

THE MAKING OF THE BLACK MIDDLE CLASS*

SHARON M. COLLINS

Northwestern University

Race no longer appears to be a barrier to the quest of some U.S. blacks for middle-class position. However, is black middle-class advancement as stable as it appears? This paper looks at several factors creating job opportunities for blacks since 1960. I find that black mobility does not reflect a decrease in racial discrimination. On the contrary, black progress in the 1960s and 1970s marks the onset of a new system of segregation. Racial discrimination has softened within income and occupational distributions and reconstituted in the structure of job opportunities. I argue, therefore, that the black middle class occupies a fragile market position.

Since 1960, the United States government has intensified efforts to improve the economic and social position of blacks through legislation and policies. As a result, blacks have moved into a wider range of professions and higher income brackets, creating a visible black middle class. At the same time, the black underclass has continued to grow. Explanations for this fact usually incorporate the notion that racial discrimination has rapidly diminished in the United States; as barriers have lifted more blacks have moved into prominent occupations and stabilized their middle-class position; unskilled blacks, the argument goes, have suffered not from racial factors but from changing industrial labor demands.

While it is clear that significant numbers of blacks have benefited from federal government attempts to establish parity, how economically stable are the foundations upon which the black middle class rests? I believe that, while racial inequality may no longer be evident in salaries and education, the structure of opportunity within which the black middle class has grown is still characterized by inequality.¹ The black middle class emerged from special political and legal protections, and it occupies a useful but powerless market position in U.S. society.

This paper analyzes how the black middle class has achieved and maintained its position in the U.S. labor market. First, I review studies on black attainment to stress the relationship between black middle class growth and black underclass dependency. Second, I demonstrate that the black middle class's opportunity for income depends more heavily on political tides than on economic trends. Finally, I demonstrate that the black middle class is overly incorporated into racially oriented jobs in positions heavily dependent on federal supports.

THE LITERATURE ON BLACK MOBILITY

Researchers on racial inequality have generally argued that the position of blacks in the United States is best understood by analyzing their class position. Thus, during the 1960s and 1970s, evidence on black attainment was explained by class-linked theories of race deficiency or race progress. Proponents of the deficiency theory argued that the lack of progress among some blacks was demonstrated by high rates of teenage unemployment, a decline in labor force participation among adult black men, and the numbers of families living in poverty. (Becker and Hills, 1979; Freeman, 1973; Ross and Sawhill, 1975; Wilson, 1981). Proponents of the progress theory emphasized the dramatic gains of the black middle class by presenting data on diminishing gaps

* The author thanks Arnold Feldman, Howard Becker, Arlene Kaplan Daniels, Christopher Winship, and William Exum. Correspondence to: Department of Sociology, Northwestern University, 1810 Chicago Avenue, Evanston, IL 60201.

1. My analysis should not be construed as a strict characterization, since obviously the black middle class includes a variety of job situations. Rather, I use data to construct a paradigm illustrating black middle-class attributes previously overlooked.

between black and white earnings and education, increased proportions of blacks in the professions, and the increasingly similar occupational distribution between black and white men (Farley, 1977; Hauser and Featherman, 1974; 1976; Levitan *et al.*, 1975; Smith and Welsh, 1977).

Changes since 1970 in the socioeconomic characteristics of the black population have given a new emphasis to this method of analysis. Evidence of underclass growth (Wilson, 1978) and middle-class expansion (Freeman, 1976) has prompted renewed attempts to explain the position of blacks on the basis of class opportunities. Race has become increasingly seen as an unsatisfactory explanation for inequality. Researchers who have adopted this view argue, for example, that as the black middle class has expanded, barriers other than race have created hardships for the underclass. Further, the belief that racial barriers have diminished has prompted the notion that blacks within the middle class no longer face economic discrimination on the basis of race (Freeman, 1976; Gerhman, 1980; Wilson, 1978; 1981). Income discrepancies between blacks and whites in the higher paying middle-class jobs are viewed as reflections of age and regional differences (Freeman, 1973; 1976; Haworth *et al.*, 1975; Sowell, 1981; Welsh, 1973).

By dividing blacks on the basis of class, researchers have separated the process which creates the black underclass from that which elaborates the middle class. I believe that the same process is involved in each case. Enhanced job opportunity for middle-class blacks is the product of legislation and government subsidized organizations created in response to black demands for increased resources. Growth since 1960 within the black middle class is the result of race-oriented policies which have created new mechanisms to address black needs. Seen from this perspective, I believe that researchers have presumed, rather than demonstrated, the market integration of the black middle class. Researchers have paid little attention to the types of organizations in which income is earned, black workers' functional relationship to black consumer networks, and the dependency of class mobility on government rather than free market forces. The assumption that the accumulation of human capital has assured black middle-class advancement underestimates the dependence of the black middle class on both political relationships and the organization of work roles.

