

The theme of this African-American history celebration, the economic empowerment of the African-American community, is especially appropriate and timely. The quest for economic opportunity has long been a high priority on the agenda of the African-American community and its leadership.

You might recall the historic civil rights March on Washington in August 1963—almost 37 years ago. At that time, 250,000 men, women, and children of all races and religions, and from all sections of the country, converged on our nation’s capital to bring their petition for equal rights and equal opportunity.

That was a march for “Jobs and Freedom.” The juxtaposition of those words was carefully considered. They reflected the view of Mr. A. Philip Randolph, the brilliant labor and civil rights leader, and the father of the March, that victory in the struggle for social and political empowerment would be empty without corresponding progress in the pursuit of economic justice.

Where We Are

In my remarks today, I want to share with you some thoughts on the African-American quest for economic justice. I want to tell you where I believe we are, how we got there, and what more remains to be done in the long struggle for economic justice in this country.

Let me begin by saying that the economic state of African-Americans is good—in fact, it is better than at any time in the memory of African-Americans living today.

The unemployment rate for the Black workforce is 8.2 percent, the lowest level we have seen in 30 years. The rate of poverty among Black families is 26 percent; again a level lower than at any time since that statistic has been measured.

Black family income is now nearly \$28,000, and the fastest-growing income group, according to census demographic classification, is the African-American family with an annual income of \$50,000 or more.

Median weekly income for Black workers has grown to \$445, which means that most Black husband/wife families with two earners are now solidly in the middle class. Home ownership and business formation are both at record levels among African-Americans. And the 100 largest Black-owned businesses, as reported by *Black Enterprise* magazine, had sales of \$14 billion last year.

Determinants of Economic Progress

What explains the economic progress that African-Americans have enjoyed in recent years? I believe three factors working together explain the progress: strong and balanced economic growth, the fight against discrimination, and the impact of globalization. Let me amplify each one, beginning with the impact of economic growth.

Economic Growth

Black people bear a relationship to the American economy similar to that between the caboose and the train. When the train speeds up, the caboose speeds up; when the train slows down, so does the caboose—but, in the natural order of things, the caboose never catches up with the engine.

Let us consider African-American economic progress over the past three decades through the ebb and flow of the American economy.

The civil rights revolution of the 1960s sounded the death knell for racial segregation and brought heightened expectations for full participation of African-Americans in all sectors of American life. The Black community entered the 1970s poised for major gains in employment, income and wealth. Optimism was high and unbounded opportunities seemed within reach.

But economic reality intruded on the hopeful expectations. The energy crisis, two recessions, slow productivity growth after the Vietnam War, turbulence in financial markets, and a constant battle between inflation and full employment kept the nation off balance, and blocked steady economic progress.

Our nation also experienced a structural transformation in the economy. We saw a shift from manufacturing industries to services as the dominant source of employment. Jobs shifted from the cities to the suburbs, and from

the rustbelt and the snowbelt to the sunbelt. These changes occurred as American producers were struggling hard to gain competitive advantage in the increasingly global marketplace.

The 1980s brought a long period of uninterrupted economic growth, but the structural transformation continued. The 1980s also ushered in persistent federal budget and trade deficits. The unprecedented financial developments on Wall Street, combined with supply side economic policies, created economic conditions that were not conducive to steady economic progress by all groups in our nation.

One development during the last two decades that many economists viewed with special concern was the widening inequality in the distribution of income. From the 1950s to the mid-1970s, our nation grew as one. All income groups experienced gains in real income. But from 1979 until the mid-year of the last decade, our nation grew apart. Families in the lowest 60 percent of the income distribution lost 18 percent of their real income, while those in the top 40 percent gained ground, and those in the top 20 percent of income earners received over half of all income gains.

The African-American community's quest for economic progress was influenced significantly by these national economic trends coupled with unfavorable social realities. Through most of the years of the last century, race relations were dominated by a sustained effort to deny economic equality for Black and ethnic minorities. The legacy of that historic experience was a pervasive web of attitudes, values, and behavior that blocked the full participation of Black people in American economic life.

As our economy evolved in the post-WWII period, we learned that economic inequality was no longer the sole result of institutional racism. In our modern economy, inequality increasingly reflects the consequences of impersonal economic forces that are disproportionately unfavorable to, while not aimed directly at, the Black community. These forces, such as global competition, the structural transformation of industry, and technological change, have influenced the parameters of economic inequality that we see today. Their undifferentiated impact on the Black community has made the achievement of Black economic progress more difficult than ever.

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Economic policy played a critical role in the course of our economic performance which affected the economic progress of African-Americans. In the 1970s and early '80s, economic discussions were focused on stagflation—double-digit inflation—high unemployment and slow productivity growth. It was suggested by some that the American economy was incapable of yielding high levels of employment without inflation.

