

Department of Labor

Timeline of Growth

by Chris Edwards and Daniel J. Murphy*

- **1884:** Labor unions lobby for a federal department to oversee labor issues, but they initially settle for a new Bureau of Labor within the Department of the Interior.¹
- **1888:** Congress converts the Bureau of Labor to a Department of Labor, but the new department does not yet have cabinet status.
- **1903:** Federal labor activities are moved to a new Department of Commerce and Labor.
- **1913:** The Department of Commerce and Labor is split apart, and a cabinet-level Department of Labor is born. An official history notes that Labor's founding "was the direct product of a half-century campaign by organized labor for a 'Voice in the Cabinet.'"² The first labor secretary is former congressman and union leader, William Wilson, who announces in his first annual report that the department was created "in the interest of the wage earners."³
- **1913:** The Department of Labor has an initial staff of 2,000 employees, and it consists of four Bureaus: Labor Statistics, Immigration, Naturalization, and Children.
- **1914:** The Clayton Antitrust Act includes pro-union provisions, such as an exemption of unions from anti-monopoly rules and restrictions on the use of injunctions during strikes.
- **1917:** Labor Secretary William Wilson oversees a large expansion of federal control over private industry during World War I. The department creates more than 30 divisions, bureaus, and commissions to deal with wartime mobilization and new labor regulations. The War Labor Administration pushes to impose collective bargaining, an eight-hour work day, and other regulations on private employers. A department history notes that this wartime agency "provides many ideas and models for the New Deal."⁴
- **1918:** The growth of the female workforce during the war spurs the creation of the Department of Labor's Women in Industry division. The division is later renamed the Women's Bureau, and it survives today with a \$12 million budget.
- **1931:** Metropolitan Life supports the creation of private sector unemployment insurance policies, but legislation to legalize the sale of UI policies in New York State is vetoed by Governor Franklin Roosevelt.
- **1931:** The Davis-Bacon Act requires that businesses working on federally funded projects pay "prevailing wages" in the local area. Prevailing wages generally means higher, union-level wages. The effect of the law is to exclude nonunion firms and nonunion workers from federal projects, which in turn increases taxpayer costs. Racist motivations were behind some of the congressional support for the law—members wanted to protect white unionized workers against competition from lower-wage black workers.
- **1932:** The pro-union Norris-LaGuardia Act is signed into law by President Herbert Hoover. It effectively bans yellow-dog (union-free) contracts between businesses and workers. It also restricts federal judges from issuing injunctions to interrupt strikes, provides unions with antitrust immunity, and provides unions with legal protection for illegal acts performed by its members.⁵
- **1932:** President Herbert Hoover creates the Reconstruction Finance Corporation, which is supposed to boost employment by providing billions of dollars of loans to businesses and cities.
- **1933:** The Wagner-Peyser Act creates a nationwide system of employment offices to match workers with jobs. The Department of Labor stills operates 3,000 employment offices across the nation today, even though the Internet and other changes in the economy have made the government's role in job-matching obsolete.
- **1933:** The National Industrial Recovery Act encourages the implementation of minimum wages, maximum hours, and collective bargaining. NIRA is struck down by the Supreme Court in 1935, but these labor market regulations are reimposed in other legislation.
- **1933:** The Civil Works Administration creates millions of temporary government jobs, and it is the forerunner to the Works Progress Administration created in 1935.
- **1933:** The Civilian Conservation Corps is a make-work program for hundreds of thousands of mainly young men, who build government projects in rural areas. The CCC lasts until 1942.
- **1934:** Labor Secretary Frances Perkins creates a Bureau of Labor Standards, the forerunner to the Occupational Safety and Health Administration established in 1970.
- **1935:** President Franklin Roosevelt signs the Emergency Relief Appropriation Act, which creates millions of government jobs through the Works Progress Administration. WPA jobs programs became known for their wastefulness, and indeed the word "boondoggle" was coined to describe them. The lazy WPA worker was a pervasive stereotype in the 1930s, and a popular song went, "WPA, WPA, lean on your shovel to pass the time away."⁶
- **1935:** The National Labor Relations Act (or Wagner Act) builds on the Norris-LaGuardia Act to further empower labor unions at the expense of freedom of association and voluntarism in labor markets. It imposes "exclusive representation" on employers and employees, meaning monopoly or coercive unionization after a majority vote. It also imposes "union security" rules, which force individuals to join unions or pay union dues. The NLRA also imposes mandatory bargaining rules, and it bans company unions. The Act does not cover public sector unions.
- **1935:** As part of the Social Security Act, Congress creates the federal-state unemployment insurance program. The program—also called unemployment compensation—squashes ongoing efforts by unions, businesses, and insurance companies to develop market-based solutions to the problem of unemployment benefits.
- **1936:** The Walsh-Healey Public Contracts Act requires businesses that contract with the federal government to comply with various mandates, including establishing an eight-hour work day and paying minimum wages based on locally prevailing rates. The Act is a prelude to the broader Fair Labor Standards Act of 1938.
- **1937:** The Supreme Court narrowly upholds the unemployment insurance system in its decision, *Steward Machine Company v.*

