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Remarks of Andrew F. Brimmer
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The Negro in the American Economy in 1975

Introduction

In a symposium organized partly to appraise the outlook for the Negro in American society, it may be helpful at the outset to chart the main contours of the economic environment on which the Negro's future so heavily depends. In trying to look ahead, however, I wish to emphasize that I fully recognize the hazards of attempting to forecast economic activity. To make such a forecast is not the principal objective of this paper. Rather, my chief purpose is to appraise the implications for Negroes of a number of strategic developments which are already clearly visible on the horizon. We can sketch the principal areas of expanding economic opportunities for the Negro as well as the areas of insufficient opportunity.

For example, we have a good indication of the most likely trends in population and labor force participation over the next decade. Moreover, given a few reasonable assumptions about the overall rate of economic growth, we can be fairly certain of the trends in the level and occupational distribution of employment, and the distribution of output between goods and services. This paper is devoted to that task.

Population Trends

Our firmest estimates are for the population. The Negro will continue to be a larger proportion of the population, reaching a total of approximately 27 million in the United States in 1975. This would represent an increase of 6 million, or 28 per cent, from 1965. The total population has been projected by the Bureau of the Census at about 223 million in 1975, a gain of 28 million, or 15 per cent. Thus, the Negro population is expected to account for more than one-fifth of the net increase in the Nation's population during the next 10 years, lifting the Negro proportion from 10.9 per cent of the total in 1965 to 12.2 per cent in 1975.

These projections assume lower fertility than currently. However, the rate of decrease in fertility is expected to occur mainly among the white population. The result is a divergence in the rates of population growth for the two groups. For example, during the decade 1955-1965, the white population grew by 16 per cent, but the rate is expected to decline to 13 per cent during 1965-1975. In contrast, the Negro population rose by 25 per cent in the last decade, and is expected to expand by 28 per cent in the decade ahead.

Outlook for the Labor Force

For the present discussion, the proportion of the population which is working or seeking work holds the most interest. During the next decade, the labor force participation rate for non-whites is expected to remain essentially unchanged at approximately 60 per cent. On this assumption, about 10.7 million non-whites would be in the labor force in 1975 compared with 8.5 million in 1965. This represents an expansion of

roughly 27 per cent, compared with about 20 per cent between 1955 and 1965. Since the total labor force in 1975 might be in the neighborhood of 91 million, non-whites would constitute almost 12 per cent of the work force by the end of the next decade compared with 11.2 per cent in 1965 and 10.7 per cent in 1955.

This large growth in the total labor force and the even faster increase for Negroes will be accompanied by several dramatic changes in composition. For instance, over 22.5 million members of the labor force are expected to be under 25 years of age in 1975, 6.5 million or one-third more than in 1965. Thus, although more and more young people will undoubtedly want to work in order to continue in school in the next decade, the influx into the full-time work force of teen-agers clearly will be substantial. Moreover, an increasing proportion of these teen-agers will be non-whites. This prospect will pose a continuous challenge to the Nation to provide appropriate employment opportunities at decent wages. As we know, the impact of unemployment among teen-agers -- and especially among non-white teen-agers -- has been particularly severe. For example, while the unemployment rate of the total labor force was down to 3.7 per cent in February of this year, it was still 9.0 per cent for all teen-agers and 25.2 per cent for non-white youth. There will also be sharp increases in the number of adult women in the labor force. By 1975, it is estimated that there will be 4.5 million more women looking for work, a large proportion of whom will be searching for full-time work.

Trends in Output and Income, 1965-1975

By 1975 the United States will have a trillion-dollar economy if it grows in real terms at an average annual rate of 4 per cent. On the basis of this assumption, this would represent an increase of 50 per cent in the real output of goods and services. Expressed in per capita terms, GNP would be about \$4500 in 1975 against \$3470 last year -- thus, rise about 30 per cent during the next decade.

