

Black Employment in Black-Owned Enterprises:
A Study of Internal Labor Markets

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Abstract

This study examines the status of Black workers in major Black-owned business enterprises in the United States. Its primary goal is to identify the extent to which internal systems and procedures exist in these firms to govern the pricing and allocation of labor.

To realize the primary goal of the dissertation, several objectives are pursued. First, the historical reasons behind the present industrial distribution of Black business are explored. We then proceed to undertake a comparative analysis of the existing industrial profile of the Black economy with that of the national economy. From these discussions, it is clear that the Black economy continues to be concentrated in two industrial sectors-- retail and selected services. Next, a macroeconomic analytical framework is utilized to further assess the labor

market implications of this industrial characterization. From this analysis, we conclude that an overwhelming majority of Black firms operate in the periphery of the economy and, therefore, are likely to employ a labor force comprised of unskilled and semi-skilled workers. The focus of the research then shifts from the more aggregate analysis to that of the firm. It is at this level where the internal labor market is examined in detail.

Several case studies of labor markets within major Black firms operating in the banking, insurance, and manufacturing sectors of the economy are offered. From the case studies, we conclude that while most Black businesses are perhaps correctly assigned to the periphery of the economy, the larger employers have in place a series of formal administrative processes which governs the entrance, promotion, and exiting of workers from their establishments. Moreover, in a few instances, some of the firms behave much like those forming the core of the national economy even though they are, on the basis of gross sales, total employment, political and economic power, correctly aligned with the periphery of the larger economy.

Thesis Supervisor:

Bennett Harrison, Associate Professor of Economics
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Chapter I

Introduction

For the past four decades, Black unemployment has outpaced that of white workers by an average ratio of two to one. The billions of dollars spent annually by the Government on job training and equal employment opportunity enforcement has done little to reduce the unemployment differential between the two groups of workers. Persistent unemployment and other pathologies of urban life have proven to be very difficult to resolve as advocates of social change continue to search for ways to turn idle human resources into socially productive labor. As progress towards these ends develops, it is frequently challenged by non-minorities on the grounds that efforts to correct the social and economic wrongs of the past infringe upon their rights as guaranteed under the Constitution. Bakke, Webber, et al. are cases in point.

As our understanding of the problems of Black unemployment and minority unemployment in general has solidified, it has become increasingly clear that minorities themselves will have to play a greater role in reducing their own unemployment. Historically, minority entrepreneurs have made it a practice to hire minority workers. Therefore, it is particularly important for us to develop more viable ways

to expand the minority business component of the economy. Yet, we must caution that while this may be a necessary prerequisite to reducing unemployment among racial minorities, in and of itself, it is not sufficient to eliminate the problem. Nonetheless, we must exploit these possibilities.

With the establishment of the Office of Minority Business Enterprise (OMBE) in 1969, the Federal government began to respond to some of the problems faced by minority businesses. Since OMBE's inception, there has been a gradual increase in Federal assistance to minority firms. The focus of this assistance has shifted somewhat from providing only managerial and technical support to encouraging the numerical and economic expansion of minority business enterprise. The Section 8(a) and the Set-aside Program under the Local Public Works Program are both characteristic of this trend. However, even with Federal assistance, minority enterprise still only represents a small fraction of the national total. In reality Federal aid to minority business frequently has very limited impact on the problems it is intended to address. Many of the resources targeted to minority firms end up in the pockets of non-minority entrepreneurs through both legal and illegal business ventures. In addition, there is the problem of "instant minorities"--non-minority individuals and firms whose primary objective is to siphon off and exploit minority business assistance programs. Yet,

in spite of all of these shortcomings, small legitimate minority-owned firms relentlessly persist in their historical struggle for economic parity.

This study is about a particular group of minority-owned firms--those owned and operated by Blacks. As a group, Blacks have established some of the largest minority-owned businesses in the country. This dissertation examines Black enterprise in the context of the U.S. economy and the types of jobs it creates. Further, this is a study of the administrative rules and regulations which govern the entrance, movement, and exiting of workers from Black-owned enterprises. In sum, it is a study of the internal labor markets in Black firms.

An inquiry into the internal markets makes it possible for us to not only talk about the numerical and occupational distribution of jobs in Black-owned firms but also the type of employment being generated. Moreover, we are able to study the structural relationship between jobs in Black businesses and those in the labor market outside of these firms. We not only look at the number of jobs but also their quality as measured in terms of wages, fringe benefits, job security, and the like.

ORGANIZATION OF STUDY

The present industrial configuration of Black business is the result of a variety of historical

developments. For a number of reasons, Black business activity has been based in two sectors of the economy--retail and selected services. As background, the second chapter of this work presents a brief overview of those factors which have acted to channel Blacks into certain industries. As the information in Chapter III will show, Black business has not been able to seriously penetrate most of the more economically viable industrial sectors because of a variety of market and non-market forces. Thus the pattern of Black business development does not deviate significantly from that first observed near the turn of the century.

The prevailing industrial composition of the Black economy is further analyzed in Chapter IV where a macroeconomic framework is applied to assist in formulating an overall characterization of employment in these establishments. On the basis of the analysis presented in this chapter, it is clear that the industrial mix influences strongly the labor market orientation of Black-owned firms. That is to say, because an overwhelming majority of these firms are involved in retailing and in providing services to individuals, they utilize a labor force that is comprised primarily of unskilled and semi-skilled workers.

Virtually all Black firms are very small in economic size and less than one-fifth reportedly maintained a paid workforce. As a result, only a few of these businesses exhibit features which suggest the existence of an internal

labor market. Nevertheless, there are a few firms in the Black economy that are large enough to have developed some type of internal administrative procedure for allocating labor. To study internal labor markets, therefore, we focus only on the major firms--those employing a minimum of fifty workers each. On the basis of this research, there are approximately 280 of these firms, a majority of which are engaged in banking, insurance, and manufacturing (the procedure used to identify these major employers is discussed below). In Chapter V through VII, several detailed case studies of the internal labor markets in several of these major Black-owned businesses in the insurance, banking, and manufacturing sectors of the economy are offered.

METHODOLOGY

The initial research methodology for this dissertation was predicated on the assumption that data necessary to conduct an extensive analysis of many aspects of labor markets within Black firms were available or could be collected through a primary data search.

The first phase of the project, therefore, involved the identification of major Black employers. As one might expect, there does not exist a single source which ranks Black-owned businesses on the basis of the number of workers they employ. To compile a list of the major employers, therefore, it was necessary to consult a variety of sources--

business directories, private publishing firms, state and local minority business assistance agencies, private venture capital corporations, Black trade organizations and several Federal offices including the Office of Minority Business Enterprise, the Census Bureau, the Compliance Division of the Small Business Administration, and the Equal Employment Opportunity Commission. From information provided by these agencies, it was possible to develop a preliminary list of major Black employers. This initial list was then forwarded to the National Association of Black Manufacturers, the National Insurance Association, and the publishers of Try Us, a national directory of minority-owned businesses. These organizations were able to further refine the original list and to attest to its utility as an accurate identification of the major Black employers in the United States. It was from this list that the 280 major employers were identified.

To implement the data-gathering process, a questionnaire was developed and mailed to all of the major Black employers during the months of January and March, 1978. Over this period, two separate mailings of the questionnaire were carried out. Each of the mailings was followed by telephoning at random many of the companies included in the survey. Unfortunately, none of these efforts generated a sufficient return on which an economy-wide analysis of major Black-owned firms could be conducted. To compensate for this shortcoming, a case-study approach was selected as the most

appropriate procedure to gather the necessary information. On-site interviews were held at nine of the major Black-owned companies. The actual selection of the individual companies was based on personal contacts at the various firms and their willingness to participate in the research project.

The interviews were open-ended and lasted anywhere from five hours to a full day. Personnel managers provided most of the information for the development of the case studies. However, during all of the visits, discussions were held with plant and operations managers as well as various members of the senior management staff. In a few instances, time was spent with workers and union officials. The interviews were supplemented by discussions with Black trade organizations such as the National Association of Manufacturers and the National Insurance Association. The combination of these resources provided a sufficient data base for analyzing labor markets within Black-owned firms.

To insure the accuracy of the various case studies, each of the companies interviewed were asked to review their respective cases. Comments submitted by the companies were then included in the final draft.

Finally, in addition to the primary data-gathering process, extensive use has been made of the 1972 Survey of Manufacturers and the 1972 Survey of Minority-Owned Business Enterprises--Black. The author is confident that this first-ever attempt at a comprehensive analysis of labor

markets within Black-owned firms will enhance our understanding of internal labor market processes in general and those associated with Black firms in particular. It is hoped, also, that the systematic analysis of Black business concerns provided in this work will lend credence to the Black economic struggle, and concomitantly spark interest in measures that would objectively address the disparity between the Black and national economies.

Chapter II
Historical Notes on the
Development of Black-Owned Business in the United States

AN OVERVIEW

Black Americans have been engaged in entrepreneurial processes in the United States for more than 150 years. This involvement began in the early 1800's when a few Blacks provided goods and services which were primarily consumed by whites for a fee.¹

Over the years, there has been a slow, but relatively steady increase in the number of Black-owned firms. Though early statistical data pertaining to the number and industrial concentration of these firms are at best sketchy, sources suggest that by 1863, there were some 2,000 Black-owned and operated firms in the U.S.²

Even before the Civil War, Blacks ran successful businesses on a small scale in the North and South. Though the bulk of these activities centered around personal services, a few Blacks were also engaged in merchandising. Blacks operating in this sector of the economy made and sold shoes and clothing.³ Other Blacks established themselves in the public accommodations business, food service, trading and commercial farming.⁴

Although the southern economy was basically a

plantation economy, free Blacks did manage to accumulate considerable capital in the years before the Civil War. Some observers have estimated that free Blacks had amassed at least fifty million dollars in real and personal wealth before the outbreak of the War.⁵ At least half of this total capital was held by southern Blacks. Since many state laws did not permit Blacks to become shareholders in white-owned businesses nor make deposits in white-owned financial institutions, most of their wealth was held in the form of real property.⁶ Herein, therefore, lies one of the fundamental reasons why Blacks eventually found it necessary to establish their own financial institutions.