THE EFFECTS OF GOVERNMENT POLICY

Some researchers argue that federal government legislation had minimal effects (Flanagan, 1976). However, Wilson (1978:178) argues that such studies neglect the effects of employment opportunities in the 1960s and 1970s which sprang directly from expanding government services. Other research on black economic attainment finds that it preceded the civil rights legislation of the 1960s (King and Marshall, 1974). Smith and Welsh (1983) find steady improvements in blacks' relative economic status since the 1940s. Black progress is explained by the trend among blacks toward better education and industry's increased need for skilled manpower (Featherman and Hauser, 1976; Smith and Welsh, 1983; Welsh, 1973; Wilson, 1978). This interpretation, however, does not incorporate the understanding of equal employment laws as an extension of government efforts on behalf of blacks. The first equal employment laws date back to the 1940s.² Therefore, attempts to downplay government factors have not been conclusive.

2. Before the Second War, federal civil service rules were amended to prohibit racial discrimination, and by 1941 President Roosevelt issued an executive order establishing the Fair Employment Practices Commission. Under President Truman's administration, executive orders were issued to establish fair employment procedures within the federal government structure, to abolish discrimination in the armed forces, and to establish compliance procedures for government contractors. In 1965, Executive Order 11246 prohibited discrimination on the basis of race, color, religion, and national origin among government contractors. This order also required contractors to take affirmative action to ensure a lack of discrimination in hiring procedures, and established the Office of Federal Contract Compliance to monitor these regulations. Title

General economic factors aside, I argue that black attainments were stimulated and enforced through direct intervention by the federal government, which responded to black demands for economic parity by establishing a need for blacks among employers. This, in turn, increased labor market demand. Government-supported jobs for blacks created opportunities for new class position. Thus, the black middle class grew out of a policy-mediated situation—not a market-mediated situation. Four policy vehicles created the non-market impetus for black middle class growth: (1) the Equal Employment Opportunity Commission; (2) the Office of Federal Contract Compliance Programs; (3) federal contract set-aside programs; and (4) federally funded social welfare services.

Equal Employment Opportunity Legislation

The Civil Rights Act of 1964 requires private firms with 100 or more employees to report how many minority workers they employ to the Equal Employment Opportunity Commission (EEOC) (Purcell, 1977).³ In 1972, Congress granted this commission enforcement power to initiate civil suits. By 1973, the EEOC used this power to gain influence over private sector employment practices. It forced American Telephone and Telegraph to change its hiring and promotion policies. At the same time, the EEOC created a "track system"; the commission identified a limited number of large corporations and investigated discriminatory patterns and practices in their hiring and promotion efforts. This demonstration of serious intent provided a strong motive for corporations to seek black and other minority labor.

Freeman (1976:136) found that federal programs involving job quotas favoring minorities had, by 1973, made minority hiring an "explicit goal of major corporations." Heidrick and Struggles' (1979) study of *Fortune* 500 companies found that 52 percent of the respondents to their 1979 survey reported that achieving affirmative action goals was a factor in reviewing their managers' eligibility for promotions, bonuses, and raises. Sears' Mandatory Achievement of Goals Program, refined in 1973, and General Electric's policy sanctions, begun in 1974, are similar examples of force-fed structural changes.

Comparing firms reporting to the EEOC with the total data reported by the Manpower Report of the President for the years 1966 through 1974, Brimmer (1976:28) concluded that companies reporting under EEOC requirements opened jobs to blacks at a much faster rate than was true for all employers in the country. Other researchers also found that equal employment opportunity legislation had a strong effect on the status of blacks in the private sector (Heckman, 1976). For example, Freeman (1973) concluded that EEOC efforts raised wages, earnings, and other indices of blacks' relative occupational position. Purcell (1977) found that the number of blacks in second-level management and above at American Telephone and Telegraph increased 126 percent between 1972 and 1975.

Office of Federal Contract Compliance Programs

In 1965, the federal government also strengthened its influence on white private sector hiring practices through an executive order establishing the Office of Federal Contract Compliance (OFCC), now the Office of Federal Contract Compliance Programs. Enterprises dependent on government contracts were essentially forced to comply with racial quotas or face losing federal monies. Although loss of contract through non-compliance has not been documented to my

VII of the Civil Rights Act of 1964 came into effect in 1965 to prohibit discrimination in firms, unions, and employment agencies on the basis of race, color, sex, religion, or national origin. In 1972, Title VII was amended to cover state and local governments and educational institutions. Title VII also established the Equal Employment Opportunity Commission as a fact-finding and coordinating agency for this legislation. 3. The term "minority" constitutes four principal groups: blacks, Hispanics, Native Americans, and Asian-Americans.