For our purpose we would like to know what the growth of output implies for non-whites. However, we have no direct way to identify their share of GNP. On the other hand, we do have a fairly good measure of aggregate money income earned by Negroes as defined by the Bureau of the Census. This series does distinguish between income recipients according to color. In 1964, aggregate money income as measured by this series amounted to \$396 billion. This is estimated to have risen further to \$424 billion last year. Of this amount, \$395 billion was earned by the white population, and \$29 billion was received by nonwhites, representing 6.9 per cent of the total. In 1955 the income of the non-white population amounted to \$13 billion or 5.6 per cent of the total. During recent years the share of aggregate money income received by nonwhites has been increasing. If we assume that the same annual increase in the proportion received by nonwhites during the period 1955-1965 continues during the next decade, nonwhites would receive about 8.2 per cent of aggregate money income in 1975. If present overall trends continue, aggregate money income might amount to \$628 billion in 1975, expressed in 1965 prices.

The division might be \$576 billion accruing to the white population and \$52 billion accruing to nonwhites.

Thus, during the next ten years, sizeable gains will undoubtedly be registered in the aggregate money income of nonwhites as well as for whites. But the relative improvement for nonwhites would probably be substantially greater. This can be seen most clearly when the income figures are expressed in per capita terms. In 1965 aggregate money income per head was \$2,180; it was \$2,300 for whites and \$1,250 for nonwhites. By 1975 the total may rise to \$2,810 per capita. The corresponding figures for whites and nonwhites would be about \$2,980 and \$1,750, respectively. Consequently, for whites aggregate money income should increase by just under 30 per cent, but for nonwhites, the gain in per capita terms might be as much as 40 per cent.

The impact of this improvement in real income on the markets for goods and services will clearly be substantial. The effects on the Negro market of the future will be particularly striking.

Occupational Changes and Employment Opportunities

During the next decade nonwhites -- like Alice in Wonderland -- will have to run "faster and faster" just to stand still, as far as their unemployment rates are concerned. The Bureau of Labor Statistics estimates that during the next decade the occupations in which the largest proportion of nonwhites have usually found employment will experience below-average growth rates. As we know, nonwhites are found far more frequently than whites in low skilled occupations -- such as service workers and laborers in factories and on farms --

and less frequently in the rapidly growing professional, white-collar and craftsman jobs. Today nonwhites make up just over 10 per cent of the total labor force, but about one in four of the non-farm laborers and service workers are nonwhites. At the opposite extreme, nonwhites constitute about 2.5 per cent of managers, officials and proprietors and about 5.8 per cent of those engaged in professional and technical occupations. They also hold roughly the same low proportion of clerical and craftsman jobs.

According to projections made by the Bureau of Labor Statistics, if nonwhites in 1975 were to hold the same proportion of each occupation which they held in 1964, the unemployment rate among nonwhites might be as high as 17 per cent. The BLS projection assumes a non-white civilian labor force of roughly 10.8 million in 1975 and a level of employment of approximately 9 million. Thus, 1.8 million nonwhites -- or 17 per cent of the labor force -- might be unemployed. This unemployment rate would be roughly five times that for the total labor force.

However, BLS concludes that this pessimistic projection is not likely to materialize. Instead, it seems more reasonable to assume that nonwhites will continue to gain access to the highly skilled occupations during the next decade at roughly the same rate registered during the past 10 years. For example, from the mid-1950's to the mid-1960's, nonwhites increased their share of total white-collar jobs from 3.1 per cent to 4.5 per cent. Among blue-collar occupations, the gain was from 10.9 per cent to 11.8 per cent. During the same

period, their share of laborers and service jobs declined slightly. Within the white-collar occupations, the improvement in clerical employment were steadily upward over the entire decade. However, it was only after 1958 that nonwhites in professional, sales and managerial positions began to register significant gains relative to total employment in these fields.

But even assuming that the rate of progress for nonwhites during the next decade is roughly the same as that recorded in the last ten years, the rate of unemployment among nonwhites in 1975 would still be in the neighborhood of $7\frac{1}{2}$ per cent. This would continue to be about $2\frac{1}{2}$ times the unemployment rate projected by BLS for the total labor force -- but far below that implied by the pessimistic projection described above. However, I am certain you will agree with me that -- at $7\frac{1}{2}$ per cent -- such an unemployment rate for nonwhites would still represent a dreadful waste of resources. If the loss is to be wiped out, by bringing the unemployment rate for nonwhites approximately in line with that of the total labor force, it is also obvious that far greater effort must be devoted to raising the formal educational level of nonwhites, as well as to the provision of greater vocational skills and a more rapid eradication of racial discrimination.