The so-called “natural” rate of unemployment was about six percent. And conventional wisdom held that trying to lower unemployment below that level would trigger greater rates of inflation. Furthermore, our economic policy was hampered by a large budget deficit, low productivity, and too little investment. But I am quite sure that despite everything that was said about the “natural” rate of unemployment, the Americans who desperately wanted work, including more than two and one-half million African-Americans, knew that there was nothing “natural” about unemployment.

Today, our economy is stronger than at any time in the last half century. We now have an unemployment rate of four percent, and unemployment has been at, or below, five percent for more than two years. At the same time, inflation has remained between two and three percent.

In the last seven years, the economy has created more than 20 million new jobs; profits are good for both small and large businesses; exports of agricultural, manufactured goods, and financial services are strong; and the stock market reaches a new high almost every month.

The low unemployment and low inflation of the 1990s did not happen by accident. They are the direct result of a new approach, introduced by President William J. Clinton: a new paradigm of economic policy that placed a major emphasis on investing in people in order to stimulate productivity and improve the economic status of working families.

President Clinton worked to reduce the budget deficit and to trim spending which allowed interest rates to fall. He increased investment in human capital, and balanced the budget for the first time in a generation.

Because of that leadership—the strategy of investing in American workers and the vision of broadly shared prosperity—African-Americans and other racial minorities, and women, have enjoyed unprecedented economic progress. Today the highest real wage growth is occurring among

our nation's lowest wage earners. The wage gap has not been closed, but for the first time in a generation, the trend lines are pointing in the right direction.

There is much reason to believe that the economic boom that the nation has enjoyed in recent years will continue for some time into the future. As Martin Baily, chairman of the President's Council of Economic Advisors, said a few days ago, "The fundamentals look very good." The pattern of strong productivity growth, coupled with high consumer confidence and strong business investment, provides a foundation for continued, balanced economic growth—growth that is indispensable for the continued economic progress of African-Americans.

Fight Against Discrimination

But economic growth alone is not enough to assure economic progress. Economic growth is a necessary but not sufficient condition for economic justice. A comprehensive, persistent assault on discrimination must go hand-in-hand with economic growth in order to assure that the benefits of growth are widely shared.

Assault on Discrimination

That is why continuing support for affirmative action is so important.

In recent years, our nation has been caught in the grip of a querulous debate over affirmative action. All too often, those on different sides of the debate fail to communicate because they cannot agree on what affirmative action is, whether it is necessary to assure equal opportunity, and what impact it has had on minorities and women in our society.

First, what is "affirmative action?" To me, affirmative action is any effort taken to expand opportunity for women—and for racial, ethnic, and national origin minorities—by using membership in those groups that have been subjected to discrimination as a consideration in making decisions on the allocation of resources. More specifically, affirmative action refers to both voluntary and mandatory efforts undertaken by government at all levels, private employers, and schools to combat discrimination and to promote equal opportunity in education, employment, and business enterprise for all without regard to race, gender, national origin, disability status, or other

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immutable group characteristics. In a general sense, affirmative action occurs when an organization takes measures to assure a nondiscriminatory environment for making decisions on the allocation of opportunity for employment, education, and business enterprise.

With specific reference to employment, affirmative action goes beyond narrow nondiscrimination policies. Title VII of the Civil Rights Act of 1964 is a policy of simple nondiscrimination that prohibits all forms of intentional discrimination on the basis of race, color, gender, religion, or national origin. Affirmative action goes further, by requiring employers to take steps to assure the opportunity for such groups to be included among those who benefit from resource allocation decisions. Nondiscrimination policies are passive; affirmative action policy requires employers to make certain that they maintain a level playing field for the pursuit of economic opportunity.

Why Affirmative Action is Necessary

Affirmative action is necessary because of the persistence and complexity of discrimination. Reams of evidence reveal continuing disparities between the employment and income status of minorities, women, and others in the labor market. While we recognize and applaud the economic progress of African-Americans in the recent past, we cannot and must not ignore the economic disparities that remain. We must not ignore the denial of equal opportunity that continues in far too many cases where employment, investment, contracting, and other economic decisions are being made.

The record is replete with evidence of economic disparity:

- The Black unemployment rate has fallen to an all-time low, but is still twice the unemployment rate for all workers.
- The Black youth unemployment rate has come down, but it is still above 25 percent, and thousands of Black youth have dropped out of the labor market and are not even counted among the unemployed.

- Black family income is at an all-time high, but is still only 60 percent that of the average family in America.
- And equally disturbing, the level of wealth among African-American families, measured by net worth, is less than 10 percent of that enjoyed by the average White family in America.
- Black-owned businesses have increased in number and have penetrated a wide range of industries over the past 30 years. But the sales of the 100 largest Black-owned businesses combined are less than the sales of most of the companies on the Fortune 500 list of major industrial corporations.
- And we must not forget the importance of equal pay. While we have made progress over the past 30 years, women still earn only 74 cents for every dollar earned by a man; African-American women earn only 65 cents; Hispanic women earn only 58 cents.