TABLE 1

Federal Procurement from Minority Business: 1969-1980

Fiscal Year	Total Procurement in Billions of Dollars	Total Minority Procurement in Billions of Dollars	Percent Minority
1969	50.229	0.013	0.03
1970	43.434	0.030	0.07
1971	45.031	0.146	0.30
1972	45.650	0.385	0.80
1973	44.893	0.737	1.60
1974	48.675	0.701	1.40
1975	57.206	0.808	1.40
1976	56.760	0.834	1.50
1977	72.427	1.052	1.50
1978	82.845	1.813	2.20
1979	91.665	2.484	2.70
1980	98.910	3.150	3.20

Source: U.S. Department of Commerce (1981a).

knowledge, 45 percent of all *Fortune* 500 companies responding to Heidrick and Struggles' 1979 survey claimed they had been threatened, by the OFCC, with contract ineligibility. Apparently the OFCC threat was strong enough to produce the desired results. Heckman and Wolpin (1976) show that government contracts were awarded to less discriminatory firms. Comparative research on the OFCC's impact on contracting and non-contracting firms in the white private sector found that government contractors have raised the employment level of black men significantly more than have non-government contractors. Ashenfelter and Heckman (1976) found that, between 1966 and 1970, government contractors raised the employment of black men relative to white men 3.3 percent more than non-government contractors. They estimated future impact would be 12.9 percent. Moreover, they found that segregated white contractors were more likely to integrate than segregated white non-contractors.

Effects from Contract Set-Asides

The federal government's own hiring policies have improved the position of blacks. Federal departments, such as Commerce, established specialized purchasing procedures to increase minority businesses' sales to the federal government. The Office of Minority Business Enterprise, launched in 1969 by then President Richard Nixon, dramatically affected black businesses' success in selling to the government; minority sales to the federal government increased from 0.03 percent to 0.8 percent of total contracts between 1969 and 1973. Table 1 shows these gains and also shows how fluctuations in minority business sales coincide with changes in purchasing policy administration. The percentage of minority business sales to the federal government decreased in 1974 and remained constant at approximately 1.4 percent of total business sales until 1976, although the total in dollar awards rose slightly. From 1974 to 1976 the federal government made no attempt to establish goals in federal departments for purchasing goods and services from minority businesses. In 1977, the Interagency Council for Minority Business Enterprise was created as the principal instrument to coordinate all federal purchases from minority firms. The effect of this policy is demonstrated by the increased proportion of federal purchases from minority businesses from 1977 through 1980. The dollar amount of purchases from minority businesses nearly tripled.

Comparing gross receipts of majority- and minority-owned firms between 1969 and 1977 further underlines the effects of federal initiatives on the minority business sector. Table 2 shows that during this period the minority business percentage of total U.S. business sales dramatically increased. Between 1969 and 1972, for example, minority business revenue improved by 57

TABLE 2
Gross Receipts of Total U.S. Firms and Minority Firms for 1969, 1972, 1977

	Total Receipts*			Percent Increase	
	1969	1972	1977	1969-1972	1972-1977
All U.S. Firms	867	1081.1	1591.2	25	47
All Minority Firms	10.6	16.6	32.8	57	98

Note:

* Dollars in billions.

Source: U.S. Department of Commerce, 1981b.

percent while majority firms' gross receipts increased by 24.5 percent (U.S. Department of Commerce, 1979). By 1977, minority business sales had improved further by 98 percent compared with a 47 percent improvement for total U.S. business sales. These increases suggest a strong relationship between policy during this period and the enhanced overall competitiveness of minority businesses.

Government Expansion

Federally funded social welfare organizations proliferated during the 1960s. Some of these were government created; others sprang initially from grass-roots concerns. For example, over 2,000 community action programs were formed in the United States from 1963 to 1973 during the federal government-initiated War on Poverty (Wilson, 1978:183). Although a variety of populations were served, the creation of these programs in larger cities has been linked to blacks' pressure for increased resources (Franklin and Resnik, 1973:230; Moynihan, 1970:131). A plausible effect of this expanding social service bureaucracy is the disproportionate increase of blacks working in federal, state, and local government.

Table 3 shows that in 1960 13 percent of blacks and 12 percent of whites were employed by government, a difference of slightly more than 1 percent. In 1970, the gap between blacks (21.3 percent) and whites (15.6 percent) widened to 5.8 percent.⁴ By 1982, it had widened further to 7 percent (blacks, 23 percent; whites, 16 percent). Between 1960 and 1982, blacks increased their numbers in public employment at twice the rate of whites. The largest and most disproportionate changes occurred between 1960 and 1970. Althausser's (1975) study found that, indeed, more black graduates sought public sector jobs than white graduates.

Government was a significant resource for black employment, even prior to the expansion of the social service bureaucracy in the 1960s. In 1960, for example, 13 percent of white managers and 21 percent of black managers and administrators worked in government. The proportion of black managers and officials was 62 percent greater than that of white. But public settings seem to have strengthened their traditional role as employers in the 1960s during the civil rights campaigns. By 1970, 27 percent of black managers and 11 percent of white managers and administrators worked in government. The proportion of black managers and officials was 133 percent greater than that for whites. Between 1960 and 1970 the government's proportion of black managers increased roughly 67 percent, compared to a 15 percent increase in its proportion of white managers. (U.S. Bureau of Census 1963; 1973). Freeman (1976:160) remarked that increased public demand appeared to explain much of the influx of blacks into management

4. The number of government employees may be underestimated since some public programs, such as community action, could be administered in private settings. It would seem reasonable to categorize workers in these circumstances as "government employed," since the source of income depends more on government than on private actions.

