

## The Fed's Role in Changing Opportunity



Raphael Bostic  
President and Chief Executive Officer  
Federal Reserve Bank of Atlanta

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- Atlanta Fed President and CEO Raphael Bostic, in an October 6, 2017, speech at the Investing in America's Workforce Conference in Austin, Texas, discusses the Fed's role in expanding economic opportunity for low- and moderate-income workers.
- Bostic says that despite low unemployment, labor markets continue to suffer from problems that limit the ability of firms to fill vacancies, and minorities face longstanding disadvantages.
- Bostic defines economic opportunity in terms of socioeconomic mobility, stability, resilience, and competitiveness.
- Technology-driven changes, among other new trends, are creating complex challenges in creating economic opportunity.
- Bostic announces that the Atlanta Fed is formally launching the Center for Workforce and Economic Opportunity on October 6.
- The Center will help create a public face for the diverse work being done across the Federal Reserve System on workforce and economic opportunity. The goal: advancing opportunities for policymakers and practitioners to improve economic opportunities for all Americans.

Good morning. It is very good to be here and to be a part of this conference, which brings together leaders not only from the workforce development community, but also from the business community and the broader civic sector who are interested in helping to create employment opportunities. Thank you for taking part in our yearlong [workforce development initiative](#).

I'd also like to thank our partners in the conference: the Lyndon B. Johnson School of Public Affairs and the Ray Marshall Center for the Study of Human Resources at the University of Texas–Austin; the John J. Heldrich Center for Workforce Development at Rutgers University; and the W.E. Upjohn Institute for Employment Research. Special thanks go to the Dallas Fed for hosting and to Steve Shepelwich from the Kansas City Fed, who led the development of the conference agenda. Finally, thanks to the many others who have contributed to the initiative and conference in ways that have made it much stronger.

This morning, I plan to frame my thoughts about employment and workforce development around economic opportunity. I'll first discuss where I think the labor market currently stands. Then I will define economic opportunity and some of the new challenges we face in fostering it. I'll wrap up by outlining how the Fed contributes to supporting economic opportunity and by introducing a new communications vehicle to galvanize those efforts.

Please note that my remarks are my own. I do not speak for the Federal Open Market Committee or for anyone else in the Federal Reserve System.

### Today's labor market

So let's begin with where we are now in terms of employment and opportunity. The good news is that unemployment remains low. The September jobs report showed an unemployment rate of 4.2 percent—essentially where it has been since April. We have seen sustained strong job growth of about 175,000 monthly over the past year. This is well above where the numbers would need to be to keep pace with population growth.

Moreover, there has been a rebound in the share of people in their prime working years, ages 25 to 54, who are actively engaged with the labor market—either working or looking for work. I think the fact that this rate is rising once again is meaningful. It reflects the effects of a robust labor market that is encouraging more people who had been on the sidelines to enter the labor market.

That said, labor markets continue to suffer from problems that limit the ability of firms to fill vacancies. The average time to fill vacancies has increased significantly, and anecdotal reports from our business contacts suggest that this is largely because the mix of skills that firms are looking for is different from the skills of the people looking for jobs. This type of problem always exists to some extent, but it may be becoming a more significant issue due to the increasing pace of technological change.

Business investment may also be linked to challenges in finding appropriately skilled labor. Reports suggest that lack of talent is affecting firms' decisions to invest. The Federal Reserve Banks jointly run an annual [Small Business Credit Survey](#) that reaches about 16,000 small businesses annually. In the most recent survey, many businesses noted that they had limited investment spending largely because they are unable to find the labor and talent that would justify the investments. The need for more skilled labor was even more pronounced when [we analyzed businesses](#) that were established and had revenues of over \$10 million. Local surveys of businesses tell a similar story.

And, when talking about labor market problems, we must not overlook the longstanding disadvantages that minorities face in the labor market. Even when adjusting for levels of education, where minorities already lag, some minority groups face unemployment rates between one-and-a-half and two times higher than the overall unemployment rate. These results are consistent across the business cycle.

## Defining economic opportunity

So how does workforce development fit into this picture? Before I answer this question directly, let me place the question into context. When I think about the Fed's mandated goal of trying to maximize sustainable employment, I have come to a view that another way to describe this mandate is trying to maximize economic opportunity.

Economic opportunity entails a few foundational aspects, including **equality of opportunity**. In the context of our work, this means equitable access to opportunity in the labor market and at educational institutions. It also means identifying and addressing gaps in opportunity. While there will be differences in labor market outcomes depending on individual action and aptitude, these outcomes should not be predicted by an individual's socioeconomic background, race, or ethnicity. Without equal access to opportunity, the country leaves economic potential on the table and limits the possibilities of its people.

With equality of opportunity as a foundation, economic opportunity includes socioeconomic mobility, stability, resilience, and competitiveness as key outcomes.

**Socioeconomic mobility** is the chance to advance in economic standing as a worker or household. When we ask, "Are workers able to move up the ladder or navigate the labor market to earn more money and build wealth?" we are talking about socioeconomic mobility.