Before the Civil War, many Black entrepreneurs focused their activities in and around cities with sizeable Black populations.⁷ This was particularly the case with Blacks engaged in retail and general merchandizing. Since Black settlements were most often separated from the white community where most of the white-owned stores were located, white consumers were not overly patronizing when it came to consciously supporting the development of Black-owned businesses. And so, enterprising Blacks were, at that time, most often relegated a small, but steady market for their goods and services. According to some observers, "before the white merchants saw the possibilities of this trade it was controlled by . . . free Negroes."⁸

Though some Black business persons found a protected

market for their goods and services, the fact remained that there were only a few cities with enough free Blacks to support a separate Black economy. In this regard, Roy Lee, in his analysis of the organization of Black businesses, notes that before the Civil War, "only four communities--Charlestown, South Carolina; New Orleans; Baltimore; and Richmond, Virginia--possessed a large enough group of 'free persons of color to permit an economic structure along the lines of what later developed into a separatist economy.'"⁹

In the years preceding the Civil War, Black-owned businesses could be found in most southern cities.¹⁰ However, in the North, business activity among Blacks tended to lag behind that in the South. Perhaps the only major exception to this general observation was the involvement of Blacks in the food catering business which they dominated in many northern cities.¹¹

It is perhaps noteworthy to point out some of the reasons for the slower pace registered by northern Blacks with regard to business activities.¹² First, the Black population in the North was very small and scattered throughout the states. The population was simply not large enough to support a separate class of Black business persons. Secondly, those few Blacks who did live in the North were frequently employed in menial jobs. Thus, there was a lack of an income base upon which to build a business. Thirdly, the influx of German and Irish immigrants in the mid-1800's

adversely affected the employment opportunities open to northern Blacks. For perhaps the first time in history, Blacks were being forced to give up their menial jobs to the immigrants from Europe. This particular event further retarded the chances for significant business formation among Blacks living in the North. In addition to these factors, the more liberal attitude of northern whites reduced the perceived need among Blacks to establish and support their own businesses.

Green and Woodson, in their analysis of the Black wage earner, point out that before the Civil War, "Negroes in the North were restricted to two occupations, agricultural pursuits and domestic service . . . The largest number of Negro workers in the free states down to the end of the antebellum era, however, went into domestic service."¹³ It was from the latter occupational sector that Blacks made important inroads into the catering business in the North.

In the South where Black workers made up the bulk of the labor supply, their occupational experiences surpassed those of their northern counterparts. This was facilitated by the self-contained nature of the plantation economy which characterized the antebellum South.

From a business development point of view, Blacks engaged in entrepreneurial pursuits in the South were concentrated in personal services--hairdressing, barbering, boarding houses, and retailing--groceries, cigar stores,

vegetable dealers, and restaurateurs.¹⁴

With the emancipation of Blacks there was no massive shift in their representation in the business world.¹⁵ In his analysis of Black business development, Bates cites two reasons why there was no marked increase in the number of Black-owned firms after emancipation. First, "in the grips of a severe depression, the post war south offered few opportunities for accumulating the necessary capital to establish Black business. Secondly, when Blacks did manage to open businesses, they found very modest success only in their traditional fields."¹⁶

In appraising the plight of Blacks in Philadelphia between 1840 and 1870, DuBois noted that though Blacks maintained a virtual monopoly in the area of domestic service. According to DuBois,

To the more pushing and energetic Negroes only two courses were open; to enter into commercial life in some small way, or to develop certain lines of home service into a more independent and lucrative employment. In this latter way the most striking advance was made; the whole catering business arising from an evolution shrewdly, persistently and tastefully directed, transformed the Negro cook and waiter into the public caterer and restaurateur, and raised a crowd of underpaid menials to become self-reliant, original businesses men.¹⁷

In sort, though many Blacks developed successful businesses before the Civil War, the magnitude of these activities was, in fact, shaped by the willingness, or lack

thereof, among whites to establish trading relationships, the size of the free Black population, the relationship of the business to the occupations which Blacks were engaged in up to and during the war era, and the initial capital requirements of the enterprise. In other words, Black-owned businesses were established in those areas of the country where the Black population was large enough to support such efforts and in those sectors of the economy where the least amount of start-up capital was required.

With what appeared to be insurmountable odds against them, one might ask why Blacks were so persistent in trying to establish their own businesses. With the Civil War coming to a close and the decline of the plantation economy, it became increasingly clear that Blacks would face severe competition and discrimination in their search for employment. Furthermore, what little cooperative spirit which did exist in capital markets was severely reduced as the War came to a close. Consequently, Blacks had virtually no alternative but to try and develop their own economic institutions. In this regard, it is useful to examine the overall impact of discrimination in capital, labor, and product markets on the development of Black-owned business after the Civil War.

DISCRIMINATION IN CAPITAL, LABOR, AND PRODUCT

MARKETS AND THE DEVELOPMENT OF BLACK BUSINESS

The unwillingness of white-owned institutions to provide enough capital to foster significant involvement of Blacks in the production of goods and services was a primary stimulus for the group to begin a "self-help movement." Though the primary focus of this discussion is on the post Civil War era, it is important to note that Blacks organized mutual-aid societies as early as the mid-1700's. These societies provided a source of financial support to the sick and paid death benefits to the family of a deceased person. It was not until the latter part of the 1800's, however, that these institutions reached their peak in services provided to their memberships.

The post-War era proved a difficult time for Black business persons as a result of the racial prejudice which increased after the War. And, since Blacks were unable to diversify their business activities, the heightened competition and discrimination put them at an even further disadvantage in the business world. Writing in the late 1890's, DuBois observed that "We must first notice that the race prejudice of whites acts so as to isolate this group [Blacks] and to throw upon it the responsibility of evolving its own methods and organs of civilization."¹⁸

Perhaps the most effective approach to discussing the catalytic nature of market discrimination as a force in the

development of Black enterprise is to begin by examining the entrance of Blacks into the banking and insurance industries.

As noted earlier, during the mid- and late 1800's, few Blacks were able to obtain capital to enter business through sources other than personal savings. Though this may have been as satisfactory way to establish a beauty parlor or barber shop, other sources of funds would be required if Blacks were to venture into more capital intensive retail and manufacturing activities.

Blacks desiring to enter business have always found it difficult to secure capital while those in business, as well, are frequently plagued with expansion capital problems. Early attempts by Blacks to deal with financial inadequacies in their communities were first reflected in the establishment of mutual-aid societies. These financial organizations, or secret organizations as they were often called, first appeared around 1787 in the city of Philadelphia. Initially, the mutual-aid societies functioned primarily in a social welfare capacity.¹⁹ In the years ahead, however, these societies would provide the impetus for Blacks to enter the insurance and banking industries. Of equal importance, the benefit societies provided a training ground for Blacks to develop management and accounting skills. In discussing these societies, DuBois notes that they "had much to do with the social education of the Negro both before and after emancipation."²⁰

Though the benefit societies first appeared in the late 18th century, it was not until 1851 that Blacks began discussions about the possibility of establishing their own financial institutions.²¹ Puryear and others have observed that:

In New York in 1851 a church-backed organization discussed plans for forming a bank, suggesting that its organization would assist black homesteaders and black men who wished to go into business. The convention recommended that a bank be established on the mutual principle, with power to deal in real estate, merchandizing, bonds, mortgages, and commercial paper.²²

Between 1851 and 1888, however, two events served to impede efforts by Blacks to establish their own banks. First, this was the period of the Civil War. Secondly, during this period the Freedmens Savings Bank was established, a bank organized and operated by whites for free Blacks immediately after the War. After remaining in operation for nine years, the bank closed in 1874 because of poor management and related problems. The closing of the Freedmens Bank proved to be an economic and psychological tragedy for Blacks who made up the majority of its depositors. In fact, some observers have pointed out that the failure of the Freedmens Bank "generally dampened the ardor and desire of Negroes to invest their savings anywhere . . . "²³

It took many years for Blacks to rebuild enough trust and confidence to seriously support the banking industry in

general and Black banks in particular. Nevertheless, by 1888, the necessary confidence had been restored and in that year, the first Black-owned and operated bank, the Capital Savings Bank of Washington, D.C., was open for business.²⁴

Between 1888 and 1934, some 134 Black-owned and operated banks were established.²⁵ An overwhelming majority of these banks functioned solely as savings institutions; the Black community did not have a sufficient economic base to support commercial banking.²⁶ However, savings banks were relatively successful because many were founded by Black fraternal organizations which served as their principle depositors.

In summary, it can be stated that Blacks initially entered the banking field because white-owned banks refused to make loans for Black business development. "Black entrepreneurs found it virtually impossible to obtain expansion capital and credit."²⁷ However, with the growing desire among Blacks to be thrifty, to own property and, in general, to participate in the free enterprise economy, it was clear that the time had come for them to develop their own financial institutions.