TABLE 3

Employed Wage and Salaried Workers by Sector and Race: 1960, 1970, 1982

	Total Workers	Private		Federal, State and Local Government	
		Total	Percent	Total	Percent
1960					
White*	58,023,000	51,055,000	88.0	6,968,000	12.0
Managers and Administrators**	3,325,210	2,901,578	87.0	423,632	13.0
Black (Non-White)	6,662,000	5,743,000	87.7	879,000	13.3
Managers and Administrators**	56,600	44,318	79.0	12,282	21.0
1970					
White*	69,402,000	58,594,000	84.4	10,807,000	15.6
Managers and Administrators**	5,079,613	4,396,791	65.0	772,822	15.0
Black	7,403,000	5,822,000	78.7	1,580,000	21.3
Managers and Administrators**	130,412	84,212	65.0	45,930	35.0
1982					
White	78,906,000	65,919,000	84.0	12,987,000	16.0
Managers and Administrators	8,001,088	7,000,906	87.5	1,000,182	12.5
Black	11,060,000	8,511,000	77.0	2,549,000	23.0
Managers and Administrators	542,000	402,000	74.0	140,000	26.0

Note:

* Includes whites and others.

** Figures are not directly comparable due to changes in census classifications between 1960 and 1970, and due to the 1970 census undercount.

Source: U.S. Bureau of Census (1963, table 22; 1973, table 44); U.S. Bureau of Labor Statistics (1982, table 20).

positions. This influx is one of the significant changes in black employment patterns during the 1960s.

The demand for skilled blacks is also reflected in Freeman's (1976) estimate of black and white incomes for 1966 and 1969. Black, but not white, public employees earned more than their privately employed peers. Eccles (1975) demonstrated that ratios of black-to-white income in federal government jobs were above the economy-wide average for male college graduates in 1973.

The combination of opportunities directly and indirectly created through policy intervention substantially increased the occupations and incomes available to a skilled black labor force. Farley (1977) has noted that gains made among blacks in the 1960s did not diminish in the economically stagnant 1970s. The "policy factor" explains this phenomenon without removing the importance of race. Market demands in the 1960s and 1970s were not just for labor, but for black labor. Although the economy fluctuated greatly, policy fluctuated less.

The growth of this politically mediated labor market is in distinct contrast to a free market which, hypothetically, employs labor in response to consumer (rather than government) preferences. The withdrawal of federal supports would erode this class position. Freeman (1976) predicted that if government pressures for affirmative action weaken, so too may the demand for black college graduates.

SEGREGATED AND GENERALIZED MARKETS

To understand just how vulnerable the black middle class is, it is necessary to make a distinction between segregated and generalized market and policy-related functions. I define segregated functions as those directed at, disproportionately used by, or concerned with blacks. For example, segregated functions occur among blacks who administer institutions, or institutional units, where white structures distribute goods and services disproportionately to meet the needs of black consumers or labor. Segregated functions also occur among black service-or-product

TABLE 4

Percentages of Black and White Men with Four or More Years of College in Selected Occupations in 1960 and 1970, and Changes in Percentages

	Black			White		
	1960	1970	Percent Change	1960	1970	Percent Change
Accountants	1.7	2.2	29	3.8	4.2	11
Clergy	3.1	2.9	-6	3.0	2.5	-17
Dentists	2.0	1.1	-45	1.5	1.3	-13
Engineers (Technical Civil Electrical, Industrial Mechanical)	3.4	2.6	-24	7.1	7.1	0
Lawyers and Judges	1.6	1.5	-6	4.0	3.5	-13
Librarians	0.7	0.3	-57	0.2	0.3	50
Natural Scientists	1.7	1.8	-6	1.4	1.5	7
Personnel and Labor Relations	0.4	1.6	400	0.8	1.4	75
Pharmacists	1.1	0.8	-27	1.1	1.1	0
Physicians and Surgeons	5.4	2.6	-52	4.6	3.6	-22
Public Relations	0.1	0.3	300	0.3	0.4	33
Social Welfare	2.1	3.3	57	0.5	0.8	60
Social Scientists	0.5	0.8	60	0.6	1.1	83
Technicians (Health)	0.7	0.9	29	0.2	0.3	50

Source: U.S. Bureau of Census (1963, tables 3, 9, 10; 1973, table 2, 5, 6.).

providers whose activities depend heavily on transactions with other blacks as clients, and further, where black supervisors oversee predominantly black labor pools. Generalized functions are those directed at, used by, or concerned with non-racially differentiated consumers. The question thus arises: are opportunities for the black middle class concentrated in segregated functions which reflect government attempts to nullify blacks' potential for disruption? If so, the black middle class is useful, but at the same time occupies a precarious market situation.

During the 1960s, black civil rights demonstrations and urban riots disrupted the social and economic order. Some scholars have argued that the response of white political structures during this period was geared to reinstate order through policies and programs (Blauner, 1972; Piven and Cloward, 1971).