But even stopping short of such obviously desirable goals, if nonwhites do continue to gain at the pace recorded during the last decade, their occupational distribution in 1975 will be substantially different from what it is today. For example,

nonwhites would constitute about 11 per cent of the total labor force a decade from now. But under the assumptions described above, they would hold about 9 per cent of the professional and technical jobs compared with just under 6 per cent in 1964. They would have also raised their share of the managerial, official and proprietary occupations from 2.5 to about 3.2 per cent. Sizeable gains would also have been recorded in the clerical, sales and craftsman occupations. They would continue to provide about the same proportion of farm workers and laborers, while a noticeable decline would have occurred in the proportion of service jobs held by them.

These changes would also have a striking impact on the distribution of occupations within the non-white community. For instance, professional and technical workers in 1975 might constitute about 12 per cent of the non-white labor force compared with 7 per cent in 1964. While this proportion is still below the 15 per cent expected for whites in 1975, the relative shift is unmistakable. The managerial group might account for about 3 per cent of the non-white labor force compared with $2\frac{1}{2}$ per cent in 1964. In this case the differential between nonwhites and the total labor force would have been narrowed relatively little. On the other hand, a substantially higher proportion of the non-white labor force would be employed in the clerical and sales fields. As already indicated, most of the relative shift will be away

from the blue-collar and unskilled occupations. The decline among laborers is especially noticeable where the proportion of the non-white labor force so employed might shrink from 13 per cent to less than 10 per cent.

Associated with -- and partly responsible for -- these improvements in the occupational distribution of the non-white population is an expected substantial increase in their educational achievement. For example, the median years of school completed by the non-white civilian labor force 18 years of age and over were 10.5 in 1965. This median had risen from 7.6 years in 1952 and 8.7 years in 1959. The corresponding figures for the white population were 11.4 years in 1952; 12.1 in 1959; and 12.3 years in 1965. Thus, between 1952 and 1965 the median years of schooling for nonwhites climbed by 38 per cent. For the white population the gain was just over 10 per cent. If the trend of the increase in the median years of schooling for both whites and nonwhites recorded during the period 1952 to 1965 continues during the next decade, the gap between the two will have been narrowed considerably. On this assumption, by 1975, nonwhites on the average will have completed about 12 years of schooling compared with 13 years for whites. This would mean that the educational differential would have shrunk from 1.8 years to only 1.0 years in favor of the white population.

Relative Shift in Output and Employment from Goods Production to Services.

Over the years, the United States has increasingly become a "service" economy. We are the first Nation in history in which less than half the labor force is devoted to the production of goods -- such as food, clothing, shelter, automobiles and other material items. Instead, over half of the labor force is currently devoting its efforts to the provision of services -- such as wholesale and retail trade, finance and insurance, real estate -- or are employed in non-profit institutions, general government, households, and miscellaneous services. While this trend toward services has been evident for a number of years, the shift has been particularly striking in the post-war period. The nature and implications of the emergence of the service industries have been analyzed in considerable detail by Victor Fuchs in a major project at the National Bureau of Economic Research. Fusch calculated the average annual rate of change of employment between 1929 - 1963 for 61 industry groups as defined by the Office of Business Economics in the U.S. Department of Commerce. Thirty-eight of the industry groups were classified in the goods sector and the other 23 were in the service sector. Fuchs found that all industries taken together grew at an annual rate of 1.43 per cent. However, the median growth rate of service industries was 2.14 per cent and that for the goods sector was 0.99 per cent.

The trend toward services stressed by Fuchs is also supported by the changing composition of GNP. Between 1946 and 1965, goods

production (measured in 1958 prices) rose by an annual average rate of 1.7 per cent. During the same period, the production of services increased by an average of 2.2 per cent per year. The relative rate of increase for services was even higher during recent years.