In short, while our economic status has improved over the past three decades, we still have not achieved full equal opportunity in American economic life.

Employment discrimination still imposes a heavy cost on our economy. In 1999, the Office of Federal Contract Compliance Programs (OFCCP), which is based within our Employment Standards Administration, assessed more than \$42 million in settlements for minorities, women, and the disabled who were victims of discrimination by companies holding contracts to provide goods and services to the federal government. Other large financial settlements were obtained by the equal Employment Opportunity Commission, the federal agency with responsibility for equal job opportunity among most private sector businesses and public agencies in the country.

OFCCP compliance reviews also revealed evidence of wage discrimination. This is the type of disparity in which the business firm pays

a minority or female employee a lower wage than that earned by a White male who performs substantially the same job, and has the same education, experience, and length of service. Frequently, the wage disparity results from the failure of the company to apply its compensation policy uniformly across all occupation groups. Last year, in the two largest wage disparity cases, OFCCP negotiated agreements of \$1.5 million with the Core States Bank (later merged with First Union) and \$3.1 million with Texaco to settle claims of back pay and to make adjustments in the compensation system to end wage discrimination.

Last year, President Clinton announced an equal pay initiative in his State of the Union message. The pursuit of pay equity is a high priority on the policy agenda of Labor Secretary Alexis M. Herman. Our OFCCP is playing a major role in the initiative by looking carefully at pay practices during compliance reviews; this year as last, OFCCP will conduct 40 glass ceiling reviews that will focus heavily on pay practices for management and executives in businesses ranging across a wide spectrum of industries. We will urge contractors to voluntarily review their company practices to assure that there is equal pay for equal work.

Affirmative action was introduced as federal policy 30 years ago when President Lyndon B. Johnson issued Executive Order 11246 which required equal employment opportunity and affirmative action by federal government contractors. In June 1965, three months before he issued the Executive Order, President Johnson explained the rationale for the policy during his commencement address delivered to the graduating class of Howard University. In discussing the need for public policy to assure equal opportunity, he used the analogy of the foot race.

I was in the audience when he made that speech. As I recall he said “You can’t take a man who has been in chains for 300 years, remove the chains, take him to the starting line and tell him to run the race, and think that you are being fair.” President Johnson understood that the present effects of past discrimination can, and most often will, prevent the full achievement of equal opportunity. Something more than passive nondiscrimination is necessary if equal opportunity is to have real meaning in assuring economic justice.

Scholars who have studied the impact of affirmative action conclude that OFCCP enforcement during the 1970s caused government contractors to increase their hiring of minority and female workers. According to a study conducted by Jonathon Leonard of the University of California, Berkeley, the employment share of Black men in contractor firms increased from 5.8 percent in 1974 to 6.7 percent in 1980. In non-contractor firms, the Black male share increased more modestly, from 5.3 percent to 5.9 percent.

The literature also finds that contractors with affirmative action plans who had an OFCCP review subsequently had faster rates of White female and Black employment growth than contracting firms that did not have a review. Because OFCCP enforcement was greatly scaled back during the 1980s, there is little evidence on the hiring of minority and female workers during that time.

I should add that because there is no evidence that contractors have experienced lower productivity, it is clear that OFCCP has not caused firms to hire or promote less-qualified workers. Performance appraisals of minorities and women in work organizations do not show significantly lower performance of these workers compared with White male employees. Indeed, some case studies have found unexpected benefits to organizations that have implemented affirmative action plans.

Criticisms of Affirmative Action

Four major arguments have commonly been launched against affirmative action. Some critics argue that affirmative action has caused reverse discrimination against White males. Other critics believe that people should be selected for positions based on merit alone. A third line of attack is the claim that affirmative action policies move America away from the goal of achieving a color-blind society. And finally, many critics argue that affirmative action stigmatizes those who benefit from the wider opportunities made possible by affirmative action. Let me comment briefly on each of these criticisms.

On reverse discrimination, I will note that a 1995 study commissioned by the Department of Labor found that affirmative action programs do not lead

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to widespread reverse discrimination claims by Whites. Indeed, a high proportion of such claims filed were found to lack merit. The analysis found that only 100 out of 3,000 discrimination cases filed up to 1994 involved reverse discrimination, and in only six of the cases were such claims substantiated.

With respect to merit, the reality is that most hiring decisions involve some form of unspoken preferential treatment. The goal of affirmative action is to change institutions in ways that remove entrenched practices that perpetuate discrimination. Equal employment opportunity is a fundamental societal value, and one that is protected by our Constitution. A narrow definition of merit that results in the systematic exclusion of women or members of a particular racial group must be considered suspect, and should give way to a broader definition that allows a wider opportunity for all groups to participate in our society. Expanding opportunity strengthens our economy, preserves our democracy, and gives our nation the moral authority to exercise leadership in the world.