Table 4 shows the occupational shift among college-educated black men between 1960 and 1970. This table shows that blacks made gains in occupations where they would potentially be useful in calming black disruptive elements. Among selected professional occupations where blacks with four or more years of college were underrepresented compared to whites in 1960, only one shows a gain that exceeds the white percentage in 1970: personnel and labor relations workers. The largest increases for black men occurring during the 1960s were among personnel and labor relations and public relations. These are followed by social scientists and social welfare workers. These occupations represent people-related as opposed to purely technical functions. The upheaval among blacks during the 1960s required skills which could be used to explain and alleviate black discontent.

Segregated Functions in the Public Sector

In the public sector, although there are in fact few products, services, or policies consumed solely by blacks, many are consumed in much higher proportions by blacks than by whites. The criteria for such dependency-related services as food stamps and Aid to Families with Dependent Children came to be explicitly associated with blacks (DeVault, 1981; also see Isaac and Kelly [1981] for an analysis of the riot-welfare relationship). Other services differentially favor blacks

TABLE 5

Percentage of City and State Full-Time Professional, Administrative, and Official Workers, by Race and Function: 1978

Function	City		State	
	Black	White	Black	White
Public Welfare	15	3	22	15
Corrections	3	1	13	7
Hospitals	22	11	15	13
Health	7	4	10	11
Housing	5	3	1	*
Community Development	4	4	1	1
Sanitation and Sewage	3	3	*	*
Financial Administration	14	18	13	17
Police	4	12	4	2
Streets and Highways	2	5	3	10
Natural Resources	8	6	2	8
Utility and Transportation	3	8	*	1
Fire	3	17	*	*
Employment Security	*	*	11	9
Other	6	4	4	6
Total**	99	99	99	100

Notes:

* Not reported, or less than 0.5 percent.

** Totals do not add up to 100 percent due to rounding and non-reported figures.

Source: U.S. Equal Employment Opportunity Commission (1980a).

by virtue of their lower incomes. Low-income blacks are over-represented in populations using some public services such as health and hospital care, corrections, and public transportation.

The federal government has subsidized industries serving poorer blacks, increasing the number of jobs available for the middle class. Blacks working in segregated services benefited indirectly from this process. At the same time, they serve as intermediaries to other blacks, for social policy oriented toward blacks is funneled through them. Opportunities for black middle-class employment are concentrated in black-oriented service systems; blacks are under-represented in services oriented toward the more general public.

Table 5 shows that in 1978 black professionals, administrators, and officials were concentrated in sectors that disproportionately served blacks. The one exception was state police services. On the city level, there were five times as many blacks as whites in public welfare, three times as many blacks in corrections, twice as many blacks in hospitals, and over one-and-a-half times as many blacks in housing and health services. On the state level, there were more than four times as many blacks as whites in housing, twice as many in corrections, and one-and-a-half times as many blacks in public welfare.⁵

Because black middle-class employment is anchored to black populations it is politically vulnerable. Generalized functions, such as police and fire, depend on revenue generated through city or state resources. Segregated functions are dependent on federal revenue. The federal government is not always responsive to the needs of dependent and powerless groups; these services are the "soft money" of the government payroll.

The effects of funding sources on job stability is demonstrated by the case of the Chicago

5. It is less surprising that black professionals, administrators, and managers are only one-and-a-half times more concentrated in public welfare services given the distribution of state services. That is, state welfare offices tend to be scattered in small communities, not concentrated in cities. State services are therefore less anchored to large concentrations of blacks. Theoretically, there is less implicit reason for blacks to be employed.

Department of Human Services (DHS). This department performs the "public welfare" function for the city. Federal money supports the social service arm of the agency, which serves dependent blacks, while city funds support the top administrative functions. According to local officials, "[the] policy of placing minority workers on federally funded payrolls ensures that most of the city employees to be laid off because of budget cuts will be black and Hispanic" (*Chicago Tribune*, 1981:15). Officials conceded that jobs in the DHS are routinely offered to blacks because they are considered poor jobs which could be cut off at any time. Of the 400 employees laid off at DHS between 1980 and 1981, when the Reagan administration reduced social spending, 75.9 percent were black (*Chicago Tribune*, 1981:15). Similarly, of the 186 workers laid off in Chicago's Department of Health between 1980 and 1981, almost 40 percent were black. In contrast, Chicago's Streets and Sanitation Department, where the budget is generated more locally, and only 20 percent of the workers were black, was little affected by federal cutbacks (*Chicago Sun Times*; 1981).

Segregated employment patterns to mediate black demands are also visible at the federal level. The departments of Housing and Urban Development, Health and Human Services, and Community Services Administration have heavy concentrations of black employees.⁶ Of the Community Services Administration's 900 employees, 44 percent were black in 1980. (U.S. Equal Employment Opportunity Commission 1980b). This is precisely the type of agency which sprang up to fund black-related services in the 1960s; in 1980 it was abolished by President Reagan's transition team.

Segregated Functions in the Black Private Sector

Policy-related growth has appeared in the black business sector as well as in the public sector. Black entrepreneurs are concentrated in segregated rather than generalized services. In 1979, 68 percent of black-owned businesses were in retail and selected services that marketed their wares almost exclusively to black consumers (U.S. Department of Commerce, 1979). In 1979, 99 percent of all minority business was based on federal procurement or sales to the minority consumers (U.S. Department of Commerce, 1979). News media also report black business efforts to encourage federal aid for helping black firms penetrate general consumer markets (*Chicago Tribune*, 1982:3).