**Stability** is the ability to predictably earn, save, and meet financial obligations. Evidence from the [Federal Reserve Board of Governors' Survey of Household Economics and Decisionmaking](#) suggests that increasingly unpredictable and intermittent incomes create challenges for households that can lead to financial stresses. The same is likely true for businesses.

**Resilience** is the ability for communities and workers to adapt rapidly to job loss. Key to resilience is the ability to engage in lifelong learning to help prepare for inevitable change. People often think of resilience in terms of responses to natural disasters like the hurricanes we experienced last month, but it also applies to personal and macroeconomic shocks as well.

Finally, there is **competitiveness**, which gets at whether businesses and regional economies can find workers and develop strategies to grow and compete in a competitive market. Continuous development of skills is increasingly a part of this outcome. Competitiveness for individuals, businesses, or communities usually depends on the other factors of economic opportunity. Places that provide equality of opportunity, mobility, stability, and resilience are likely to be more competitive in the future than places that do not.

## New challenges in creating economic opportunity

Workforce development has always been an important component of helping families achieve true access to economic opportunity. But today, new trends in labor markets are changing how we should all think about supporting and creating economic opportunity.

First, technological change continues to influence how workers engage with employers. These changes encompass everything from robotics to artificial intelligence, and include not only how work is executed, but also how it is managed. [The adoption of new machines and methods may imperil certain types of work](#)—particularly routine work, both cognitive and noncognitive. At the Atlanta Fed, we recently held a workshop looking at technology-driven changes in the labor market. Coming out of the workshop, we now believe that new ways of measuring change in the labor market are needed. Estimates of the impact of technological change on employment levels over the next several decades vary widely, but history suggests new technology will drive persistent changes in demand for skills.

We also must acknowledge that [the pace of technological change continues to accelerate](#), making it difficult for workers and firms to predict which adjustments they should make to be successful. If automation and technology are adopted rapidly, tens of millions of people could be put out of work. In terms of workforce development programs, we have to ask ourselves if we are thinking on an appropriate scale. Broad and flexible workforce development and education programs are necessary if they are to be seen as viable supports in a rapidly changing labor market.

The classic relationship between employer and employee is also changing significantly. The growth of contingent, or "gig," work, which has largely been driven by new software and mobile applications, is important to consider. Does career navigation align with the different ways that workers will engage with employers? If gig work becomes a part of the mainstream, then workers will need to find different ways to build wealth, save for retirement, and get health care than their predecessors did.

These represent just a few of the new complex challenges in creating economic opportunity. Continued study, response, and action devoted to the changing nature of opportunity will remain priorities at the Federal Reserve, and we hope they will be important to your organizations as well.

## The Fed's role

We at the Atlanta Fed, and our colleagues across the Federal Reserve System, believe that a key way for the Fed to support economic opportunity is by meeting our dual mandate of price stability and maximum employment.

But given some of the challenges I have outlined this morning, we know that expanding economic opportunity and striving for maximum employment go beyond monetary policy alone. As a consequence, the Federal Reserve System is deeply engaged in community and economic development, especially with our focus on workforce development and the labor market. I see this engagement as a vitally important way that we help promote economic opportunity.

There are many examples of how the Federal Reserve is engaged in work beyond monetary policy that helps to identify and support creating both new economic opportunity and a better understanding of how workforce development can support opportunity.

For one example, colleagues across the Federal Reserve System have supported identifying links between workforce development and the Community Reinvestment Act (CRA). Staff at the [Dallas and Kansas City Feds](#) have found examples of effective financial institution engagement in [workforce development](#). As a System, we have been training CRA examiners on workforce development, largely through the leadership of the Richmond and Chicago Feds.

Also, Federal Reserve staff across the country have recently explored a wealth of related topics such as [underemployment](#), [rural issues of workforce development](#), [opportunity occupations](#), [early childhood education](#), [business engagement](#), [access to high-quality jobs](#), and [issues in the labor market for young workers](#). I believe we need to find ways to elevate this work, to make it more accessible, and to connect it to the ongoing efforts of other organizations across the country.

As such, I am happy to announce that today, the Atlanta Fed is formally launching the [Center for Workforce and Economic Opportunity](#). The Center, which is a part of the Atlanta Fed's [Labor Market Initiative](#), will act as a bridge between research and practice. Every Reserve Bank's community development group is engaged in workforce development, and the Center will help advance and elevate this work both at our Bank and across the Federal Reserve System. I encourage you to bookmark the Center's website and visit it often to learn about the System's efforts on these topics.

The Center will help create a public face for the diverse work being done across the Federal Reserve System on workforce and economic opportunity. We want to make the Fed's deep research on the labor market available and accessible to the public.

Through the Center, my team will offer this research, with the goal of advancing opportunities for policymakers and practitioners to improve economic opportunities for all Americans.

I believe that employment and education are critical ways to support economic opportunity for low- and moderate-income workers. But these interventions are also part of a larger mosaic of policies and programs that support economic mobility. We plan to take advantage of the deep relationships that we have with the community development field and work to link them with the workforce development and employment policy community.

You have started some important work here over the past two days, and I hope you will continue to connect with the Federal Reserve System and see us as partners in helping to create opportunities for workers and businesses. Thank you.

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