

4-1-1987

Our Community And the Economy

John E. Jacob

Follow this and additional works at: <https://dh.howard.edu/newdirections>

Recommended Citation

Jacob, John E. (1987) "Our Community And the Economy," *New Directions*: Vol. 14: Iss. 2, Article 4.
Available at: <https://dh.howard.edu/newdirections/vol14/iss2/4>

This Article is brought to you for free and open access by Digital Howard @ Howard University. It has been accepted for inclusion in New Directions by an authorized editor of Digital Howard @ Howard University. For more information, please contact digitalservices@howard.edu.

10 Our Community and The Economy

By John E. Jacob

One of the most striking things about the current economic situation is the widespread belief that the United States is operating at full employment levels.

For the past two years, unemployment has been stable at about seven percent of the workforce.

There are two important things to note about that. First, that Black unemployment has stabilized at Depression-levels of 15 percent overall, and around 40 percent for young people.

Second, that the official definition of the labor force excludes discouraged jobseekers who no longer look for work that isn't there, and part-time workers who want and need full-time jobs. If they were included, the jobless rates would be a lot higher than the official statistics.

We are dealing in a political climate that is comfortable with what used to be recession-level unemployment rates for the total economy and is comfortable with a prolonged economic depression in the Black community.

With a sluggish economy, it is unlikely that unemployment will fall without federal policies that stimulate job growth — and the current administration is not willing to do that.

Nor will the administration try to do much about the racial disparity in the distribution of jobs. One out of four Black workers is found in a low-level manufacturing job, and another one out of four is in a low-level sales or clerical job. Only one in seven whites is in those occupations.

For managerial and professional jobs, the figures are reversed — with one out of seven Blacks and one out of four whites holding those positions.

Black workers are also disproportionately found in manufacturing industries suffering

most from import competition and from automation-related job losses.

The combination of high unemployment, low wage job concentrations, and vulnerability to layoffs have helped to lower the real income of Black families.

Over the past dozen years, the typical Black family has lost \$1,500 in income. Put another way, Black families of a dozen years ago had \$1,500 more to spend on food, clothing and shelter than their counterparts in 1986.

This erosion in Black purchasing power has had devastating effects on Black communities and on the economies of cities in which Blacks are a significant portion of the population.

I mention these facts not to paint an overly bleak picture, but to provide a realistic setting for any discussion of Black economic development.

Nor do these facts contradict the very real gains that we have made and continue to make.

The times when Black managers were almost impossible to find are ended. Today, Blacks are five percent of all executives, managers and administrators in the country.

Revenues among the *Black Enterprise* top 100 Black-owned businesses grew by over 14 percent last year [1985], and totaled in excess of \$2 billion.

And total Black money income in 1984 — the last year for which we have official statistics — came to about \$139 billion.

These are impressive developments, but when measured against the principle of parity, they must be found wanting . . .

The combined sales of all of the *Black Enterprise* 100 would only rank about number 180 on the Fortune 500 list of top U.S. corporations.

And if Black money income were proportionate to Blacks' share of the population, it would be \$275 billion, or about \$90 billion more than it is . . . Blacks are 11 percent of

the population but their income amounts to only 7.4 percent of all money income in the U.S.

Total personal income from property in the U.S. amounted to almost \$200 billion, but Blacks got only about \$3 billion of it.

What about business? Black income from self-employment came to only about \$3 billion, or only 1.7 percent of total Black income.

A 1986 Census Bureau study shows that the median household net wealth of Black families is only \$3,400 — and that includes the car and the house.

The median net wealth for white families was twelve times more — \$39,100.

A third of all Black households had no assets at all, and the bulk of Black assets were in useable goods like autos, while white families typically had income producing assets.

That may help explain why I am not overly impressed by arguments that suggest Black economic power is substantial, or that Black economic development should not be a national priority.

In fact, I believe the federal government must implement a set of social and economic policies designed to close the racial gap in economic performance and create opportunities for Black economic growth. Most of those steps would be non-racial, but because they would have a disproportionate impact on Black people, they would help advance their economic progress.