These data indicate that black businesses are in the limited growth markets of inner-city neighborhoods, which ties them to public aid income and, therefore, indirectly to policy fluctuations, which adversely affects disadvantaged blacks. In addition, inner-city neighborhoods have high crime rates and were the sites of major rioting in the 1960s. Thus, black businesses usefully meet the service and product needs of low-income blacks in potentially volatile communities. Some black businesses, such as Johnson Products (hair care), have grown from this market base. But success has attracted the attention of white firms. While white competition absorbs black consumers, black businesses are unable to penetrate white markets and, therefore, are restricted to declining consumer bases (Silver, 1982:2).

Even where policy has stimulated growth among non-traditional service businesses, segregated functions may occur if blacks move into areas serving black populations. A compendium of 44 Chicago-based minority professional service firms, published by *Chicago United* (1980), illustrates further the intersection of black businesses and market demands. The compendium lists three black-owned advertising firms, five engineering and architecture firms, three certified

6. Some federal departments obviously have had high concentrations of blacks prior to the 1960s. But the first federal equal employment policies were also, in part, a response to threats of organized black protest. Departments also have overseen regionalized programs for unemployed or needy populations prior to the 1960s. To the degree that blacks are concentrated in these types of services, various federal departments may fit the prototype of agencies discussed in this article.

TABLE 6

Non-Traditional Black Firms in Segregated and General Functions

Client	Function	
	Segregated*	General*
Public	A ₁ E ₂ M ₁ M ₃ M ₄ M ₅ C ₂ C ₃ L ₂ L ₃ L ₄	E ₃ E ₄ E ₅ C ₁ P ₆
White Private	A ₁ A ₂ A ₃ M ₁ M ₂ M ₄ M ₅ L ₁ L ₂ P ₂ P ₃ P ₄ P ₅	E ₁ E ₃ C ₁ C ₂ C ₃ L ₄ P ₁ P ₂
Black Private	M ₃ C ₁ C ₂ C ₃ L ₁ L ₂ L ₃ L ₄ P ₂ P ₅ P ₆ A ₁	
	Total segregated = 36	Total general = 13

Key:

A = Advertising (3)	L = Law (4)
C = Certified Public Accounting (3)	M = Management Consulting (5)
E = Engineering and Architecture (5)	P = Personnel Services (6)

Note:

* The segregated category is the functions directed at black consumer/manpower needs; the generalized category is functions directed at a general population/market.

public accounting firms, four law firms, seven personnel services firms, and five management consulting firms. All except two of these firms were established between 1965 and 1979.⁷

Since the compendium offers only short descriptions of each of the firms' functions, in 1982 I interviewed one professional representative from each black firm listed. I asked whether their firm did business with any sector not mentioned in the compendium and what kinds of services they performed for their clients. For example, if all clients listed in the compendium were white corporations, I asked whether they had public and black private clients as well. I asked for examples of the work involved to determine whether transactions were generally black-related. For example, I classified an accountant firm that established general accounting systems in the Zenith Corporation under "generalized," but an accounting firm that established systems for a California office to be used specifically for accounting Comprehensive Employment and Training Act (CETA) funds, as "segregated." CETA was established with objectives targeted specifically at blacks.

Table 6 shows the sector distribution of these firms' clients according to their segregated (S) or generalized (G) functions. I determined the type of function for each sector of a firm's involvement. Firms with sectors involving both types of functions appear in both categories (S and G). All firms which did business with other black firms were classified under S functions, along with their other sector involvement.

Table 6 shows that most firms depended on segregated functions or black markets for their clients. The strongest foothold outside black markets was in "black specialties" offered to white corporations. Black law firms most often negotiated on behalf of their white corporate client when affirmative action or federal contract compliance was at issue, or when white firms entered contract negotiations with black proprietors or land owners, or when settling insurance claims for blacks. Black personnel service and management consulting firms were almost exclusively involved in black manpower development and executive searches for white corporations. Black management consulting firms also helped in the political negotiations of corporations establishing services in the black community. Black advertising firms helped white corporations to penetrate black consumer markets.

Roles were race-specified even among those firms that dealt with white corporations in generalized functions. All engineering firms with business in the white sector entered into these

7. The two exceptions to this pattern are an advertising firm established in 1950 and an accounting firm established in 1939.

relationships as sub-contractors, based on the corporation's need to hire minority firms to qualify for federal contracts. Although these functions appear in the G category it can be debated whether they belong there.

Even in the public sector, the black firms were incorporated into segregated functions. Personnel service firms provided workers for units with racial concerns, such as the Office of Manpower. Black law firms were hired for contract compliance and labor-management issues in segregated services such as Housing and Urban Development. Certified public accountant firms performed pre-grant and general audits for segregated sites such as Cook County Hospital. Management consulting firms provided technical assistance primarily to agencies such as Chicago's Department of Human Services or the Federal Office of Minority Business Development. Engineers provided professional services to predominantly black sites such as Chicago's Northshore Sanitary District.