The entrance of Blacks into the insurance industry has been marked by some of the same historical events surrounding their participation in the field of finance. Thus, "partly in self-defense . . . and partly in obedience to a natural desire to unite small economic efforts into

larger ones, the Negro insurance societies began to arise"28 These early companies were most often an outgrowth of the mutual-aid societies which first appeared in the late 18th century. These religious-based societies "represented the first insurance operations among souther Negroes even though they were operated on a nonacturial, mutual-aid basis."29 Up until 1880, the mutual-aid society was the prevailing form of Black insurance.30

Beginning in the 1880's white-owned insurance companies were extremely reluctant to insure Blacks.31 If Blacks were insured by these firms, they would be restricted as to the type of coverage which was purposely inadequate. In addition, Blacks insured by white firms were subject to a higher premium payment--all because the life expectancy among Blacks was lower than that of whites.32 As a result of these discriminatory practices, Black insurance firms were left with a captive market to develop.33

As Black life expectancy increased, however, Black-owned insurance companies found that the sheltered market of the late 1890's and early 1900's would be the subject of competitive marketing from white-owned firms.

The general lack of capital and credit which plagued Black-owned business in general also had an adverse effect on the growth of the insurance industry.34 Nonetheless, over the years and until today a number of these firms established in the late 1890's have successfully remained in business.

As Blacks built social and financial infrastructures for business development, they also created employment opportunities for themselves and other workers, important spillover effects of the former activity. This growth in employment opportunities was particularly important to the economic survival of many Blacks.

As early as 1853, Frederick Douglass noted that:

Every hour sees the black man elbowed out of employment by some newly arrived emigrant . . . white men are becoming house servants, cooks and stewards on vessels; at hotels, they are becoming porters, stevedores, wood shavers, hod carriers, brickmakers, white-washers and barbers--a few years ago a white barber would have been a curiosity.³⁵

By and large, the attitude of whites toward Black workers intensified as the antebellum period came to an end. Many whites simply refused to work in jobs next to Blacks, especially in manufacturing situations. In fact, racial prejudice among whites toward Black workers resulted in the latter being "gradually excluded from many occupations."³⁶

Charles Wesley, in his historical assessment of Black labor in the U.S., notes that before the Civil War white labor in the North and South:

. . . had adopted three attitudes towards Negro workers, (1) to openly oppose them, (2) to oppose their progress by a secret opposition which was founded upon color prejudice, and (3) to oppose the future extension of labor opportunities to free Negroes . . .

The anti-slavery movement would destroy slavery but it neglected the more practical task of creating an economic future for the free Negro population in industry.³⁷

As suggested, from the foregoing discussion, racial prejudice in employment resulted in intensive competition between Black and white workers. Though Blacks in the South held a monopoly on labor during the era under discussion,³⁸ their difficulty in finding non-farm employment resulted in many of them migrating to the North. However, job competition in the North was equally as intense as that observed in the South, especially in manufacturing.³⁹

Restricted employment opportunities in the larger labor market therefore served to encourage free Blacks with sufficient capital to enter some form of independent business activity. Though this approach to employment was in no way to represent a total solution to the problem of labor market discrimination encountered by Black workers, for the few who could raise adequate capital, self-employment was viewed as an alternative way of satisfying the need to work. Here it is important to note that the pre-Civil War business development activities, though labor intensive, were generally not large enough to require extensive labor input from the outside. In other words, many of these were family-owned and operated enterprises, a feature which continues to characterize Black-owned business in America.

There was no radical expansion in employment

opportunities available to Blacks after the Civil War. In the South, the racial prejudice which prevailed prior to the War continued to shape the attitudes of whites towards Black workers. In the North, "Negroes found themselves virtually restricted to menial employment as before the Civil War and in some places they were displaced in domestic and personal services."⁴⁰ Furthermore, Blacks were:

. . . being displaced as stevedores and longshoremen because of the violent racial antipathy which was manifested by the Irish against the Negro worker along the docks in such northern cities as Cleveland, . . . Boston, New York . . . and Chicago. In the border states the influx of foreigners and developing labor unions tended to eliminate them from such employments as brickmakers and to deprive them of what little hold they had upon the skilled trades.⁴¹

Generally, in the decades immediately following the War, Black workers saw a reduction in their employment as mechanics and artisans in manufacturing and other non-farm employment.⁴² Moreover, even when they were employed in these areas, the discriminating employer frequently refused to pay Black workers wages comparable to those paid to white employees.⁴³ The upshot of these prejudicial employment practices was over representation of Black workers in agricultural and domestic employment. In fact, the 1890 Census reported that of the 3.1 million Blacks 10 years of age and over who were gainfully employed, 1.7 million, or 55 percent were employed in the agricultural sector of the economy.⁴⁴

Another 25 percent of all workers at the time of the Census were employed in domestic service.⁴⁵ As is clear from these statistics, the two sectors accounted for 80 percent of all Black employment in 1880.

In summary, the forces of discrimination in capital, labor, and product markets have been a deciding element in shaping Black business development in the United States. These historical notes should make it clear that the institution of slavery was the initial limiting factor in Black business formation during the 19th century. Only free Blacks could own and operate a business and in some states even this was taboo. Furthermore, for the fortunate few, the range of business development opportunities was severely restricted by the forces of racial prejudice and discrimination.

Until Blacks opened their own banks, capital, and credit for entrepreneurial purposes was virtually non-existent. And even with the emergence of the Black savings bank, the capital problems were far from being resolved. These were small banks and, as such, were often unable to meet most of the capital needs associated with business development.

In addition to the capital problems, most Blacks were unable to gain employment in skilled occupations and were, therefore, relegated to agricultural and domestic employment. Limited job opportunities further restricted the chances of

Blacks to learn many of the technical skills which would provide a basis for establishing a business in a non-service sector of the economy.

When these various factors are combined it becomes clear that Blacks initially established themselves in those businesses where the capital requirements were small, where the skills required to operate the business reflected their labor market experience and in those areas where white-owned firms refused to provide products and/or service to Black consumers. These circumstances, therefore, helped to shape the industrial distribution of Black-owned firms in the late 19th and early 20th centuries.

Because the industrial mix of an economy is the major force in determining the occupational distribution of its work force, I will now turn to a brief examination of the industrial mix of early Black-owned enterprises. The following discussion will serve as a backdrop for my analysis of the prevailing allocation of Black-owned firms throughout the economy and is fundamental to understanding the internal labor market in these enterprises.

INDUSTRIAL MIX OF BLACK-OWNED FIRMS:

THE CIVIL WAR AND BEYOND

The heightening of racial antagonism and discrimination in labor and capital markets after the Civil War further limited the prospects for diversification in

business development among Blacks. Consequently, in the post-War era business activity continued to be clustered in the service and retail sectors of the economy.

The retail-service characterization of Black business involvement continued to persist until Blacks began to organize themselves in the insurance and banking industries in the late 1800's. And, with the establishment of a few significant manufacturers in the early 1890's there was some indication that more diversified participation by Blacks in the production of goods and services had begun.⁴⁶

The first comprehensive study of Black-owned businesses in the U.S. was conducted by W.E.B. DuBois in 1899. Entitled The Negro in Business, the study was based on a survey of nearly 2,000 Black-owned enterprises.⁴⁷ The primary focus of the inquiry was to determine: (1) the different kinds of business ventures in which Blacks were engaged, (2) the success of these business ventures, (3) the amount of capital invested, and (4) the areas of strong economic advancement by Blacks in business development.

Although the Census of 1890 had reported a total of some 8,000 Black-owned businesses, DuBois and his colleagues were convinced that the Census data was grossly incorrect.⁴⁸ A more accurate count, according to DuBois, would show about 5,000 such businesses during the time in question.⁴⁹ Regardless of the final tally and the fact that DuBois

conducted his study ten years after the Census was taken, the data show a consistent pattern relative to the industrial clustering of Black-owned businesses in the late 1800's.

First, an overwhelming majority of the enterprises was heavily concentrated in the retail and service sectors. Secondly, the number of businesses owned by Blacks correlated very highly with the distribution of the Black population.⁵⁰ For example, of the 8,216 Black-owned businesses reported by the Census, 99 percent were in the retail and service sectors. The DuBois study, however, indicated about 80 in the same sectors of the economy.⁵¹

Prior to the 1900's, the Black business economy was a two-sector economy--retail and service. Unfortunately, the restricted market in which Blacks were forced to operate as entrepreneurs made it practically impossible for them to participate in the changing scale of industrial development which required large amounts of capital and high levels of managerial expertise.

Around the turn of the century, there was a serious attempt by Black leaders and scholars to raise the consciousness of Black consumers and to obtain greater support for Black-owned businesses. During this period, Blacks began to organize large and more capital intensive businesses which were financed through the sale of stock.⁵²

It was not until after the First World War that there was a measurable increase in the number and diversity of

Black-owned businesses.⁵³ In his critique of the "Golden Years of the Black Businessman," Bates notes that a rising level of socio-economic consciousness among Blacks encouraged greater expansion in the number of Black-owned businesses.⁵⁴ Much of this growth was attributed to the migration of Blacks into the cities in search of job opportunities as the demand for farm labor in the rural South continued to decline. The upshot of this growth, writes Bates, was that:

Whereas the average community had formerly had no Black businessmen except for the barber, the restaurateur, and perhaps the undertaker, Blacks were now participating in many lines of industry within Black communities . . . [and] by 1930 there were about 70,000 Black-owned businesses in the United States, a 700 percent increase over 1900.⁵⁵

With greater diversity in the type of business involvement among Blacks came a change in the variety of jobs generated by their business concerns. The printing and publishing industry, the cosmetic industry, and the banking and insurance industries would require a different mix of skills than was the case with the majority of personal service and retail-oriented business operations.

