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# Monthly Review

## *Employment Growth, 1961-64*

### The Why's and Wherefore's

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As the current economic expansion stretches into its fifty-second month, curiosity heightens about how industrial development in the Sixth Federal Reserve District has fared during this period. A satisfactory answer has to be similar to that given by the man who when asked, "How's your wife?", quickly replied, "Compared with whom?" Growth in a particular area is devoid of meaning unless it is viewed in comparison with some other area, thus this discussion of the District's industrial growth will compare progress in this section of the country with that of the nation as a whole.

Another pertinent question our friend might have posed when asked about his wife would have been, "Measured in what terms?" Ideally, for our purposes, growth should be measured in a number of different terms—capital investment, production, and employment, to mention only a few. Unfortunately, however, the range of variables for which up-to-date statistics are available is very limited for a less-than-national area. Capital investment figures for any sort of meaningful breakdown have a two-year (or longer) lag and thus are not very useful for measuring changes in a current cyclical movement—even when the movement is a long one such as the current expansion period. Recent production estimates for mining and manufacturing are available in the *Federal Reserve Bulletin* but, unfortunately, for the nation only. No breakdown by state or region is available on a frequently recurring basis.

This leaves us with employment, for which comparable national and state figures are published on a monthly basis and with a great deal of industrial detail. Although in some instances production in certain industries may be going up while at the same time employment is declining because of changes in productivity, such a divergence generally could be expected to occur at both the regional and national level. Thus, the data would still be valid for comparative purposes. And, in some respects, employment is a more relevant variable since it measures the number of jobs that a region has been able to provide for its residents. It is for these reasons that employment growth becomes the means of comparison in this discussion.

Although the current expansion, which began early in 1961, is still continuing, the period from 1961 to 1964 was chosen for consideration. This enabled us to use annual averages, thus eliminating the problems of seasonal changes, as well as the possibility that an industry might have been seriously affected by some sort of irregular occurrence, such as a strike or unusual weather in a given month.

#### **The District Leads the Nation**

In terms of overall employment growth, most states of the Sixth Federal Reserve District fared rather well between 1961 and 1964, compared with the nation as a whole, as indicated by Table 1, which is shown on Page 2. Florida's employment grew by 195,000 workers. This expansion

was equivalent to an increase of 13.4 percent and was far above the 5.2-percent change in the nation. Employment growth rates in Georgia, Tennessee, and Louisiana also

**Table 1**  
**Employment Changes\*, 1961-64**

	1961	1964	Percentage Change
	<i>(Thousands of Workers)</i>		
United States**	61,145	64,311	5.2
Alabama	921	969	5.3
Florida	1,455	1,650	13.4
Georgia	1,226	1,333	8.7
Louisiana	934	990	6.1
Mississippi	638	661	3.6
Tennessee	1,176	1,269	7.9
All District States	6,342	6,872	8.3

\*Includes agricultural and nonagricultural employment.

\*\*Includes Alaska and Hawaii.

Sources: U. S. Department of Commerce and U. S. Department of Agriculture.

exceeded the national average, although their 8.7, 7.9, and 6.1 percentage increases were less spectacular than Florida's. In Alabama, employment rose 5.3 percent, slightly above the national average, while Mississippi trailed with a rate of increase of 3.6 percent. However, total employment in Mississippi is small relative to the other states and thus did not exert much of an influence on the rate for all District states. Employment in the six-state area grew by 530,000 jobs, an increase of 8.3 percent over the 1961 level. Thus, employment opportunities in the District have grown at a rate significantly above the 5.2-percent national average.

While a general overall comparison of growth rates is meaningful, one's curiosity cannot be fully satisfied unless an attempt is made to isolate the components that helped shape this growth. Did employment in the District grow faster because the area's industrial structure was more favorable—that is, because the District had a larger share of employment in fast growth industries—or because it was able to attract more than a "fair" share of new industries?

### **More Favorable Industrial Mix? — No!**

A region has a better chance of achieving an overall growth rate in excess of the national average if it has an industrial structure that is highly oriented toward fast-growth industries. Thus, if these fast-growth industries were already well established at the beginning of an expansion period and accounted for a major portion of total employment, the region would have a head start toward exceeding the national average.

