

YOUTH IN A MATURING ECONOMY

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by

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The invitation to speak today was accompanied by the suggestion that I discuss youth in a maturing economy. Some of you, learning of my schedule, have urged me to comment on the business outlook.

For those and at the risk of departing briefly from the subject, here are a few of the best guesses of the most respected forecasters:

The pace of business enters the year booming on all fronts. The unemployment headlines are fading. Consumers are in a spending mood. Retailers have never pushed so much merchandise across their counters. Manufacturers, with order books bulging, are increasingly hard-pressed to meet delivery demands. But the upward crawl of prices is on everybody's mind.

The blame for inflation will be widely spread about. The farmer will be heavily scored for being behind it all. Supermarket operators, who have some of the thinnest profit margins in the country, will be pilloried as profiteers. Big business of all kinds will be ringingly denounced. And likewise big labor.

Strong also will be the business investment category. Here, plant and equipment outlays, encouraged by a good consumer outlook, recent increases in corporate profits, and general business confidence, are scheduled to rise almost 13 percent.

These large advances in business investment will more than offset one sector which is slated to slow down, namely, residential

construction. While 1972 witnessed a record year in housing starts -- 2.4 million -- 1973 will probably start about 2 million units. As these starts are converted into actual dollars spent on residential construction, the total level of money spent will tend to stabilize or decrease slightly. Nonetheless, housing will remain at a very high level.

Also, expect some slowdown in Federal expenditures, as the Federal budget is being subjected to tight scrutiny. However, state and local governments, now in better financial shape than in recent years and also receiving revenue sharing, will be spending at historically high levels.

Further improvement will also be seen in our balance of trade. While still importing more goods than we are exporting this year, the magnitude of this difference will be less, as we will be helped by the recent international currency realignment and our better performance on the inflationary side.

Having said all this, inflation is, and will be, the really big worry in 1973.

And now, I will move back to the assigned subject. I would like to appraise the future economy in which we and our youth will be living and working during the next decade.

Probably the most important thing to remember in the next decade is that the economic forces at work in the rest of the nation will also be at work in the Southeast. (Here, I am referring generally to the six states

served by the Federal Reserve Bank of Atlanta--the Sixth Federal Reserve District--Georgia, Florida, Alabama, Tennessee, Mississippi, and Louisiana.)

In the past twenty years, probably the most significant change was from an agricultural economy to a more developed, urbanized manufacturing economy. Farm employment shrank to one-third the size it was in 1950. Nonfarm employment more than doubled. Much of this growth has been in nonmanufacturing as the region has developed its construction, service, and financial industries. But contrasting national trends, manufacturing has also been a fast moving sector.

"Bigger and better" generally describes the relationship of our economy to that of the nation. The Southeast has grown faster in population, faster in personal income, faster in nonfarm employment, faster in wages of production workers, and in many other areas. These indicators show a dynamic, growing economy which has been performing well. Consequently, the level of per capita personal income in these six states rose from 74 percent of the nation in 1960 to 82 percent in 1970. We still have a long way to go but, hopefully, we are moving in the proper direction.

The change from a rural to an industrial economy is at the stage where our young people have a virtual cornucopia of new opportunities.

What further changes may be expected? Nationally, we can expect a continuation of economic growth characteristic of the past three decades. Real personal income is projected to grow 141 percent during the next twenty years. For the six southeastern states, the rate of growth will be somewhat faster, yielding an expected increase in real income of 153 percent.

Growth of this magnitude will produce numerous opportunities for young people to employ their talents, allowing them to share in the rewards. Nationally, employment in 1980 will be about 20 percent larger than it was in 1970. Much of the growth will be concentrated in the service-producing industries. This should come as no surprise. A long-term trend in the growth of the service industries has been under way for some time. Service industries are expected to employ nearly 70 percent of the workers in this country by 1980 and to provide service jobs at an annual growth rate of just over 2 percent.

Industries that produce commodities will experience slower rates of growth during the next ten years. Mining and agriculture are expected to actually decline as a portion of national output. Overall, employment in commodity-producing industries in the United States is expected to grow at a rate of only three-tenths of one percent during the 1970's. Part of the reason for this trend is the expected strong gain in productivity. Higher productivity should mean additional income for those employed and fewer workers required for production.

Employment in the Southeast is expected to outstrip the nation in all sectors of the private economy. Financial markets will continue to develop in the major cities and will add to the growth in service jobs. Splendid money markets are developing rapidly here, and businessmen have less need to look for financing outside the Southeast. This pattern is equally true for many other categories of business services. Growing opportunities for employment and entrepreneurship in the service sector will continue.

The only category of employment not expected to grow as rapidly here as in the rest of the nation is government employment.

A maturing economy means growth in some goods-producing industries. Such manufacturing and construction will continue to add new jobs for our workers. Those jobs and new opportunities are needed for our young people, since fewer people will be making a living in the agricultural sector.

Rural to urban migration accompanying the decline in agricultural employment nationally provided a large flow of workers out of the Southeast. This flow is projected to slow during the Seventies. The decline in agricultural employment will be larger than nationally for all states of the District, except Florida. Florida's decline will be less than national.