As mentioned above, the fact that a few Blacks did manage to enter non-retail and personal service enterprises during the early years of the century had little effect on the composition of Black business activities. Just as DuBois and early Census data show an overwhelming majority of

Black-owned businesses to be concentrated in the retail and personal service sectors, Joseph Pierce found the same to be true in the mid-1940's.⁵⁶ More specifically, of the nearly 4,000 businesses included in his study, 90 percent were engaged in retailing and personal service.⁵⁷ Thus, the industrial mix of Black-owned firms realized little change in the period between 1890 and 1940. It is important to mention, however, that this period did witness the entrance of Blacks into the finance industry at an unprecedented level. For example, at least 134 banks were established by Blacks during the period in question.⁵⁸ Though most of these banks did not survive the Great Depression,⁵⁹ they played an important role in that they gave Blacks experience in establishing and operating financial institutions, experience which they would not receive in the white-dominated industry during this time.

In addition to their involvement in the banking industry, Blacks made considerable strides in the insurance industry from the late 1800's to the 1940's. For example, of the 41 Black-owned insurance companies in operation today, 27, or 66 percent, were established during the aforementioned period.

More current data assembled by the Census Bureau suggests that Black business activity is still, by and large, a two-sector affair, retailing and service. Nearly 55 percent of all Black-owned firms can be accounted for among

these two industrial categories.⁶⁰

SUMMARY

The struggle by Blacks to effectively participate in the production of goods and services has historically been limited by the forces of discrimination in various sectors of the market. The net effect of this discrimination has resulted in restricted development of a Black entrepreneurial class. Moreover, in those areas where Blacks have been allowed to establish and operate businesses, capital market discrimination along racial lines has served to further retard business development. Yet the fact that white-owned establishments did not provide many goods and services demanded by Black consumers literally forced Blacks to proceed in establishing separate economic institutions amidst the forces of segregation and discrimination. As is shown by the following chapter, there remains, until today, a symbolic "Mason-Dixon" line between the growth and development of the Black economy as compared to the overall national economy.

Notes

Chapter II

¹Alvin N. Puryear and Charles West, Black Enterprise, Inc. (New York: Anchor Press, 1973), pp. 19-20. See also: Roy F. Lee, The Setting for Black Business Development (New York: Cornell University Press, 1972), p. 100; Abram L. Harris, The Negro as Capitalist (College Park, Maryland: McGrath Publishing Company, 1936), Chapter I.

²Julian Ellison, "Blacks in the Political Economy," First World (January-February 1977):17.

³J.H. Harmon, Jr., Arnett G. Lindsay and Carter G. Woodson, The Negro as a Business Man (College Park, Maryland: McGrath Publishing Company, 1929), pp. 1-12. See also: Timothy Bates, Black Capitalism: A Quantitative Analysis (New York: Praeger, 1973).

⁴Harris, The Negro as Capitalist, pp. 9-24.

⁵Ibid., p. 9.

⁶Ibid., p. 8.

⁷Harmon et al., The Negro as a Business Man, p. 3.

⁸Ibid.

⁹Lee, The Setting for Black Business Development, p. 102.

¹⁰Joseph A. Pierce, Black Business Enterprise (New York: Basic Books, Inc., 1971), p. 29.

¹¹Ibid., pp. 30-31.

¹²For a more detailed discussion of these factors see: Harmon et al., The Negro as a Business Man.

¹³Lorenzo J. Green and Carter G. Woodson, The Negro Wage Earner (New York: Russell and Russell, 1930), pp. 1-3.

¹⁴Ibid., p. 18.

¹⁵Harmon et al., The Negro as a Business Man, p. 8.

¹⁶Ibid.

¹⁷W.E.B. DuBois, The Philadelphia Negro (New York: Benjamin Blom, 1899), p. 33.

¹⁸W.E.B. DuBois, Some Efforts of American Negroes for Their Own Social Betterment. Atlanta University Publication No. 3, Report of the Third Atlanta Conference (Atlanta, Georgia: Atlanta University, 1898), p. 19.

¹⁹Mauris Lee Porter Emeka, "Black Banks, Past and Present" (Xerox, distributed by author, 500 Walrond, Kansas City, Missouri, 1971), p. 5.

²⁰DuBois, Some Efforts of American Negroes for Their Own Social Betterment, p. 19.

²¹Emeka, "Black Banks, Past and Present," p. 6.

²²Puryear and West, Black Enterprise, Inc., p. 19.

²³Harmon et al., The Negro as a Business Man, p. 54.

²⁴Emeka, "Black Banks, Past and Present," p. 28.

²⁵Ibid.

²⁶Ibid., pp. 33-34.

²⁷Puryear and West, The Negro as a Business Man, pp. 19-20.

²⁸DuBois, Some Efforts of American Negroes for Their Own Social Betterment, pp. 19-20.

²⁹Ivan H. Light, Ethnic Enterprise in America (Berkeley: University of California Press, 1972), p. 52.

³⁰Ibid., p. 153.

³¹Andrew F. Brimmer and Henry S. Terrell, "The Economic Potential of Black Capitalism," Public Policy 19 (Spring 1969):3.

³²Robert C. Puth, "Supreme Life: The History of a Negro Life Insurance Company, 1919-1962," Business History Review 43 (Spring 1969):3.

³³Brimmer and Terrell, "The Economic Potential of Black Capitalism," p. 293.

³⁴Harmon et al., The Negro as a Business Man, pp. 104-105.

³⁵Charles H. Wesley, Negro Labor in the United States (New York: Russell and Russell, 1967), p. 61.

³⁶Ibid., p. 79.

³⁷Ibid., p. 83.

³⁸Arnold Rose, The Negro in America (New York: Harper Torchbooks, 1948), pp. 101-103.

³⁹Wesley, Negro Labor in the United States, p. 99.

⁴⁰Green and Woodson, The Negro Wage Earner, p. 22.

⁴¹Ibid., p. 23.

⁴²Ibid., p. 36.

⁴³Ibid., p. 35.

⁴⁴Ibid., pp. 36-39.

⁴⁵Ibid.

⁴⁶Bates, Black Capitalism: A Quantitative Analysis, p. 8.

⁴⁷W.E.B. DuBois, The Negro in Business. Atlanta University Publication No. 4, Report of the Fourth Atlanta Conference (Atlanta, Georgia: Atlanta University, 1899).

⁴⁸Ibid., p. 5.

⁴⁹Ibid., p. 6.

⁵⁰Ibid., pp. 5-14.

⁵¹Ibid.

⁵²Lee, The Setting for Black Business Development, p. 106.

⁵³Bates, Black Capitalism: A Quantitative Analysis, p. 9.

⁵⁴Ibid., p. 10.

⁵⁵Joseph A. Pierce, Negro Business and Business Education (New York: Harper and Brothers Publishers, 1947).

⁵⁶Ibid., p. 34.

⁵⁷Harris, The Negro as a Capitalist, p. 48.

⁵⁸Bates, Black Capitalism: A Quantitative Analysis, notes (p. 12) that only twelve of the banks established between 1888 and 1934 were still in existence after 1934 and that every bank established in the nineteenth century had disappeared by 1929.

⁵⁹"The Black Insurance Companies," Black Enterprise 7, No. 11 (June 1977):131.

⁶⁰U.S. Department of Commerce, Bureau of the Census, 1972 Survey of Minority-Owned Business Enterprises--Black (Washington, D.C.: U.S. Government Printing Office, 1975), Table 1.

Chapter III
A Comparative Overview of the
Industrial Segment of the Black and National Economy

This chapter consists of a discussion of the industrial profile of Black business activity. A comparative assessment of the major sectors of the business enterprise component of the Black economy is offered. The chapter sets the framework for the presentation in Chapter IV of a theoretical model of the national economy which in turn sets the stage for making some preliminary assessments of the internal allocation of labor in Black-owned firms.

A NOTE ON THE DATA USED IN THIS CHAPTER

Prior to offering a comparative analysis of the structural similarities and/or differences between the Black and the national economy, a few comments on the data used in these comparisons are in order.

Unfortunately, the economic censuses of 1972 do not provide data which make it possible to make complete and detailed comparisons between the structure of the national economy and the structure of the Black economy.

Briefly, the most important difference in the economic census and the major data source on Black-owned business enterprises is that for the former the Census

Bureau collected and assembled data on an establishment basis while for the latter, data were assembled on a firm basis. Therefore, to the extent that Black-owned businesses have more than one establishment, the outcome of any statistical comparison of these firms with those in the larger economy would probably be biased downward. The magnitude of the bias, however, would probably be very small since an overwhelming majority of Black-owned businesses probably operate from a single location. In this regard, it should be pointed out that of the 194,986 Black-owned firms operating in 1972, 182,530 or 93.6 percent were operated as sole proprietorships.¹ Though certainly not conclusive, the fact that most Black-owned businesses are sole proprietorships gives support to the notion that the majority of them are operated from a single location. Therefore, to a great extent, for the Black economy, firm is equivalent to establishment. Thus, the actual bias in the comparison of firms in the Black economy with those in the national economy is probably very small.