Opportunities for Negro Businessmen

In summarizing his findings, Fuchs identified a number of implications of the changing structure of employment and output which hold considerable significance for Negro businessmen. Among other conclusions, Fuchs observed that, since the shift to services will probably continue in the future, we can foresee:

- Growing importance of small firms.
- Declining relative importance of physical capital.
- Growing need for workers with more formal education.

Each of these emerging trends will pose an opportunity and a challenge for Negro businessmen. In the first place, the service industries afford a substantially greater outlet for small firms than do industries devoted to the production of goods. For example, in 1958 in the manufacturing sector only 7 per cent of the total employment was in firms with fewer than 20 employees, while over three-fifths were employed in firms with more than 500 employees. In contrast, in wholesale and retail trade, roughly half the employees were found in firms with fewer than 20 employees. In finance, insurance, and real estate, the position of small firms was even more dominant.

As we know, Negro businessmen are engaged almost exclusively in the provision of services rather than in the production of goods. For instance, according to the 1960 Census of Population, there were about 46,000 self-employed Negro businessmen in the United States. If we take those engaged in manufacturing and construction as a rough definition of goods producers, we would account for only 10 per cent of the Negro businessmen. The remaining 90 per cent were engaged in service industries - such as wholesale and retail trade; banking, finance, insurance and real estate; and automotive repair. There was a particularly large concentration in personal services - dominated by barber and beauty shops. At the same time, however, a sizable number of Negro businessmen were engaged in business and other general service activities. The proportion so employed, grew rapidly during the decade of the 1950's, and the trend has undoubtedly continued through the 1960's.

Thus, Negro businessmen are already strategically located in service fields which will probably expand substantially during the next decade. On the other hand, much of their activity has centered in the provision of services - especially personal services - which Negroes traditionally have not been able to obtain freely in the general market. But as public accommodations become more open, the relatively protected market provided Negro businessmen by racial segregation will be eroded significantly. Consequently, the new opportunities will be found increasingly in those service activities catering to the public as a whole.

Negro businessmen have traditionally found it extremely difficult to mobilize sufficient capital to launch and expand business enterprises. In fact, the high capital requirements have been a principal obstacle to the entry of Negroes in the manufacturing and goods producing sectors. Although some service industries (such as public utilities and transportation) have high capital requirements per unit of output, in general the service industries are among those for which somewhat more modest amounts of capital are needed to get started. Therefore, it is far more likely that Negroes can raise the entrance fee for the service trades than they can for goods production.

On the other hand, while the opportunities in the service trades will probably expand substantially, to take advantage of these opportunities will require a much higher level of formal and technical education than has been the case in the past. Increasingly, the service industries will be built around the exploitation of technical and engineering know-how. Undoubtedly, the most striking example is that of firms providing business services which center on the application of computer technology. As we know, Negroes have already found rapidly expanding opportunities as computer programmers and systems development specialists as employees in many of the nationally known firms. Perhaps which is less widely known is that a number of Negroes have also appeared on the scene as owners and managers of computer-based data processing firms serving the public at large.

Moreover, in even more traditional service fields, higher levels of education will also be required. Undoubtedly, the typical Negro businessman will have to be far more familiar than he is today with accounting and management procedures. He will also have to be more experienced in gaining access to the sources of finance and marketing information.

Concluding Observations

In this tentative look ahead, I have tried to sketch the general outlook for Negroes in the American economy during the next decade. At the same time, I have emphasized that it is nothing more than a tentative look ahead; it is by no means an attempt to forecast the actual trends in population or the level of employment, or the output of goods and services. Nevertheless, on the basis of a few reasonable assumptions, it is possible to chart the general framework within which Negro citizens will probably have to live and work alongside other Americans.

To summarize, if the rate of improvement registered during the last decade continues, the Negro in the next ten years will strengthen substantially his relative position in the American economy. His employment situation will be much stronger and his real income will be considerably higher. The opportunities to participate as risk-takers in business enterprise will have also expanded noticeably. On the other hand, these possible gains are by no means assured. Thus, a far greater effort -- on the part of Negroes as well as on the part of government and the private sector generally -- will be required if the promises are to be fulfilled.