The firms in the compendium were relatively successful products of moral and legislative commitments made in the 1960s and 1970s to establish greater exchange between white corporations and black enterprise. Yet even here black businesses only served as intermediaries between white corporations and black clients. Whether these firms had penetrated the corporation on the basis of profit (as opposed to policy) concerns determined the softness of their market position. If the black firms were aiding white corporations to increase their profits, not to address affirmative action or public image requirements, then the black firms' position with the corporations is more secure. Past growth in government contracts, coupled with stipulations for black sub-contractors, helped form mutually beneficial relationships. However, a change of government policy could wipe out these gains.

Segregated Functions in the White Private Sector

Salaried blacks employed in the white private sector show similar relationships. Heidrick and Struggles' (1979) survey of *Fortune* 500 companies found that over 29 percent of black executives were in personnel specialties. These positions typically are those responsible for affirmative action plans and implementation. An example of how these positions are used is provided by large corporations negotiating with People United to Save Humanity (PUSH). PUSH, a black social action agency, is an outgrowth of the Southern Christian Leadership Conference. Since 1981, PUSH has negotiated with several corporations to expand employment opportunities for black individuals and businesses. Some of these negotiations take place with blacks in community affairs positions viewed by PUSH as major stumbling blocks to PUSH objectives. Positions such as community affairs jobs are also an effective way for corporations to address government hiring policies while minimizing black power. Personnel and labor-relations jobs, and public relations jobs, are not in the strategic planning or production areas which typically lead to power within the corporation. They are the "soft money" within the business world. If federal policy is reversed, the implicit need for blacks in these kinds of positions may also diminish.

CONCLUSION

My findings contradict arguments that the growth of a black middle class is evidence of a decline in racial inequality in the United States. Rather, the evidence suggests the existence of race-regulated systems. Although members of the black middle class are not necessarily restricted by occupation, income, or residence, they remain segregated in institutions dependent on federal government subsidy and concentrated in functions created to serve the black consumer and community. Race is implied within the black economy independent of class position. Public sector employees are most likely to be found in federal, state, and local government functions that legitimize and subsidize black underclass dependency. Blacks employed in the private sector remain concentrated in economically underdeveloped areas, or in intermediary positions between white corporations and black consumer, manpower, or policy issues.

The link between mobility and government policy highlights the fragility of the black middle class. Since 1980, the Republican administration is altering policies that assisted blacks to rise. Those policies having direct impact on black middle-class opportunities, such as affirmative action in hiring and promotions, appear to be leaning more heavily on good faith than on legal sanctions for enforcement. Similarly, those programs which indirectly assisted black middle-class advancement, such as social service expansion, are being reduced. Blacks have already suffered cut-backs in the public sector; activities in the private sector are less apparent. The black middle-class victims of these political changes will have to compete in an open market that is also going through transition, and where federal initiatives do not protect them. In addition, the lack of a large business and capital base means that middle-class blacks have a limited ability to form crisis self-help groups.

REFERENCES

- Althauser, Robert P.
1975 *Unequal Elites*. New York: John Wiley and Sons.
- Ashenfelter, Orley, and James J. Heckman
1976 "Measuring the effect of an anti-discrimination program." Pp. 46-89 in Orley Ashenfelter and James Blum (eds.), *Evaluating the Labor Market Effects of Social Programs*. Princeton: Industrial Relations Section, Princeton University.
- Becker, Brian, and Stephen Hills
1979 "Today's teenage unemployed—Tomorrow's working poor?" *Monthly Labor Review* 102 (January):69-71.
- Blauner, Robert
1972 *Racial Oppression in America*. New York: Harper and Row.
- Brimmer, Andrew
1976 "The economic position of black Americans." In *A Special Report to the National Commission for Manpower Policy*. Special Report No. 9. Washington, D.C.: Commission for Manpower.
- Chicago Sun Times*
1981 "Minority, female job gains periled." March 29:3.
- Chicago Tribune*
1981 "Minority city workers first to go in Reagan's aid cuts." December 14: Sec. 1, p. 15.
1982 "Report urges business aid for minorities." April 2: Sec. 5, p. 3.
- Chicago United*
1980 *Chicago United Compendium of Minority Professional Service Firms*. Chicago: Chicago United.
- DeVault, Marjorie
1981 "Surplus and society: Hunger and the origins of the Food Stamp Program." Unpublished paper. Department of Sociology, Northwestern University, Evanston, Illinois.
- Eccles, Mary
1975 "Race, sex, and government jobs: A study of affirmative action programs in federal agencies." Unpublished Ph.D. dissertation, Harvard University.
- Farley, Reynolds
1977 "Trends in racial inequalities: Have the gains of the 1960s disappeared in the 1970s?" *American Sociological Review* 42 (April):189-208.
- Featherman, David, and Robert Hauser
1976 "Changes in the socioeconomic stratification of the races, 1962-1973." *American Journal of Sociology* 82 (November):621-651.
- Flanagan, Robert J.
1976 "Actual versus potential impact of government anti-discriminating programs." *Industrial and Labor Relations Review* 29 (July):486-507.
- Franklin, Raymond S., and Solomon Resnik
1973 *The Political Economy of Racism*. New York: Holt, Rinehart and Winston.
- Freeman, Richard
1973 "Changes in the labor market for black Americans, 1968-1972." *Brookings Papers on Economic Activity* 1 (Summer):67-120.
1976 *The Black Elite*. New York: McGraw Hill.
- Gershman, Carl
1980 "A matter of class." *New York Times Supplement*. October 5.
- Hauser, Robert, and David Featherman
1974 "White/non-white differentials in occupational mobility among men in the United States, 1962-1972." *Demography* 11:247-266.
1976 "Equality of schooling: Trends and prospects." *Sociology of Education* 49:99-120.