BLACK-OWNED BUSINESSES AND THE NATIONAL ECONOMY

In 1972, there were 194,986 Black-owned enterprises in the United States (Table I). These firms accounted for 1.5 percent of the businesses in the country and less than one-half of one percent of the \$2,540,763 (millions of dollars) in gross receipts reported by business enterprises

Table I. The Inter-Industry Mix of Black-Owned Firms in the U.S.

| Industrial Sector | Number of Firms | Percent of Total | Gross Receipts (\$1,000) | Percent of Total |
|-----------------------------------|--------------------|---------------------|-----------------------------|---------------------|
| Construction | 20,151 | 10.3 | 819,661 | 11.4 |
| Manufacturing | 4,116 | 2.1 | 536,619 | 7.4 |
| Transportation & Public Utilities | 21,738 | 11.1 | 425,467 | 5.9 |
| Wholesale Trade | 2,091 | 1.1 | 764,178 | 10.6 |
| Retail Trade | 56,617 | 29.0 | 2,925,459 | 40.8 |
| Finance, Insurance & Real Estate | 8,001 | 4.1 | 456,781 | 6.3 |
| Selected Services | 68,469 | 35.1 | 1,054,057 | 14.7 |
| Other Industries | 4,283 | 2.2 | 88,782 | 1.2 |
| Industries Not Classified | 9,520 | 4.9 | 97,487 | 1.3 |
| TOTAL | 194,986 | 99.9 | 7,168,491 | 99.6 |

Source: U.S. Census Department, 1972 Survey of Minority-Owned Business Enterprises--Black

in the U.S.²

Retail and service firms had the largest representation of all Black-owned businesses in 1972. Enterprises in these two categories made up nearly two-thirds of all Black-owned firms and they contributed over 50 percent of their gross receipts. Over all, however, only 16 percent (31,893) of all Black-owned firms had a paid work force, yet this group of firms generated over 70 percent of the gross receipts reported by Black-owned business.

On the basis of the data provided in Table I, several comments are in order. Foremost in this regard is that the retail trade component, dominated by eating and drinking establishments, accounted for 40 percent of the gross receipts of all Black-owned businesses.

Participation in the food stores sector of retailing by Blacks ranks second to their ownership of eating and drinking establishments (Table II). Food stores represent a little more than one-fifth of all Black-owned retail firms and they contribute a proportionate amount of gross receipts.

Automobile dealers and service station operators, the third most significant group of Black retailers, account for less than 13 percent of the total, yet they contribute nearly one third of the sector's gross receipts. A vast majority of all firms in this industry are engaged in gasoline and service station operations; but the arrival of the Black-owned automobile franchise adds financial significance

Table II. Distribution of Retail Establishments in the Black and National Economy

| Industry Group | Black-Owned | | National Economy | |
|---------------------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | Number of Establishments | Percent of Total | Number of Establishments | Percent of Total |
| Building Materials & Garden Supplies | 632 | 1.1 | 83,210 | 4.5 |
| General Merchandise Stores | 1,040 | 1.8 | 55,205 | 3.0 |
| Food Stores | 12,271 | 21.7 | 255,081 | 13.7 |
| Automotive Dealers & Service Stations | 7,287 | 12.9 | 340,541 | 18.3 |
| Apparel & Accessory Stores | 1,952 | 3.4 | 127,249 | 6.9 |
| Furniture & Home Furnishing Stores | 1,840 | 3.2 | 115,017 | 6.2 |
| Eating & Drinking Places | 15,154 | 26.8 | 344,370 | 18.6 |
| Miscellaneous Retail | 16,441 | 29.0 | 535,581 | 28.8 |
| TOTAL | 56,617 | 99.9 | 1,856,245 | 100.0 |

Source: U.S. Census Department, 1972 Survey of Minority-Owned Business Enterprises--Black and U.S. Department of Commerce, United States Retail Trade 1967 and 1972, Table 1.

to Black retailing, which was basically absent prior to the mid-1960's.

Comparatively, the basic structure of the retail sector of the national economy does not differ markedly from that of the Black economy. As the data in Table II show, food and drinking places constitute the largest group of retail firms in each of the two economies, while automobile dealers and service station operators along with food stores are the second and third most significant components of the retail sector.

The point to be made here is that even though the basic structures of the two economies display comparable rank orders relative to major retail activities, individual firms operating in the two economies have very different characteristics. There are, for example, no Black-owned retail establishments comparable to a Sears and Roebuck, no national or regional supermarket chains, and certainly no major Black-owned drugstore chains. Accordingly, the labor needs and resulting allocation processes associated with Black-owned retail firms are likely to differ radically from others in the national economy.

Clearly, the Black retail sector is dominated by small eating and drinking places and small grocery stores, neither of which maintains a critical mass of workers. As such, the size of the work force is not large enough to justify any in-depth examination of its internal allocation

processes.

Automobile dealers and service station operators have become the single most important elements in the retail trade industry relative to their sales volume. In addition, employment density per firm is higher than in any other retail group. The average firm with a payroll employed a total of eighteen workers. Further, unlike the small eating and drinking establishments, these firms require a mix of skilled and professional workers. Therefore, in terms of studying the internal labor market of the retail sector of the Black economy, automobile dealers represent the only area where an internal labor market may have emerged.³

Business and personal services represent the second most intense level of Black business development in today's economy. Again, with reference to Table I, 35 percent of all Black-owned businesses were engaged in providing selected services in 1972. Personal services represent almost one-third of all the firms in the selected services industry. Nearly two-thirds of these firms are doing business as either beauty parlors or barber shops. Such concentration significantly reduces the impact of selected service enterprises on the Black economy as these firms are highly labor intensive and function on the low end of the wage and salary spectrum.

The second most significant area of participation in this industry is in the area of business services. Here,

more than one-half of the firms are engaged in providing secondary services to business, primarily maintenance and janitorial. These tend to be small firms, most of which do not have any regularly paid employees. For example, at the time of the 1972 Census, only 15 percent (1,677) of the firms in this sector reportedly maintained a paid work force.

An overwhelming majority of the business service firms with paid employees (71 percent) were engaged in providing services to buildings.⁴ Firms in this sector of the selected services industry are highly dependent upon a secondary labor force; thus, they employ a high proportion of unskilled workers and their wages are frequently close to the legal minimum.

For the national economy, selected services represent approximately 12 percent of all business activity. Of this, personal and business services represent over 50 percent, a pattern which parallels that observed among Black-owned enterprises. However, in terms of gross receipts, personal and business service firms do not figure as prominently in the national economy as they do in the Black economy. For example, while these two industrial groups generated 67 percent of the gross receipts in the selected services sector of the Black economy, they only generated about 46 percent of the gross receipts in the national selected services industry.⁵ Similarly, business service firms in the national economy tend to be more technically oriented and thus likely

to require a different mix of labor than their Black counterparts. To illustrate, in the national economy, let us consider consulting and public relations services. Here, nearly 82,000, or 25 percent of all business services are represented. Moreover, services to buildings comprise only 15 percent of all business services as compared to 71 percent among Black-owned firms in this sector.⁶

In summary, both the Black and national selected service industries are dominated by personal and business services. However, the basic structure of the firms in the national industry differs considerably from those in the Black economy in terms of the mix of services provided and their resultant labor market orientation. There is little evidence to support any significant internal labor market formation among the majority of Black-owned retail and business service firms. These enterprises are small in economic size, local in market scope, and they draw their employees from the ranks of the unskilled. This does not suggest, however, that there are no Black-owned selected services and retail firms with observable internal labor allocation structures. Rather, most of these firms employ labor that is frequently in surplus and, as such, do not have to concentrate on labor utilization processes which give rise to internal labor markets.

Two other industries, transportation-public utilities and construction, collectively account for one-fifth of all

Black-owned business enterprises. Transportation and public utility firms represent 11 percent of all businesses in the Black economy while construction forms comprise another 10 percent.

Black firms engaged in the transportation industry are clustered into two categories: (1) local and interurban passenger transit, and (2) trucking and warehousing. These two industry groups constitute almost 90 percent of all Black enterprises involved in the transportation and public utilities segment of the Black economy.⁷

Over half of the Black transportation industry is engaged in trucking and warehousing. The remaining firms are almost exclusively engaged in one-person businesses such as taxi operators. Less than 3 percent of the 7,685 firms which make up the latter group employ paid workers.⁸ Moreover, in 1972 the gross receipts of the average taxicab company without paid employees were only about \$5,000.⁹ Clearly, the average firm in this sector of the Black economy is extremely small when measured in terms of both gross receipts and total work force. Accordingly, job classification systems, formalized work environments, on-the-job training, explicit wage determination mechanisms, and other features of an internal labor market are necessarily absent.

Data presented in Table I show that construction firms represent some 10 percent of all Black-owned

businesses. Comparatively, such firms in the national economy comprise 7 percent of all business activity, but they generated a smaller proportion of total gross receipts.¹⁰ For example, construction firms in the national economy were responsible for 6 percent of the gross receipts as compared to 11 percent in the Black economy.

The construction industry, like most of those making up the Black economy, consist of very small firms, few of which engage a paid work force. Although this feature characterizes the construction industry as a whole, a fundamental different between Black-owned construction firms and those owned by whites is that there are no firms among the former group enjoying regional, national, or international ranking. A majority of Black construction firms are special trade contractors (plumbing, masonry, painting, carpentry, and the like). For example, of the 20,152 Black-owned construction firms, 80 percent fall in the special trade category while the remaining 20 percent are classified as general contractors.