What about the elusive “color-blind” society? Justice Harry Blackman got it right when he noted in the *Bakke* case that “in order to get beyond racism, we must first take account of race.” Professor Cornel West, the brilliant Harvard scholar, also illuminated this issue in his classic book entitled *Race Matters*. The fact is that a color-blind society is an important goal, but we are far from reaching that goal, and will never get there until we remove racism and prejudice from the policies and practices of the workplace and other spheres of American life.

Finally, what about the stigma allegedly felt by those who benefit from affirmative action? There is no doubt that some groups in our society are stigmatized by others out of prejudice or ignorance. Many stereotypes of women and minorities are held by those who are unburdened by knowledge of the history of our country, and the great contributions that were made by women and minorities when they had an opportunity to participate. The stigma of race and gender existed long before affirmative action was introduced 30 years ago, and will be changed only when the barriers to full participation of minorities and women are abolished.

Beyond Affirmative Action

One contributing factor to the economic progress of African-Americans that I have observed in recent years is the increasing recognition by the business community that workforce diversity is indispensable to business success. In the competitive, global marketplace, business can no longer afford the luxury of excluding anyone based on race, gender, or other irrelevant factors. More and more business leaders, large and small, now recognize the necessity to seek out talent and ability wherever it can be found. Such talent and ability are found increasingly among those groups that in the past were systematically excluded from participation in most sectors of American economic life.

To some extent, the emerging enlightenment of business leaders makes virtue out of necessity. The fact is that the demographic composition of the American population is changing rapidly. In just a quarter-century from now, there will be no majority racial group in America. The demographic change is already far along in California, where in just a few years, Hispanics, Asians, and African-Americans together will be the majority of that state's population. It is in our nation's interest to extend economic opportunity to all population groups in order to secure our economic future and strengthen our capacity to remain the most economically prosperous nation on earth.

Conclusion

At the dawn of the last century, W.E.B. DuBois, the dean of African-American scholars, wrote that "the problem of the 20th century is the color line." Our historic experience clearly validated the clarity of Dr. DuBois' analysis. We must not endure the 21st century burdened by the legacy of racism, sexism, and other barriers to equal opportunity that Dr. DuBois noted many years ago.

We have made progress in widening the circle of opportunity available to minorities and women, but we still have far to go before we can say that all Americans have an equal chance to succeed in making a contribution to society. Polls show that Americans are slowly, but increasingly, embracing support for diversity and inclusion. Many business firms have adopted

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policies and practices for inclusion as a regular part of their business operations. Many colleges and universities have adopted measures that broaden access to the admission of minority group students. I believe affirmative action is largely responsible for such progress. I commend to you the excellent book *The Shape of the River* by Derek Bok and William Bowen for an incisive, well-documented analysis of the value of affirmative action in our nation's most selective colleges and universities.

Widening the circle of opportunity is critical to the strength and stability of our nation's future. But voluntary change in the policies and practices that block the full opportunity to participate is not the natural order of things. That is why we must maintain public policies that protect the right of all Americans to participate fully in all sectors of American life.

We must make a conscious effort to live up to the American creed of opportunity for all. Economic growth is a *sine qua non* for economic justice. But affirmative action is an indispensable tool to help us reach that goal. Affirmative action is a limited, measured device that strengthens our capacity to make real the promise of American democracy. It deserves our strong support as we move forward boldly toward our bright and promising future.

Bernard E. Anderson

Bernard E. Anderson is Assistant Secretary for the Employment Standards Administration, the United States Department of Labor agency which includes the Wage and Hour Division, the Office of Federal Contract Compliance Programs, the Office of Workers' Compensation Programs, and the Office of Labor Management Standards.

Prior to his Department of Labor appointment, he was president of the Anderson Group, a Philadelphia economic and management advisory firm which provided strategic planning information for private and nonprofit organizations. He was formerly Professor of Industry at the University of Pennsylvania's Wharton School of Finance and Commerce; a lecturer in economics at Swarthmore College; the director of the Social Sciences Division of the Rockefeller Foundation; and a visiting fellow in public and international affairs at the Woodrow Wilson School at Princeton University.

The Neal-Marshall Public Policy Lecture Series

The Neal-Marshall Public Policy Lecture Series is a program of the Indiana University School of Public and Environmental Affairs to honor Marcellus Neal and Frances Marshall Eagleson, the first African-American male and female graduates of the university. The lecture series is intended to support Indiana University's initiative to enhance participation of African-Americans and other minorities in the life of the university. The lecture is presented annually in February, designated Black History Month, to illuminate public policy issues currently facing African-American students and citizens.