- Haworth, Joan, James Gwartney, and Charles Haworth
1975 "Earnings, productivity, and changes in employment discrimination during the 1960s." *American Economic Review* 65 (March):158-168.
- Heckman, James J.
1976 "Simultaneous equation models with and without structural shift in equations." Pp. 235-272 in Stephen M. Goldfeld and Richard E. Quandt (eds.), *Studies in Non-Linear Estimation*. Cambridge: Ballinger.
- Heckman, James J., and Kenneth Wolpin
1976 "Does the contract compliance program work? An analysis of Chicago data." *Industrial and Labor Relations Review* 29 (July):544-564.
- Heidrick and Struggles, Inc.
1979 *Chief Personnel Executives Look at Blacks in Business*. Chicago: Heidrick and Struggles, Inc.
- Isaac, Larry, and William R. Kelly
1981 "Racial insurgency, the state, and welfare expansion: Local and national evidence from the postwar United States." *American Journal of Sociology* 86(May):1348-1386.
- King, Allan, and Ray Marshall
1974 "Black-white economic convergence and the civil rights act of 1964." Pp. 462-471 in James Stern and Barbara Dennis (ed.), *Proceedings of the 1974 Annual Spring Meeting, Industrial Research Relations Associations*. Madison: The Industrial Relations Research Association, University of Wisconsin.
- Leviton, Sam A., William B. Johnston, and Robert Taggart
1975 *Still A Dream*. Cambridge: Harvard University Press.
- Moynihan, Daniel P.
1970 *Maximum Feasible Misunderstanding: Community Action in the War on Poverty*. New York: The Free Press.
- Piven, F., and Richard A. Cloward
1971 *Regulating the Poor: The Functions of Public Welfare*. New York: Pantheon Books.
- Purcell, Theodore V.
1977 "Management and affirmative action in the late seventies." Pp. 71-103 in Lenard J. Hausman, Orley Ashenfelter, Bayard Rustin, Richard Shubert, and Donald Slaiman (eds.), *Equal Rights and Industrial Relations*. Madison: Industrial Relations Research Association, University of Wisconsin.
- Ross, Heather L., and Isabel Sawhill
1975 *Time of Transition: The Growth of Families Headed by Women*. Washington, D.C.: The Urban Institute.
- Silver, Deborah
1982 "Johnson hair care losses spur strategic retreat, rethinking." *Crain's Chicago Business*, December 13:2.
- Smith, James P., and Finis Welsh
1977 "Black-white male wage ratios: 1960-1970." *American Economic Review* 67 (June):323-338.
1983 "Longer trends in black/white economic status and recent effects of affirmative action." Paper prepared for Social Science Research Council conference at the National Opinion Research Center. Chicago.
- Sowell, Thomas
1981 *Ethnic America*. New York: Basic Books.
- U.S. Bureau of Census
1963 *Occupational Characteristics*. Series PC(2)-7A. Washington, D.C.: The Bureau of Census.
1973 *Occupational Characteristics*. Series PC(2)-7A. Washington D.C.: The Bureau of Census.
- U.S. Bureau of Labor Statistics
1982 *Current Population Survey, 1982 Annual Averages*. Basic Table 20. Washington, D.C.: U.S. Bureau of Labor Statistics.
- U.S. Department of Commerce
1979 *A Strategy for Minority Business Enterprise Development*. Washington, D.C.: Minority Business Development Agency.
1981a *Performance for Minority Business Development, Fiscal Year 1980*. Washington D.C.: Minority Business Development Agency.
1981b "Minority Business Development in the 80s." Washington, D.C.: Minority Business Development Agency.
- U.S. Equal Employment Opportunity Commission
1980a *1978 Status of Minorities and Women in State and Local Government*. Washington D.C.: United States Equal Employment Opportunity Commission.
1980b *Federal Civilian Work Force Statistics*. AR-80-21 (November). Washington D.C.: Office of Personnel Management.
- Welsh, Finis
1973 "Black-white differences in returns to schooling." *American Economic Review* 63 (December):893-907.

Wilson, William J.

1978 *The Declining Significance of Race*. Chicago: University of Chicago Press.

1981 "The black community in the 1980s: Questions of race, class, and public policy." *Annals, American Academy of Political and Social Scientists* 454 (March):26-41.