Some may mourn the passing of a way of life as we move further from an agricultural to an industrial economy. Personally, I cannot weep too much. In a market economy, people respond to price incentives, and moving into an urban, industrial economy may be for them a move to a more productive, higher-paying job, and perhaps a more pleasant way of earning a living. The change from low to high productivity employment accounted for much of the rapid growth in population and income during the past twenty years. Growth in metropolitan areas, like Atlanta, we expect, will continue in the next decade. Perhaps the pace will be slower than that of the Sixties, as the movement of people from farm to city slows somewhat.

Metropolitan areas will enjoy a higher rate of growth in personal income during the Seventies than will the nonmetropolitan areas. The gain will result from the population movement into metropolitan areas,

and the shift to higher paying jobs by workers. Such movements are not without problems.

The experience of some of our northern cities suggests the problems which stem from rural to urban migration. We have made a good start toward avoiding the worst of these problems in Atlanta. But the fight to maintain urban areas as desirable places to live and work is never completely won. That continual battle is one of the costs of growth and development. We can keep Atlanta a desirable place in which to live, work, and visit and still obtain the growth in income and employment. To enjoy such rapid growth, though, will require the investment of enormous amounts of capital in both the public and private sectors. Private investment will flow where there is an opportunity for profit if public investment smooths the way by providing adequate essential services, such as education, transportation, communications, law enforcement, and public health.

Investments in education are particularly important. To become more productive, there will be a need for a labor force which can accept the changing requirements of technology and adapt to the needs of a fast changing economy. To achieve more productivity, we will need to strengthen our educational systems so our young people can fully develop their talents and live with change rather than resist it.

The Southeast can and will meet the challenge of urbanization engendered by economic growth.

But population movements and new investments are not the only changes to be foreseen. Changes in the labor force during the 1970's will

affect the economy of the entire nation. A slowdown in the growth of the teen-age population should lessen competition for jobs in that age group. Teen-age workers had unemployment rates much higher than older, more experienced workers during the 1960's. The slowdown in new entrants to this group may bring about some improvement in the overall unemployment rate during the next decade.

On the other hand, as the large number of teenagers who moved into the labor market during the late 1960's enter their prime working years, we should have a younger, better educated, more experienced, and more productive labor supply. This large number of younger workers should provide an abundance of new ideas to the organizations for which they work. They may also bring different points of view. They will not be as docile as their older co-workers. They have already demonstrated the knack for communicating their ideas in ways which management may not view kindly. In short, an informed and enlightened management should be prepared to deal with this new generation of workers on human terms. Workers should be considered as more than just another factor in the production equation.

The large increase in younger workers has other implications for society. For example, we will find a growing complexity in jobs which will demand more education on the part of workers and bring a more highly educated labor force by 1980. This change will result from both the heavy influx of relatively well-educated young workers into the labor force and the retirement of older workers with less formal education.

The mature worker will probably be pushed harder to hold his job against the competition of the younger worker who will be better trained and better educated. This will probably accelerate the trend toward early retirement already evident in our society.

Employers may be tempted to raise educational requirements for entry into jobs. This could make it more difficult for those with less education to find jobs, even though they may have the ability to learn necessary job skills. In our society, the group with the lowest educational attainment has been the blacks. Any unnecessary upgrading of job entry requirements will work to the disadvantage of this group. Blacks even now are concentrated in those occupations expected to decline during the next decade. It is imperative that employers establish entry requirements which reflect actual job needs, rather than simply the increased availability of educated labor. All workers should be allowed the opportunity to enter the labor market and enlarge their skills to their full capabilities. Many of the job skills in both manual and white-collar occupations are learned on the job. To require formal education as a prerequisite for employment may simply be an easy means of screening employees. Maintaining unnecessarily high entry standards would not serve business or society.

The higher educational levels of the labor supply may also present a problem for management. Substantial growth is foreseen in manual occupations related to industrial activity. The manufacturing industries of the Sixth District have been growing much faster than those of the nation for the past thirty years. This trend is expected to continue. We will,

therefore, still need many workers to operate our factories. Yet, this work could be tedious and boring as production lines become more specialized. The trend toward automation of production processes is expected to continue, which could bring an even more minute division of labor than presently exists in our factories.

Even today a significant number of American workers are not content with the quality of their working lives. Discontent results when jobs are filled with dull, repetitive tasks that to the worker do not seem to have a connected meaning. As younger, better educated workers move into the labor market, this problem of discontent is likely to intensify. Worker discontent has costs for both business and society. Reflected are high absentee rates, high turnover rates, wildcat strikes, and production sabotage.

Business leaders cannot be saddled with responsibility for solving all of society's ills. However, redesigning jobs which cause worker discontent may well be one area in which business could and should take affirmative action. We cannot afford the luxury of ignoring workers' complaints. Younger workers are likely to be more vociferous than their older counterparts. They may demand more from their jobs than a living wage and reasonable working conditions.

In summary, for young people entering the labor market of the Southeast in the next decade, the opportunities are bright, exciting, and unlimited. For these same young people and for all of us, attached as a cardinal principle with any worthy opportunity, there will also be challenging responsibilities.