Because of the many unique problems which best minority-owned construction firms--access to capital, surety bonding, and restrictive union hiring patterns--the institutional arrangement which prevails among white-owned and larger firms may be absent. To illustrate, in an interview with the owners of a medium-sized Black-owned construction company in the New England area, the owner was

quick to point out that he frequently did not obtain his work force, skilled or otherwise, from union halls, a customary practice among construction firms. This diversion, from what may be considered a normal practice, is attributed to the fact that racial discrimination in craft unions has resulted in gross under-representation of minority workers holding membership in trade unions. Therefore, in order to maintain a labor force composed primarily of minority workers, it is frequently necessary to hire non-union workers. By hiring from the non-union labor pool, a construction company by-passes one of the major allocation mechanisms in craft labor markets--the union hall. In short, though there are no major differences in the relative composition of Black and national construction companies, there does appear to be discernible differences in their relationship with traditional labor market institutions associated with both external and internal labor allocation processes.

In the area of manufacturing, the industry which has historically formed the core of the U.S. economy, Black representation continues to be extremely modest.

Although Blacks have managed participation in virtually all major sectors of manufacturing (Table III), nearly 60 percent of their activity is to be found in two areas--lumber and wood products, and printing and publishing. Only in one other sector, apparel and other textile products, do Black-owned manufacturing enterprises represent at least

Table III. Relative Distribution of Manufacturing in the Black and National Economy

| Industry Group | Black-Owned | | National Economy | |
|----------------------------------|---------------------|------------------------------|---------------------|------------------------------|
| | Percent of Total | Percent of Gross Receipts | Percent of Total | Percent of Gross Receipts |
| Food & Kindred Products | 3.7 | 16.5 | 8.8 | 15.2 |
| Tobacco Manufactures | .1 | * | * | .8 |
| Textile Mill Products | 1.3 | 1.6 | 2.2 | 3.7 |
| Apparel & Other Textile Products | 6.0 | 5.7 | 7.6 | 3.6 |
| Lumber & Wood Products | 40.1 | 13.8 | 10.6 | 3.1 |
| Furniture & Fixtures | 3.6 | 3.4 | 2.9 | 1.5 |
| Paper & Allied Products | .4 | .9 | 1.9 | 3.7 |
| Printing & Publishing | 18.1 | 14.3 | 13.1 | 4.0 |
| Chemicals & Allied Products | 1.9 | 7.7 | 3.6 | 7.6 |
| Petroleum & Coal Products | .3 | .2 | .6 | 3.8 |
| Rubber & Misc. Plastic Products | .7 | 1.1 | 2.9 | 2.8 |
| Leather & Leather Products | .7 | .2 | 1.0 | .7 |

(con. on next page)

* Less than 0.1 percent.

Source: U.S. Census Department, 1972 Survey of Minority-Owned Business Enterprises--Black

(Table III, con.)

| Industry Group | Black-Owned | | National Economy | |
|-----------------------------------|---------------------|------------------------------|---------------------|------------------------------|
| | Percent of Total | Percent of Gross Receipts | Percent of Total | Percent of Gross Receipts |
| Stone, Clay & Glass Products | 3.0 | 3.6 | 5.0 | 2.8 |
| Primary Metal Industries | 1.4 | 2.9 | 2.1 | 7.7 |
| Fabricated Metal Products | 3.9 | 8.4 | 9.2 | 6.8 |
| Machinery, except Electrical | 3.2 | 6.3 | 12.7 | 8.7 |
| Electrical & Electrical Equipment | 2.2 | 7.6 | 3.8 | 7.0 |
| Transportation Equipment | .8 | 1.4 | 2.7 | 12.5 |
| Instruments & Related Products | .6 | .7 | 1.9 | 2.0 |
| Miscellaneous Manufacturing | 7.9 | 3.6 | 7.2 | 1.6 |
| TOTAL | 99.9 | 99.9 | 99.8 | 99.6 |

5 percent of the U.S. total.

The relative distribution of Black-owned manufacturing firms suggests that a majority of them depend upon a labor force which primarily consists of semi-skilled and unskilled workers. For example, Andrew Brimmer notes that Blacks producing lumber and wood products "consist almost exclusively of small-scale sawmills in the South."¹¹ Less than half of these firms maintains a paid work force and those doing so only employ an average of five workers each. In addition, the average gross receipts per worker are only half those realized by similar firms in the national economy. Moreover, average employment per firm in the national economy is four times that registered in the Black economy. Finally, it is important to point out that even though lumber and wood products companies represent nearly half of all Black manufacturing activities, they generated only about 14 percent of the sector's gross receipts.

Lumber and wood products companies in the national economy represented about 11 percent of all manufacturing enterprises but only 3 percent of the gross receipts. Consequently, lumber and wood products firms are relatively more important to the Black economy than they are to the national economy. The significance of this difference is brought out in the next chapter where preliminary observations pertaining to the labor market orientation of Black-owned firms are offered.

The printing and publishing industry is the second strongest among Black manufacturers. Eighteen percent of all Black manufacturers are involved in the printing industry. Enterprises in this group generated 14 percent of the total gross receipts reported by Black manufacturers. Nationally the printing industry shares similar importance. Here, the industry represented a full 13 percent of all manufacturing firms and produced 4 percent of the sectors' receipts.

Unlike the lumber and wood products group, printing and publishing firms with paid employees maintain larger work forces. Furthermore, the occupational distribution of their workers is more heavily concentrated in the upper strata of the occupational pyramid--a fact which is in sharp contrast to the lumber industry discussed above.

The third largest group of Black manufacturers was engaged in the production of apparel and other textile products. Again, it is interesting to note that of the 247 apparel manufacturers, less than 50 percent were large enough to require a paid work force. More specifically, 109 or 44 percent of the firms hiring workers were responsible for 94 percent of the gross receipts of all apparel manufacturers.¹²

In the national economy, apparel and related firms represented slightly more of the total manufacturing activity than the proportion observed in the Black economy. In the former, these enterprises constituted about 8 percent of all

manufacturing and generated 3.6 percent of the gross receipts.

Finally in this overview, some mention should be given to the fact that, in terms of gross receipts, the food and kindred products group is central to Black manufacturing. Although the firms in this industry group only represented about 4 percent of the total, they accounted for 16.5 percent of all receipts attributable to the manufacturing sector of all the Black economy. Of equal significance is that firms with paid employees in this group employed an average of 24 workers each, by far the largest among all manufacturing enterprises. A similar reference should be made to the role of food manufacturing in the national economy. These firms made up nearly 9 percent of all the industry's total and by far the largest percent of its gross receipts.

As the data in this chapter have shown, though Black manufacturing is still in the early stages of development, its relative structural distribution is comparable to that of the national economy. That is, the printing, machinery, lumber, fabricated metal products, and the food manufacturing industries are practically equal in their importance to both the Black and national economy.

However, because of the size and overall market orientation of most Black-owned manufacturing enterprises, the labor market characteristics of firms in the two economies will probably display distinct and contrasting

patterns. On the basis of the foregoing discussion, one might expect to find Black-owned firms exhibiting more casual labor market characteristics than would be the case among firms in the national economy.

Before closing out this brief review of the comparative industrial mix of the Black and national economy, attention must be given to the finance, insurance, and real estate industry--the oldest and most established segment of the Black economy. This component of the Black economy ranks fifth in terms of gross receipts, yet it is the most structured of any segment of the Black economy.

In 1972, there were some 8,001 firms in the finance, insurance, and real estate industry. These companies generated gross receipts in the amount of \$456,781,000.¹³ While only 14 percent of all finance and insurance firms were large enough to require a paid work force, these same firms were responsible for 86 percent of the industry's gross receipts. More importantly, employment in the Black banking industry averaged 37 workers per firm with insurance carriers averaging 144 workers each.¹⁴

Perhaps the most important distinction attributable to the finance and insurance segment is that some of the largest employers in the country are to be found in this industry. In fact, the largest employer in the entire Black economy is the North Carolina Mutual Life Insurance Company of Durham, North Carolina.

The organization of the workers within these establishments (banking and insurance) provide an excellent laboratory for studying internal labor markets in Black-owned firms. The internal structure and the product market orientation of these firms dictate a more formal organization of workers than those in other sectors of the Black economy. For example, the National Industrial-Occupational Matrix projects an occupational profile where the aggregate professional and technical workers, managers, officials and proprietors, clerical and kindred workers, and sales workers constitutes nearly 93 percent of the work force in banks and insurance companies.¹⁵ Such occupational concentration suggests a higher degree of structure than one would assume exists in the majority of the Black-owned selected services, retail, and lumber firms.

SUMMARY

On the basis of the foregoing presentation, how then can we best characterize the industrial structure of the Black economy? Essentially, even though there is a smattering of representation of Black-owned business enterprises in most major industries, by and large the industrial structure of the Black economy can best be described as one in which over two-thirds of all firms are engaged in retail trade and selected services.

Nonetheless, the relative distribution of Black-owned

firms throughout the major industrial sectors tends to parallel the relative distribution of firms in the economy as a whole. At issue, however, is whether or not such similarities provide a sufficient basis for concluding that there are few, if any, important structural differences between the industrial composition of the Black economy and the larger economy as a whole.

To more sharply relate this overview to the issue of labor markets within Black-owned enterprises, it is important to first establish the overall relationship and role of these enterprises to the national economy. Once this has been achieved, it is then possible to set forth, in a more definitive manner, the basic structure of the labor markets inside Black-owned firms. The following chapter employs a theoretical framework to assess the position of Black firms in the context of the national economy and it is to this assessment which we now proceed.

Notes

Chapter III

¹U.S. Department of Commerce, Bureau of the Census, 1972 Survey of Black-Owned Business Enterprise (Washington, D.C.: U.S. Government Printing Office, 1975), Table 1.

²Ibid.