Davis (301 U.S. 548).

- **1937:** President Roosevelt expresses his disapproval of collective bargaining by government workers in a letter to Luther Steward, president of the National Federation of Federal Employees: "Government employees should realize that the process of collective bargaining, as usually understood, cannot be transplanted into the public service."⁷ This was the common view until the 1960s, when unionization began spreading to the federal workforce and most state workforces.
- **1938:** The Fair Labor Standards Act establishes a national minimum wage of 25 cents per hour and a maximum work week of 40 hours (with "time and a half" pay for overtime) for most workers in manufacturing. Many studies in subsequent decades find that the minimum wage hinders lower-skill workers from gaining employment. The minimum wage rate and the coverage of FLSA have been greatly expanded over time.
- **1943:** The War Labor Disputes Act (Smith-Connally Act) provides the executive branch with powers to seize and operate critical wartime businesses that are under threat of labor union actions.
- **1945:** The unionization rate in the United States peaks at 35 percent of the non-farm workforce.⁸ The rate has skyrocketed from just 13 percent in 1935, when the National Labor Relations Act was signed into law.
- **1946:** The Employment Act is an effort at establishing Keynesian-style national economic management. The government is tasked with using all practical means to promote "maximum employment, production, and purchasing power."
- **1947:** The Taft-Hartley Act is passed in response to a huge wave of disruptive labor union strikes in 1946, and it becomes law over President Harry Truman's veto. The Act revises a few of the worst aspects of the pro-union legislation passed in the 1930s. It amends the National Labor Relations Act to prohibit "unfair labor practices" by unions, and it allows states to pass "right to work" laws, which ban union-only shops. Truman and the Democrats try to repeal Taft-Hartley in subsequent years, but they are unsuccessful.
- **1949:** President Truman reorganizes and strengthens the Department of Labor. He puts the employment service and unemployment insurance, which had been in independent agencies, under departmental control.
- **1955:** The Fair Labor Standards Act is amended to raise the minimum wage and broaden the coverage to more industries.
- **1957:** The Senate's McClellan Committee—with chief counsel Robert F. Kennedy—investigates labor unions and finds "shocking examples of union corruption, extortion, and violence."⁹ The investigations prompt Congress to impose various transparency reforms on unions, which are administered by the Department of Labor.
- **1959:** The Labor Management Reporting and Disclosure Act (Landrum-Griffin Act) requires labor unions to allow free speech by members, hold secret elections for union officers, and make annual financial reports to the Department of Labor.
- **1961:** The Area Redevelopment Act aims to attract businesses to depressed areas with retraining programs and other subsidies for unemployed workers. The program is originally intended to help just very depressed areas, but every member of Congress wants a share of the spending so it is expanded to cover 1,000 counties across the nation. The ARA essentially becomes a pork-barrel machine.
- **1962:** The Trade Adjustment Assistance program is created as part of the Trade Expansion Act. The program is aimed at securing political support for trade liberalization deals by providing benefits to workers displaced by imports. While the program may have made political sense at the time, there is no sound economic reason to provide extra subsidies to certain favored unemployed workers.
- **1962:** The Manpower Development and Training Act is designed to retrain workers displaced by automation. As the economic boom of the 1960s advances, the focus of the program changes from unemployed workers to lower-income and disadvantaged workers.
- **1962:** President John F. Kennedy issues executive order 10988, which allows for collective bargaining in the federal government.
- **1963:** The Manpower Administration is established to implement the growing array of programs for work training, employment security, and apprenticeship activities. By 1969, the programs have become such a complex mess that Labor Secretary George P. Shultz calls the agency's organization chart a "wiring diagram for a perpetual motion machine."¹⁰
- **1964:** The Economic Opportunity Act creates a range of new job training and employment programs such as Job Corps, which is aimed at providing education and job training to needy youth. The program is modeled after the Civilian Conservation Corps of the 1930s, and it is moved into the Department of Labor in 1969.
- **1970:** Congress creates the Occupational Safety and Health Administration, charged with regulating workplace safety. Over the decades, the agency imposes an array of costly regulations on businesses, and it generates controversy over rules that impose large compliance burdens but have limited benefits.
- **1970:** Congress adds "extended benefits" of 13 weeks to the basic unemployment insurance program.
- **1971:** A recession leads to calls for a 1930s-style program to create government jobs for unemployed workers. President Richard Nixon signs into law the Emergency Employment Act creating more than 170,000 "Public Employment Program" (PEP) jobs for two years, mainly in local governments.
- **1973:** Congress enacts the Comprehensive Employment and Training Act, which boosts subsidies for existing employment and training programs and creates a new government jobs program to replace PEP. The new program, Public Service Employment, spends billions of dollars during the 1970s to create jobs in state and local governments and nonprofit groups.¹¹ Under President Jimmy Carter, the federal government directly funds more than 700,000 PSE jobs annually.¹² The program is "scandal ridden" throughout its existence, according to *Congressional Quarterly*.¹³ It leads to "newspaper exposés of local instances of nepotism, favoritism, and other kinds of fraud. Many jobs went to middle-class people instead of the hard-core, low-income unemployed for whom they were intended."¹⁴
- **1974:** Congress enacts the Employee Retirement Income Security Act (ERISA), which results in a flood of regulations on employer pension plans.
- **1974:** The Trade Reform Act expands the Trade Adjustment Assistance program.
- **1975:** The Manpower Administration is renamed the Employment and Training Administration.
- **1977:** The United States withdraws from the International Labor Organization due to political objections regarding ILO activities and positions, but it rejoins the organization in 1980.
- **1978:** The Humphrey-Hawkins Full Employment Act expands on the Keynesian themes of the Employment Act of 1946. It assumes that the government can and should manipulate macroeconomic variables to create expand employment, minimize inflation, balance the budget, and balance international trade.
- **1978:** The Civil Service Reform Act creates the Federal Labor Relations Authority, which oversees collective bargaining activities by federal workers.
- **1981:** President Ronald Reagan comes into office promising to cut wasteful spending, and he succeeds in terminating the Public

