized to date, and that properly developed it will be a tremendous asset to the Appalachian economy. At the same time it should be recognized that tourism is not a panacea for all the economic ills of the region, and that its full possibilities will only be realized after careful planning and hard work...In short, the tourist industry could not absorb the region's labor surplus in the foreseeable future even if all the latter were trained for service occupations, which of course is not the case.

The situation in Hazard would not exist except for the interrelation of innumerable factors, each in its way shaping the course of events within the framework of the whole economic system. It is thus impossible to pick out a single issue like automation and say "there you see before you the mechanism which has created unemployment by enabling the mines to produce the same amount of coal with such and such number of workers fewer than the old methods of mining ." Such a statement is totally unjustified if considered in the context of the economy as a whole.

The introduction to "Program 60," a planning report for the Eastern Kentucky region contains the following paragraph:

Private enterprise, as a system, thus bears some responsibility in the creation of the present situation. It is hoped that the leadership of free enterprise will recognize the broad responsibility of the system, and engage in special development efforts and share in a profitable economy later.

Hazard, Kentucky, presents a challenge to the entire structure of the American economy. The allocative mechanism is at work and is causing, and has caused, pain and misery to a part of the population. The problem is to make the mechanism differentiate between means and ends, i.e. to differentiate between men and material. Free enterprise in Hazard has failed to make clear whether the people serve the system or the system serves the people. The problem is not only faced in Hazard, it is faced wherever the economy makes a transition. Hazard poses a challenge to the American economy. That challenge is to accommodate change without wholesale disruption of human life. Hazard is important not because it represents the problem in its most acute form or because it involves large numbers of people, but because it represents the problem in miniature, and because it has dramatized in violence the need for rapid and massive correction of current policy and attitude toward the unemployed.

Problems Relating to Unemployment
in the Vicinity of Hazard, Kentucky

by
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