³Internal labor market is a technical concept used to describe administrative and informal processes involved in the allocation and pricing of labor within the firm. For a complete discussion of the concept see: Peter B. Doeringer and Michael J. Piore, Internal Labor Markets and Manpower Analysis (Lexington, Massachusetts: D.C. Heath and Company, 1971).

⁴The concept of primary and secondary labor markets emerges from the theory of economic dualism which is discussed at length later in the next chapter. Suffice to say at the moment, however, that each of the two segments of the labor market contains jobs that are distinctly different in terms of wages paid, fringe benefits, working conditions, stability, etc. The typology of primary and secondary labor markets suggests that jobs in the former are characterized by high wages, stable employment, excellent working conditions, and fringe benefits while those in the latter group display the opposite characteristics.

⁵U.S. Department of Commerce, Bureau of the Census, 1972 Census of Selected Services, Volume 1 (Washington, D.C.: U.S. Government Printing Office, 1975), Table 1.

⁶U.S. Department of Commerce, Bureau of the Census, 1972 Survey of Minority-Owned Business Enterprises--Black, Table 1.

⁷Ibid.

⁸Ibid.

⁹Ibid.

¹⁰U.S. Department of Commerce, Bureau of the Census, 1972 Census of Construction Industries, Volume 1 (Washington, D.C.: U.S. Government Printing Office, 1975), Table 1.

¹¹Andrew Brimmer, "Economic Growth, Income Trends, and Prospects for Black-Owned Businesses," Minority Business Development (Boston: Federal Reserve Bank, 1976), p. 32.

¹²U.S. Department of Commerce, Bureau of the Census, 1972 Survey of Minority-Owned Business Enterprises--Black, Table 1.

¹³Ibid.

¹⁴Ibid.

¹⁵U.S. Department of Labor, Tomorrow's Manpower Needs, Volume IV (Washington, D.C.: U.S. Government Printing Office, 1969), pp. 99-101.

Chapter IV
Modeling the Business Enterprise Component of the
Black Economy

Implicit from the discussion in the last chapter is the notion that the industrial mix of an economy influences its labor market orientation. That is, the relationship of the firm to the labor market will depend upon the products produced or services rendered, the technology and skills utilized in the production process as well as the role of the respective firms in the major economy. Therefore, in order to more sharply focus on the labor market consequences of the industrial distribution of Black-owned firms, we shall first try to establish the relationship of the Black economy to the national economy. Once this relationship has been clarified, it will then be possible to set forth some preliminary, but more substantive observations about the internal labor market consequences of the Black industrial profile.

Theoretically, the most appropriate analytical framework for the task at hand has emerged from the field of macroeconomics and has become known as economic dualism. This theory holds that the economy is segmented into two distinct functional divisions where workers, employers, and underlying technologies exhibit important behavioral differences.¹ Generally, firms can be divided into two

major groups--center and periphery firms.² Center firms which constitute the "core" of the economy, differ from those in the periphery in a number of important respects. First, center firms are large in economic size as measured by (1) number of employees, (2) total assets, and (3) yearly sales.³ Secondly, firms in this division reflect a substantial amount of vertical integration, geographic dispersion, product diversification, and managerial decentralization.⁴ Thirdly, these firms maintain an abundant supply of managerial technical and financial resources.⁵ Finally and perhaps most important, it is not unusual to find center firms operating in highly concentrated markets where they wield considerable economic and political power.

In his analysis of the dual economy, Robert Averitt argues that manufacturing firms dominate the core. Included in this group are manufacturers of primary metal products, transportation equipment, machinery, electrical machinery, chemicals, petroleum, rubber products, and instruments.⁶ Large retail establishments such as Sears and Roebuck round out the core economy. More current research by Bennett Harrison and others suggests that large wholesaling firms might also be considered as core firms. These enterprises are among the highest wage and lowest labor turnover sector of the economy.⁷

Periphery firms, on the other hand, are small in size and display little or no vertical integration. Productivity

is usually lower than that found among the workers of core firms, not so much because of the quality of workers per se but because of the technology employed in the production process.

Unionization is frequently absent and there is little, if any, political power evident among periphery firms either individually or collectively. And, unlike core firms, those forming the periphery are unable to take advantage of economies of scale.⁸

Workers in periphery firms also receive lower wages than those affiliated with the core. In addition, they exhibit a higher degree of job instability which is attributed to different working conditions and the inability of these smaller firms to carry workers when demand for their goods and services declines.

In sharp contrast to center firms, those in the periphery of the economy display very little geographical dispersion. "Typically, they produce only a small line of related products [and] their management is centralized, often revolving around a single individual."⁹ Though some firms in this segment may be located in key industries (those forming the center or core of the economy), they tend to be of minor importance when the core is considered as a whole.¹⁰

From the capital markets point of view, periphery firms find it more difficult to secure operating capital. Moreover, when it is possible to secure access to capital,

these firms often end up paying higher interest rates than those paid by their counterparts in the core of the economy-- a product of their undercapitalization and inadequate leveraging power.

According to the theory of the dual economy, firms in the periphery can be placed in one of three major groups: satellite, loyal opposition, or the free agent.¹¹

Companies engaged in subcontracting with prime contractors constitute the first group of firms. As the theory goes, satellite firms may be further subdivided into forward and backward satellites, a distinction which will prove extremely useful as we attempt to further sectorize the industrial component of the Black economy.¹²

"Backward satellites operate on the factor side of center firms supplying them with material inputs. Forward satellites function on the product market side, channeling the center firm's output towards its final buyer."¹³ A brief illustration will help to clarify the differences between these two types of firms. Over the past few years, for example, there has been considerable growth in the number of Black-owned firms doing subcontract work with large firms in the automobile industry such as General Motors. In this case backward linked satellite firms perform subassembly work for General Motors. These preassembled parts are then shipped to a General Motors assembly plant where they are then used in the final assembly of GM products. This is a typical

backward linked satellite operation between a center firm and a periphery firm. It should also be noted that much of the growth in the number of Black-owned manufacturing firms over the past few years can be directly linked to satellite relationships between center and periphery firms.

An excellent illustration of the forward linked satellite is reflected in the role of the Black wholesaler who acts as a conduit for distributing goods to larger retailers and manufacturers.

The second subgroup in the periphery of the economy is identified by Averitt as the loyal opposition. These firms usually display some or all of the following characteristics. They (1) rely heavily on local sources of factor supply, (2) utilize technically inferior equipment, (3) are less integrated than dominant firms, (4) do not participate in foreign business, (5) are typically a one-plant firm, (6) are often confined to restricted markets, (7) surrender power to make price decisions to center firms, and (8) taken as a group, they show lower profit levels than center firms.¹⁴

The third and final group of firms in the periphery is identified as the free agent. Included here are those enterprises which do not have an affiliation with center firms. As one might expect, these firms are also small and for the most part, they "operate on the economic fringes of the raw materials processing . . . end of the manufacturing

process."¹⁵

Dualism in the economy also gives rise to dualism in labor markets. As such, labor markets can be separated into what is known as a primary sector and a secondary sector. Core or center firms tend to be associated with the primary labor market while periphery firms are allied with the secondary labor market.

Though the distinction between primary and secondary markets has already been advanced, it is perhaps useful at this point to reiterate the basic differences between the two.

Briefly, employment in the primary sector consist of jobs possessing several of the following characteristics:

high wages, good working conditions, employment stability, chance of advancement, equity and due process in the administration of work rules. Jobs in the secondary market . . . tend to have low wages and fringe benefits, poor working conditions, high labor turnover, little chance of advancement and often arbitrary and capricious supervision.¹⁶

The upshot of these distinct labor market conditions is that the workers employed therein will also exhibit different work habits. Workers are increasingly reluctant to accept secondary type jobs as they offer little or no employment security and other important benefits. The absence of fringe benefits when combined with low wages frequently facilitates negative job behavior. Absenteeism and insubordination are more common among secondary than

primary job holders as the former must adapt to an unpleasant, insecure, low paying job situation.¹⁷

Clearly, while the theory of the dual economy may help to simplify an extremely complex system of pricing and allocating labor, a closer examination would probably highlight the fact that many firms do not fit very neatly into either of the two segments. Nevertheless, it is clear that certain industries are key to the survival of an economy and that the technical structure of production among such enterprises is generally superior to that of firms which have not achieved the same economic and political status.

Distinctions, therefore, between key industries, the core economy, the periphery, primary and secondary labor markets are helpful as we attempt to conduct a structural analysis of the business segment of the Black economy and to establish some preliminary understanding of the labor markets which characterize these enterprises. How then does the industrial segment of the Black economy shape up in terms of the theoretical context of economic dualism?

On the basis of Averitt's definition of key industries, we might start out by recalling that a full 29 percent of all Black-owned businesses were engaged in some phase of retailing. In addition, 11 percent of all Black-owned manufacturing firms were involved in those industries which, as defined by Averitt, are key to the economy. However, it is one thing for a firm to be located

or associated with a key industry while quite another for this same enterprise to be considered a center firm. The point to be made here is that none of the Black-owned businesses can be considered to be key to the core economy on the basis of Averitt's criteria. This is substantiated by the fact that while Black-owned manufacturing firms doing business in the key industries only generated 28 percent of all of the industry's gross receipts, firms in the larger economy operating in these key manufacturing industries contributed 45 percent of the total receipts. What is more, in none of the key industries where Black-owned firms operated were the average receipts per firm equal to or greater than a million dollars. In fact, only in one industry, chemicals and allied products, did the average receipts per firm exceed one-half million dollars. Thus, in terms of this key indicator of economic size, none of the Black-owned manufacturing firms can be characterized as center firms. Business enterprises with gross receipts of less than a million dollars seldom, if ever, wield economic and/or political power in the context of the national economy regardless of the racial character of the owners.