To determine if the Sixth District states qualified as such an area, it was first necessary to compute growth rates for individual industrial categories in the U. S. The rapid growth in population and personal income has greatly increased the demand for state and local government services and for services provided by the private sector so that employment in these categories grew by 13.3 and 12.1 percent, respectively. For similar reasons, there have been large employment increases in the transportation equipment industry and in contract construction.

The rates of growth for individual industries in the nation are shown in the left-hand column of Table 2. These industries have been classified into two basic categories: those that grew faster than the overall national rate of 5.2 percent and those that grew slower. Thus, the table shows that employment in the production of stone, clay, and glass products was just above the average increase for all categories, while it was slightly below the average for firms manufacturing lumber, wood, and furniture products. In some industries, such as food processing, mining, and agriculture, employment actually declined. These industries, together with their rates of decline, also are included in the below-average category.

Next, the percentage of total employment of each of the industries was computed for both the District and the United States to determine if the District had a higher concentration of the fast-growth industries in 1961. The results, shown in the last two columns of Table 2, indicate that the District's industry mix was not as growth oriented as the nation's.

Among the faster growing industries, the District had a significantly larger percentage base in only contract construction and state and local government. About the same proportions of total employment were found in the manufacture of chemicals and stone, clay, and glass products, as well as in finance, insurance and real estate, wholesale trade, and retail trade. However, the District had a smaller proportion of all jobs in the service industries, in the production of transportation equipment, machinery

**Table 2**  
**Components of Total Employment, 1961**

	U. S. Rate of Employment Growth 1961-64	Percentage of Total Employment	
		U. S.	District States
<b>Above-Average Growth Industries*</b>			
State and Local Government . . .	13.3	10.7	11.3
Services . . . . .	12.1	12.4	11.1
Transportation Equipment Mfg. . .	11.3	2.4	1.1
Contract Construction . . . . .	10.3	4.6	5.2
Machinery and Electrical Equipment Mfg. . . . .	9.3	4.7	1.0
Primary and Fabricated Metal Mfg.	8.8	3.6	2.1
Finance, Insurance, and Real Estate	7.8	4.5	4.1
Wholesale Trade . . . . .	7.6	4.9	5.0
Retail Trade . . . . .	7.4	13.6	13.8
Other Durable Mfg. . . . .	7.0	1.6	0.8
Chemicals Mfg. . . . .	5.9	1.4	1.6
Stone, Clay, and Glass Mfg. . . . .	5.8	1.0	0.9
Total . . . . .	—	65.4	58.0
<b>Below-Average Growth Industries*</b>			
Lumber, Wood, and Furniture Mfg.	5.0	1.6	2.4
Paper and Allied Products Mfg. . .	4.8	1.0	1.2
Textiles and Apparel Mfg. . . . .	4.7	3.5	4.6
Petroleum, Rubber, and Leather Mfg.	3.8	1.5	0.8
Printing and Publishing . . . . .	3.8	1.5	0.9
Federal Government . . . . .	2.5	3.7	4.2
Transportation and Public Utilities	1.9	6.4	6.0
Food Processing . . . . .	— 2.6	2.9	2.9
Other Nondurable Mfg. . . . .	— 3.0	0.1	0.9
Mining . . . . .	— 5.5	1.1	1.3
Agriculture . . . . .	— 11.5	11.3	16.8
Total . . . . .	—	34.6	42.0
All Industries . . . . .	5.2	100.0	100.0

\*Above-average growth industries are those that grew at a faster rate in the United States between 1961 and 1964 than did total employment. Below-average growth industries are those that grew slower.

and electrical equipment, primary and fabricated metals, and other durable goods.

In the United States, industries with above-average rates of growth accounted for 65 percent of total employment in 1961. In the District, this proportion was 58 percent. Thus, instead of a head start, the District actually began the period with a handicap.

The most striking difference between the employment mixes of the U. S. and the District occurred in agriculture, which accounted for almost 17 percent of the total jobs in the District but for only 11 percent in the U. S. To some extent, the less favorable growth structure in the District is also reflected by the higher proportion of employment in the relatively slower-growing textile and apparel industry, lumber and wood products industry, and in Federal Government employment. In most other slow-growth categories, the proportions are either about the same or a slightly higher percentage is recorded by the U. S.

