

PRODUCTIVITY IN URBAN AREAS

by

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Not long ago Mayor Rizzo got a good send-off with the business community. Joe Slevin wrote in the Inquirer that "the city's business establishment is coming to the surprised conclusion that he may be just what the town needs....he is signaling that he will work to revitalize the Philadelphia economy and, without that, there can be nothing."

This is good news for business and it is good news for everyone in the region, because it is certainly true that without a strong economy there can be nothing. But the new Mayor also will have other matters than industrial development to worry about. One of the things we can do here today is to help him put these problems into some perspective. How much to concentrate on developing industry, as compared with, say, fighting crime, cleaning the streets, upgrading the reading level of the city's children, improving race relations?

The Mayor's main objective obviously must be to get the best results he can with what he has to work with. This is just a common sense way of saying that he will have to be concerned with productivity--urban productivity. Productivity, after all, is a way of measuring output per unit of input. If he can strengthen the region's economy, reduce crime, clean up the streets, improve reading abilities--all aspects of the urban output--with the limited money and other inputs available to him, then he will have succeeded.

Productivity and business

This general concept of productivity is a start in understanding the problems ahead, but it isn't a great help in making policy decisions. I can think of two other concepts of productivity that bring us a little closer to reality. One is the way most of you businessmen look at it. You may call it something else, but it really has to do with the productivity of the region as a place to do business.

If this session had been held a few years ago, it probably would have been concerned mostly with such problems as providing space for industry, developing markets, training the work force, financing industrial development. These are all problems of developing the resources needed to manufacture things. And although these were (and still are) problems, judgments about the qualities of Philadelphia as a location for manufacturers would have been (and still are) generally favorable. Many of the unemployed in Philadelphia are unskilled, but years of manufacturing activity in Philadelphia have left the region with a very large skilled work force. Land is readily available, and sites throughout the region provide accessibility to a fifth of the nation's population within two hours' trucking time. Moreover, because of the region's size, it offers manufacturers a long menu of supporting services--advertising, legal services, accounting, repair, subcontracting, and the list goes on.

This way of looking at the region's economic environment, however, is much too limited today. One reason is the dramatic growth of services. In 1966, service industries dominated manufacturing, with 54 per cent of regional employment. This year, services occupy greater than 60 per cent of the region's employed.

This strong shift toward services signals, I think, some change in the kinds of elements that are important in providing business with a productive economic environment in the city. When manufacturing was king, the principal factors included availability of land, a large, skilled manual work force, and good transportation for products. Services depend more heavily on technical and professional work force, and contact amongst people.

Just what is important to service industries is not clear at this point, but we gained some appreciation of it from a survey we made to find out what factors influence the choice of location for corporate headquarters. I would expect that much the same factors influence the more sophisticated and highly mobile service industries and are quite different from those traditionally believed to influence manufacturers. These were housing for management and professional personnel, air transportation for personnel, community law enforcement, regional public schools, community image, regional political environment, local transportation, major corporate banking services, corporate tax burden, and local availability of management and professional personnel. On the surface this appears to be a very heterogeneous list of factors with no direct connection to the productivity or profitability of the firm. But there's a theme running through most of them, reflecting the need of these new types of firms to attract a highly trained work force, and one that has the income to find and enjoy a very high quality of life.

Some kinds of services, therefore, are directly attracted by quality-of-life factors. Others, like basic medical services, entertainment industries, or banking, follow population or industries which they serve which, in turn, are drawn to an area with attractive quality-of-life features.

If the Mayor intends to reemphasize economic development, therefore, he will need to think broadly of those things that make Philadelphia a good place in which to live and work. This will be much harder than accomplishing the old idea of industrial development, because the effort cuts across the whole of the region's society. It creates a much larger burden to be borne by the community than was true when things like a good location and available land played a heavy role in drawing growth.