A brief rundown of such policies would include:

- An industrial policy that preserves our manufacturing base.
- Rational trade policies that create jobs at home and don't export them to East Asia and other parts of the world.
- An education policy that assures quality education for all and provides skills training and higher level skills that enable disadvantaged youngsters to enter the economic mainstream.

■ A national full employment policy that guarantees productive work to all of the jobless and training to all who need it to become productive.

The economic future of Black Americans largely depends on those or similar federal policies that will redress the imbalance of an inefficient market and the ravages of history.

There's no way a government can mandate equal outcomes, but there are many ways a government can level the playing field so that people have equal opportunities to compete.

Creative national policies to close the racial gap in economics are a necessary precondition to Black economic parity.

But regardless of specific government policies, the two most important routes to economic progress are corporate employment and business ownership.

By and large, corporate America has not fulfilled its potential as a vehicle for Black economic power-sharing.

In 1979, a major study found only three Black senior executives in the thousand largest U.S. corporations. Last year a follow-up study found there were four.

Now some people would say that's progress — a 25 percent increase in senior managers. I call it a disgrace.

Too many companies don't understand that equal employment opportunity is not something corporations do for minorities. It is something corporations must do for themselves in order to compete for talent.

Corporate America only began hiring Blacks in appreciable numbers during the civil rights ferment in the 1960s. But it tended to see that hiring as social responsibility, not as sound business practice.

It takes anywhere from 15 to 20 years for aggressive managers to work their way through line operating positions of increasing importance to finally enter the inner circle of senior executives.

If corporate America had been serious about fully utilizing the Black talent it recruited in the 1960s, today we would have more vice presidents, senior and group vice presidents and even chief executive officers.

The Blacks who were hired in the 1960s were often shunted into EEO (Equal Employment Opportunity), into special markets, into the ghetto of designated "Black" jobs that did not expose them to operating positions that constitute the corporate fast track to success. We now have large numbers of Black managers who have reached a career plateau because they were denied those experiences.

Many of them are approaching retirement, and they will not be replaced by other Blacks because their functions are being integrated into the general operations of corporations. Today, most large companies can reach special markets without Black specialists. They can implement EEO plans without Black EEO managers . . .

So corporate America must go beyond its traditional conception of equal employment hiring to groom talented young Black managers for line positions and career ladders reaching to the pinnacle of corporate power.

Part of the problem is that companies are locked into credentialism — abstract criteria that are not job-related and do not predict job success.

Corporations have to look at *people*, not at culture-bound credentials. When they do, they get outstanding performers. For example, one major consumer products corporation chose as its corporate treasurer a graduate of Hampton Institute, solely on the basis of the individual's performance and potential. And it was that individual who wrapped up a \$6 billion credit line that clinched a major acquisition.

There are many Blacks who don't necessarily have conventional backgrounds but who do have the expertise to run a major corporation's financial structure worldwide.

But there are too few corporations willing to

bring them along in a succession of increasingly responsible line jobs.

Another problem for Blacks comes from the changing American labor market. Many companies are restructuring — and that means layoffs, staff reductions, early retirements, and other euphemisms for fewer jobs.

The impact on minority workers and managers has been devastating. Employment in the manufacturing sector is still shrinking. White collar layoffs have become common. Even companies that are still highly profitable are acting as if they were in a recession — lopping off thousands of workers at a time.

This does two things to minorities. First, it shrinks opportunities for entry level jobs. Second, it reduces opportunities for promotions, leading some of the most talented Black middle managers to hit a career plateau.

It does the same to whites, of course, but their situation differs to the extent that they already occupy the heights of corporate America.

We have to strive to build a greater sense of community and to build powerful bonds of brotherhood and mutual respect if we are to advance economically.

We will need to work on all fronts — government action, corporate participation, and business development if we are to attain parity in American life. □

John E. Jacob is president of the National Urban League and vice chairman of Howard University's Board of Trustees. The above was excerpted from a lecture he delivered at the School of Business and Public Administration.