Service Employment program in his first budget. He also aims to reduce regulatory burdens on individuals and businesses imposed by OSHA and other agencies.

- **1981:** The Professional Air Traffic Controllers Organization declares an illegal strike, which prompts President Reagan to order controllers back to work within 48 hours else face termination. More than 11,000 controllers refuse to return to work and they are fired by Reagan and initially banned from federal service.
- **1982:** The scandal-plagued CETA of 1973 is replaced by the Job Training and Partnership Act, which is championed by Senator Dan Quayle (R-IN). President Reagan initially resists creating a new jobs program, but he changes course and decides to support JTPA. The program is designed to help moderate-income workers improve their skills and increase their employability. However, federal job training programs have never worked very well, despite being touted by politicians of both parties since the 1960s.
- **1988:** Congress passes the Worker Adjustment and Retraining Notification Act, which requires employers to give workers a 60-day notice of plant closings or mass layoffs.
- **1991:** New Zealand's government enacts pro-market reforms to labor union laws, which remove many of the coercive elements of labor union rules common in industrial countries. The reforms are a big success, but they are scaled back by a left-of-center government in 2000.
- **1993:** Congress enacts the Family and Medical Leave Act, which grants workers the ability to take up to 12 weeks of unpaid leave to care for a new child or a sick family member.
- **1998:** The Workforce Investment Act supersedes JTPA and reorganizes federal employment and training programs. The Act creates one-stop centers across the nation, which are aimed at helping unemployed workers with job searches, employment counseling, and job training. There are currently 3,000 one-stop centers, but they are relatively little used in the era of Internet job searching.
- **2000:** A study covering U.S. manufacturing companies finds that federal workforce regulations impose a compliance cost of about \$1,700 per worker.¹⁵
- **2002:** The nation of Chile builds on the success of its privatized Social Security system by creating personal savings accounts for unemployment benefits. The reform is effective at reducing the typical duration of unemployment.¹⁶
- **2005:** A study for the Small Business Administration finds that federal workforce regulations impose a compliance cost on employers of \$106 billion, with half of the costs stemming from OSHA rules.¹⁷
- **2008:** The recession prompts Congress to pass an array of expanded unemployment insurance benefits, with the effect that benefits in many states are ultimately extended to 99 weeks, or almost two years.
- **2010:** The labor union membership rate in the United States is 6.9 percent in the private sector and 36 percent in the public sector.¹⁸
- **2010:** The large expansions in unemployment insurance benefits appear to be substantially pushing up the U.S. unemployment rate. Harvard University's Robert Barro roughly estimates that expanded UI benefits have pushed up the unemployment rate by 2.7 percentage points.¹⁹
- **2010:** The Department of Labor estimates that the rate of improper and fraudulent payments for UI is about 11 percent, or \$17 billion in 2010.²⁰ Meanwhile, the costs of federal and state administration of the UI system are \$5.9 billion in 2010.²¹ Thus, about \$23 billion of taxpayer funding for UI represents "overhead" going to people other than the intended unemployed workers.
- **2011:** The Government Accountability Office finds that there are 47 separate federal employment and training programs, and concludes that "little is known about the effectiveness" of the programs.²² Thus, after five decades of these sorts of federal programs, government auditors still can't be sure whether or not they actually work.
- **2011:** A "massive network of employment websites" is launched allowing any company to list job openings for free.²³ The network includes 40,000 websites all having URLs ending in "jobs." The project is backed by 600 large corporations, including Google and IBM. In the Internet age, the Department of Labor's employment services are less needed than ever.
- **2011:** The Department Labor employs 17,000 workers and has a budget of \$148 billion in fiscal 2011.