The industry mix, moreover, was less favorable for growth in all of the District states except Florida, where over 76 percent of employment was in above-average growth industries. Mississippi's base was least favorable for growth since almost 55 percent of the state's employment was in the below-average growth categories. About 58 percent of the employment in Georgia and Tennessee was in the faster expanding industries, while these industries accounted for 63 and 60 percent, respectively, of employment in Alabama and Louisiana.

Thus it appears that the reason employment has grown at a faster rate in the District than in the U. S. in this current period is certainly not because the District began with a higher proportion of employment in those industries that have grown most rapidly. Quite the contrary—the District grew faster despite its industrial mix, not because of it. The answer, therefore, must be found in the District's ability to attract more new employment opportunities than other areas. If so, a District-U. S. comparison of the average growth rates for individual industries should offer confirmation.

### More Competitive? — Yes!

Just because an area begins a growth period with an employment composition that is oriented toward the slower growth industries does not mean that it will have a below-average rate of expansion. The area may be more successful in attracting additional employment opportunities because of available labor, lower wages, tax inducements, natural resources, the development of a large consumer market, and a number of other factors. Such advantages could enable the area to achieve above-average rates of growth even in those industries that were classified nationally as slow-growth industries. In addition, the area may show a tendency toward rapid development of the faster growing national industries despite the low proportion of employment in these industries at the beginning of the expansion period. Both these tendencies seem to have been operative in the District.

The District's more rapid rate of employment expansion in the group of industries with national growth rates below the national average is apparent in Table 3. This table

shows the percentage growth in employment from 1961 to 1964 in various industries—grouped into above- and below-national average categories—for the United States and the District. For instance, the textile and apparel industry, which grew at a less-than-5-percent rate from 1961 to 1964 nationally, increased over 26 percent in the District during the same period. While textiles and apparel already was one of the larger manufacturing employment categories in the District in 1961, its rapid growth contributed substantially to the expansion of the District's employment, while at the same time its national performance was classified as "slow growth." To a lesser extent, the same can be said for most of the other so-called "slow growth" industries. Of those showing positive rates of growth, only employment in the production of

**Table 3**  
**Employment Growth Rates, 1961-64**

	Percentage Change	
	U. S.	District States
<b>Above-Average Growth Industries*</b>		
State and Local Government	13.3	13.4
Services	12.1	16.6
Transportation Equipment Mfg.	11.3	39.0
Contract Construction	10.3	18.5
Machinery and Electrical Equipment Mfg.	9.3	66.3
Primary and Fabricated Metal Mfg.	8.8	13.0
Finance, Insurance, and Real Estate	7.8	11.2
Wholesale Trade	7.6	9.1
Retail Trade	7.4	9.8
Other Durable Mfg.	7.0	23.7
Chemicals Mfg.	5.9	11.4
Stone, Clay, and Glass Mfg.	5.8	11.6
<b>Below-Average Growth Industries*</b>		
Lumber, Wood, and Furniture Mfg.	5.0	7.1
Paper and Allied Products Mfg.	4.8	2.0
Textiles and Apparel Mfg.	4.7	26.2
Petroleum, Rubber, and Leather Mfg.	3.8	11.4
Printing and Publishing	3.8	8.4
Federal Government	2.5	5.6
Transportation and Public Utilities	1.9	4.7
Food Processing	- 2.6	3.4
Other Nondurable Mfg.	- 3.0	-63.0
Mining	- 5.5	- 0.6
Agriculture	-11.5	- 9.9

\*Above-average growth industries are those that grew at a faster rate in the United States between 1961 and 1964 than did total employment. Below-average growth industries are those that grew slower.

paper and allied products failed to grow at a faster rate in the District than it did nationally. The rest showed significantly faster rates of growth.

Moreover, for the industries that showed negative rates of growth—that is, where employment actually fell—the rates of decline in the more important employment categories were slower in the District than nationally so that the loss of jobs was not as severe. For instance, the 10-percent drop in agricultural employment caused a loss of 106,000 farming jobs. If the national rate of decline in agriculture had applied, the District's reduction would have been 123,000. Food and beverage processing employment, which also declined nationally, grew about 3 percent in the District. Moreover, employment in mining was just about unchanged in the District, although a 5-percent decline took place nationally. The remaining category, other nondurable goods manufacturing, fell much more in

the District than in the nation, but since it accounted for such an insignificant amount of employment initially only a relatively small number of jobs were lost.