On several factors associated with quality of life, the region ranks high. These are: housing, law enforcement, institutions of higher education, and cultural environment. It ranks less favorably in community image, political environment, highways and internal transportation, air pollution, educational achievement, and public open space. In total, the region gets something of a medium overall rating.

The concept of urban productivity, therefore, becomes much more significant than one of how many goods can be sold by a manufacturer in a favorable location with skilled labor and good financial services. It becomes one of how the entire urban society can draw on all its human resources and institutions to improve the quality of urban life. This is the concept of productivity which the Mayor must deal with.

The role of local government becomes particularly important because most of the factors now associated with development of the region are public in character. Their benefits fall upon all of us, and the cost is borne by all of us. Hence, if economic development is to be improved by raising this region's rating as a place to live and work in, the community will have to get more out of existing resources or devote greater amounts of resources than has been true in the past.

In doing so it comes up against a persistent fact of life--limited funds. Productivity is the key.

Productivity and government

The Mayor, therefore, will find it essential to come to grips with a narrower concept of productivity--the ability of government to turn out more and better services at lower cost. This is the concept of productivity the taxpayer has in mind. It is also one that is attracting the attention of more and more experts in urban problems. New York City, for example, has engaged a task force of specialists to measure the government's productivity and to come up with ways of improving it.

The state of the art is still so rudimentary that it is impossible to judge at this point how productive the city's government is as compared with governments of other regions. It is only a bare beginning, for example, to point out that, while the number of city employees (including the school system) has risen by 17 per cent and expenditures have grown by 82 per cent in the last 6 years, the crime rate has risen 93 per cent, the average reading level of children in Philadelphia public schools remains well below the national average, and city transit and highway facilities are little improved. While taxpayers may be discouraged by such a record, there is little they may conclude from it. Government may have been unproductive, either because of the kinds of programs to which it devoted its employees or the way in which it managed the programs, or the basic problem may have grown faster than the resources at its command. Productivity is a difficult thing to measure in any field, but nowhere so difficult as in

the field of public services. The Mayor could make a major contribution to the science of local government, answer many of his constituents' questions, and save taxpayers a good deal of money by putting a group of businessmen and urban experts to work measuring and improving the city's productivity.

Many innovative possibilities should be considered. Careful analysis of the way resources are deployed--operations research--may yield substantial savings. Under a new policy developed for analysis by urban experts in New York City, for example, the amount of fire fighting equipment sent in response to any call is proportional to the probability of the call being a false alarm. Experience under the policy has been good. In Philadelphia, some functions now performed by local government might be taken over by the private sector on a fee basis. This has been tried in the public schools with mixed success. Certainly much of the sanitation work that's carried on by the city could be handled this way. And, where there is question about the way the public sector manages functions, the programs could be given to the firms who would bid for contracts. Neighborhoods in the city, with the aid of government money, might even contract with private agencies for crime prevention.

Improving the productivity of government is so difficult that no immediate breakthroughs are likely. But the needs and potential rewards are great.

Conclusion

In conclusion, let me restate in a somewhat different way what I've said. First, it will be important to put renewed effort into

strengthening the regional economy. This is basic to the health of the community. But to get a strong economy, these efforts will have to come to grips with the entire urban problem. By this I mean more than just the "getting-the-trains-running-on-time" kinds of problems; the "people" problems--health, education, race relations--will not go away and must be attended to. Economic development these days, in other words, is a matter of urban productivity in its broadest sense, and this is a concern that has become uniquely that of government.

Second, the urban taxpayer is tired and disillusioned. He has watched local government activities escalate, government payrolls and wage rates skyrocket, and taxes go up and up. And yet the problems seem bigger than ever. He is about ready for a rest. This, of course, can't be permitted to happen. In fact, what I've been trying to say is that he must bear an even greater burden than before. But there is one way in which the job can get done and still hold this burden down--by increasing the productivity of public services. I would hope that the city government and the business community will cooperate to bring this about.