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² Judson MacLaury, "History of the Department of Labor, 1913–1988," Department of Labor, 1988, Chapter 1, www.dol.gov/oasam/programs/history/hs75menu.htm.

³ Judson MacLaury, "History of the Department of Labor, 1913–1988," Department of Labor, 1988, Chapter 1, www.dol.gov/oasam/programs/history/hs75menu.htm.

⁴ Judson MacLaury, "History of the Department of Labor, 1913–1988," Department of Labor, 1988, Chapter 1, www.dol.gov/oasam/programs/history/hs75menu.htm.

⁵ Charles Baird, "Toward a Free-Market Union Law," *Cato Journal* 30, no. 1 (Winter 2010): 219.

⁶ R. Benenson, "Federal Jobs Programs," *CQ Researcher (Editorial Research Reports)*, December 24, 1982.

⁷ Quoted in Amity Shlaes, "How Government Unions Became So Powerful," *Wall Street Journal*, September 4, 2010.

⁸ James Sherk, "Declining Unionization Calls for Re-envisioning Workplace Relations," Heritage Foundation, January 21, 2011.

⁹ Judson MacLaury, "History of the Department of Labor, 1913–1988," Department of Labor, 1988, Chapter 5, www.dol.gov/oasam/programs/history/hs75menu.htm.

¹⁰ Judson MacLaury, "History of the Department of Labor, 1913–1988," Department of Labor, 1988, Chapter 7, www.dol.gov/oasam/programs/history/hs75menu.htm.

¹¹ R. Benenson, "Federal Jobs Programs," *CQ Researcher (Editorial Research Reports)*, December 24, 1982.

- ¹² Gordon Lafer, *The Job Training Charade* (Ithaca: Cornell University, 2002), p. 163.
- ¹³ R. Benenson, "Unemployment Dilemma," *CQ Researcher (Editorial Research Reports)*, December 24, 1982. And see S. Kellam, "Worker Retraining," *CQ Researcher (Editorial Research Reports)*, January 21, 1994.
- ¹⁴ R. Benenson, "Unemployment Dilemma," *CQ Researcher (Editorial Research Reports)*, December 24, 1982. And see S. Kellam, "Worker Retraining," *CQ Researcher (Editorial Research Reports)*, January 21, 1994.
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- ¹⁶ Gonzalo Reyes Hartley, Jan C. van Ours, and Milan Vodopivec, "Incentive Effects of Unemployment Insurance Savings Accounts: Evidence from Chile," Institute for the Study of Labor (Germany), January 2010.
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- ²¹ U.S. Department of Labor, "Unemployment Compensation: Federal-State Partnership," April 2010, p.2, www.workforcesecurity.doleta.gov/unemploy/pdf/partnership.pdf.
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- ²³ Ian Shapira, "New Web Sites Shake Up Job-Listings Industry," *Washington Post*, January 22, 2011.

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