The District also has enjoyed a faster-than-national rate of increase in each of the "above-average" job categories. Some of the more marked differences occurred in the production of transportation equipment, machinery and electrical equipment, and other durable goods—all categories in which the U. S. had a higher percentage of employment in 1961 than did the District.

Does this mean that the District is increasing its share of the "fast growth" industries? Indeed it does! If the distribution of employment in Table 2 were computed for 1964 instead of 1961, it would show that the percentage of District employment in above-average growth industries was nearer the national average than in 1961. The percentage of District employment in the faster growing

industries increased from 58.0 percent in 1961 to 61.2 percent in 1964. During the same period, the U. S. figure rose from 65.4 percent to 67.9 percent.

Thus, not only is employment in the District growing at a faster rate than in the U. S., but its composition is changing also. Can this pace be maintained? Perhaps, but it will become more and more difficult. As additional industries move into an area, the supply of available labor begins to shrink, other resources become less abundant, wages increase, and tax incentives vanish as other areas also grant concessions. However, just reaching a point where the natural advantages disappear will signify real progress.

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NOTE: *Supplementary tables relating to employment changes and composition in each of the Sixth District states are available on request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.*

## *Tennessee's Business: Still Running Ahead*

The spirit of competition moves our economy. Even our states and localities do not escape it, for the stakes in attracting new sources of employment come high. This lesson is especially clear to states whose economic fortunes are not yet on a par with the national average. To catch up, these states have to grow faster, even faster than the nation.

The Volunteer State has tried to do just that. In 1940, Tennessee's per capita income was not much more than one-half of the national average. By 1950, it had moved up to more than three-fifths and, by 1960, it was close to three-quarters.

From 1960 to 1964, Tennessee's total personal income (according to recently published official U. S. Department of Commerce figures) climbed another 28 percent. The national average rose 22 percent. Tennessee, therefore, was not just sharing in the overall economic expansion but was doing slightly better.

Long-run comparisons, of course, often obscure more recent developments. It is, therefore, important to know whether these trends have continued. On the basis of 1964 figures, the answer is "yes." Tennessee's personal income gain of 7 percent nosed out the 6-percent increase in the national average. Since these two figures are not far apart, one might, with little else to go on, pay scant attention to this difference. However, that would be shortsighted. Every major source of nonfarm income in 1964 rose faster in Tennessee than in the United States as a whole or equally as fast. Government and construction payrolls in the state scored the highest percentage gains, while a solid increase in factory payrolls was another major factor behind the upswing in income.

More recent data reveal that the state's income gains are continuing. According to estimates of this Bank, the rate of growth of seasonally adjusted personal income received by Tennesseans during the first quarter as a whole was fractionally ahead of that for the nation, although it declined in March.

### **Employment Charts Irregular Upward Course**

Employment indicators have followed a roughly similar course, but gains have been less dramatic. During 1964, Tennessee's rate of growth in nonfarm employment did little more than match that of the United States as a whole. And through April 1965, employment showed only a small gain after allowances were made for seasonal changes. Wet, cold weather contributed to a lag in construction employment this year, while labor disputes also held down employment increases. The number of jobs this April, however, was 49,000 higher than it was a year ago. More persons—22,600 to be exact—were holding jobs with state and local governments and with retail stores and other trade concerns than they were last year. Apparel, the leading employer in the manufacturing field, added nearly 5,000 factory workers to its roster, more than any other industry. Jobs in chemicals, the number two manufacturer, also increased. But in textiles and food—two other leading industries—the number of jobs only rose slightly.

As one might expect from the improved overall employment picture, the unemployment situation took a turn for the better. Insured unemployment, as a percentage of covered employment, fell to 3 percent in April. This was well below last year's level and under the national average.

More comprehensive measures available for several major Tennessee cities confirm the reduction in the ranks of the unemployed. In Nashville and Knoxville, unemployment, as of mid-March, was only 3.1 percent of the labor force. And while this rate was slightly higher for the Chattanooga area, unemployment there was no longer the problem it was several years ago.

### **Farm Activity — Bright but Sketchy**

Unless one belabors the point somewhat, Tennessee is no more of an agricultural area than is the United States as a whole. Still, farm activity provides one-tenth of all jobs in Tennessee and is thus important to the state's econ-