A second measure of economic size is the number of employees per firm. Here, though again it is only possible to talk in terms of averages, in none of the industries identified above is employment, on a per-firm basis, comparable with other firms in the national economy. This

notion is supported by the data presented in Table IV. The sectors in the Black economy with the highest average employment on a per firm basis are electrical equipment, primary metal products, and transportation equipment. Even though these same three key industries maintain the highest average employment per firm in the national economy, there is a significant difference in the magnitude of employment on a per-firm basis. Clearly then, on the basis of number of employees, there is little chance of a Black business person owning a center firm even though they may be involved in some way in a key industry.

Management decentralization and geographic dispersion are other distinguishing features of center firms. While exiting data are inadequate for making a substantial assessment of these issues, there are some indications that neither of the forenoted criteria can be satisfied by a majority of Black businesses. To illustrate, the fact that a full 94 percent of all Black-owned business enterprises are operated as sole proprietorships suggests that management is highly centralized. Only 2 percent of all Black business enterprises are operated as corporations.¹⁸ Even more striking is the fact that though only one-fifth of the firms in the national economy operate as corporations, they were responsible for a full 88 percent of the gross receipts at the national level.¹⁹ Black corporations, on the other hand, only contributed 31 percent of the total receipts of

Table IV. Average Employment in Black-Owned and National Firms in Core Industries

| Core Industry | Average Employment per Firm | |
|-------------------------------------|-----------------------------|----------|
| | Black-Owned | National |
| Chemicals and Allied Products | 18 | 104 |
| Petroleum and Coal Products | 9 | 113 |
| Rubber and Misc. Plastic Products | 17 | 67 |
| Primary Metal Industries | 24 | 214 |
| Machinery, except Electrical | 14 | 48 |
| Electrical and Electrical Equipment | 25 | 166 |
| Transportation Equipment | 20 | 228 |
| Instruments and Related Products | 11 | 86 |

Source: U.S. Commerce Department, Bureau of Census, 1972 Survey of Minority-Owned Business Enterprises --Black, and U.S. Commerce Department, Bureau of Census, 1972 Census of Manufacturing, Table 3.

Black-owned enterprises while proprietorships generated another 58 percent of the receipts.²⁰

While the foregoing comments suggest that centralized administration dominates Black-owned business activity, this same feature probably acts to retard the growth of these firms. Unfortunately, the proprietorship form of organization makes it extremely difficult for Black business persons to raise equity capital.²¹ Thus their chance of becoming a center firm is further limited when the proceeding facts are taken into consideration.

As far as geographic dispersion is concerned, again there is no direct measure of this criterion on the basis of existing data sources. However, the fact that sole proprietorships represent the dominant legal form of business organization among Black business persons suggests that most businesses operate from a single location. In those cases where Black-owned firms are involved in center industries and operates more than one establishment, they would still probably be concentrated in the same general geographical area; again this would be attributed to the ownership patterns among Black-owned enterprises. A possible exception to this location characteristic might be found among Black-owned insurance companies but, in the context of Averitt's list of key industries, insurance firms are not included.

To recapitulate, in the context of the theory of the

dual economy, it is quite clear that few, if any, Black-owned firms can be classified as center firms. These enterprises tend to fall short on practically all the major criteria which differentiate center from periphery firms. There is no evidence of vertical integration or significant product diversification among Black-owned firms. In addition, the nature of their legal organization strongly indicates that management and plant location is extremely centralized while economic and political power is relatively absent. If these conclusions hold, then it is clear that most Black-owned firms are located in the periphery of the dual economy.

Recall that the periphery of the economy is made up of smaller firms which have a high degree of management and product centralization. Furthermore, these firms operate with very lean managerial, technical, and financial resources. Collectively, these characteristics are reflective of most Black-owned enterprises.

If we assume that none of the Black retail establishments fits the criteria established for delineating center firms, 99.8 percent of all Black-owned firms are located in the periphery of the economy. What then are the labor market ramifications of the crowding of Black-owned firms in the periphery of the economy?²²

LABOR MARKET IMPLICATIONS OF

INDUSTRIAL CROWDING IN THE BLACK ECONOMY

Several labor market consequences emerge from the concentration of Black-owned firms in the periphery of the economy. As pointed out earlier, periphery firms are more likely to be dominated by secondary jobs than would be the case among core firms. Secondary employment means lower wages, more unstable working conditions, fewer fringe benefits, and the like.

To better identify some of the implications of industrial crowding on the internal labor markets in Black-owned enterprises, we shall consider the occupational profile of the work force of each of the major industrial sectors where Black firms are involved.

An industrial-occupational matrix depicting the occupational profile of each of the major industry groups represented in the Black economy is presented on the following page (Table V). This matrix shows the relative distribution of workers throughout a "typical" firm operating in the respective industries listed across the top of the table. Since the matrix depicts a typical staffing pattern in a firm on the basis of a relative distribution, each of the columns in the matrix will total 100 percent. It is important to point out that this matrix was developed for the national economy and is based on a series of averages. Because of the observed differences in the industrial

Table V. Industry-Occupational Matrix

Constr. = Construction Manufg. = Manufacturing Transp. = Transportation
 Whole. = Wholesale Trade Retail = Retail Trade Finance = Finance, Insurance, Real Estate
 S. Ser. = Selected Services Average = Average for All Industries

| <u>Occupational Category</u> | <u>Constr.</u> | <u>Manufg.</u> | <u>Transp.</u> | <u>Whole.</u> | <u>Retail</u> | <u>Finance</u> | <u>S. Ser.</u> | <u>Average</u> |
|-------------------------------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|----------------|
| Professional, Technical, Kindred | 7.20 | 11.24 | 6.58 | 1.55 | 1.75 | 2.70 | 33.08 | 9.1 |
| Managers, Officials, Proprietors | 11.29 | 6.20 | 7.91 | 28.17 | 19.17 | 20.28 | 5.74 | 14.1 |
| Clerical & Kindred Workers | 6.05 | 12.07 | 23.97 | 22.16 | 15.55 | 43.99 | 14.64 | 19.8 |
| Sales Workers | .37 | 3.59 | 1.17 | 20.28 | 23.09 | 19.34 | .62 | 9.8 |
| Craft, Foremen & Kindred | 48.96 | 19.43 | 21.45 | 8.13 | 8.23 | 1.65 | 4.87 | 16.1 |
| Operatives & Kindred Workers | 11.78 | 42.00 | 27.04 | 18.18 | 10.79 | .37 | 4.62 | 16.4 |
| Service Workers | .52 | 1.62 | 2.97 | .91 | 17.85 | 4.68 | 33.93 | 8.9 |
| Laborers, except Farm & Mine | 13.83 | 3.85 | 8.90 | 5.44 | 3.57 | 1.34 | 2.49 | 5.6 |

Source: U.S. Department of Labor, Tomorrow's Manpower Needs, Volume IV. The National Industry-Occupational Matrix, Bulletin No. 1606, February 1969.

segmentation of Black-owned firms and those found in the larger economy, the matrix may not be truly representative of the firms in question. Nevertheless, at this more global phase of our investigation, the matrix provides an acceptable analytical framework for making some early observations about the distribution of workers in Black-owned firms and how this arrangement influences the internal allocation of labor.

With the information provided in the matrix and the previous discussion relative to the spread of Black-owned firms throughout the economy, it is now possible to make several inferences about the labor market implications resulting from these firms being located in the periphery of the economy and their clustering in certain industrial sectors.

On the basis of the coefficients provided in the matrix, the selected services industry, where over 35 percent of all Black-owned firms operate, appears to be weighted in favor of professional, technical, and kindred workers, and service workers. By including the clerical group, it is possible to account for nearly 82 percent of all workers in such enterprises. Wages for professional and technical and clerical workers are among the highest received by any segment of the Black work force.²³ At the other end of the spectrum, however, service employees as a group are usually among the lowest paid of all workers.

If we consider the central feature of Black-owned selected service firms, we quickly realize that over one-half of them are engaged in providing personal services. The occupational profile of the personal service component of the selected services industry differs markedly from that of the industry as a whole. For example, instead of the work force being well represented in the upper level occupations, nearly three-fourths of the workers in the personal services sector are employed as operatives, service workers, and laborers.²⁴ Thus the earlier notion that a significant number of the selected service workers hold primary labor market positions loses much of its assumed validity.

By being the dominant force in the selected service industry, the personal service component is highly representative of Black-owned firms operating in the selected services industry. Accordingly, even though a small portion of the workers do hold primary labor market jobs, on the whole, workers in the industry are crowded into the lower strata of the occupational pyramid which constitutes the bulk of the secondary labor market.

The second largest concentration of Black-owned enterprises is found in the area of retail trade. Again, at this aggregate level of analysis, the occupational profile suggests that a fair amount of the workers in the area of retail sales would hold jobs which display a number of the primary labor market characteristics. However, since eating

and drinking places along with the food stores make up nearly one-half of Black-owned firms in this area, it is necessary to determine the magnitude of the differences or similarities between these subsectors and the overall industry before we can accept or reject the notion of primary employment.

As one might expect, eating and drinking establishments do not require a highly paid or technically oriented work force. This is borne out by the relative distribution of workers in such enterprises. Nearly three-fourths, 73 percent to be exact, of all employees are classified as service workers. In general, wages paid to service workers in the retail sales industry are among the lowest paid to such workers regardless of the particular industry in question. For example, on the basis of the 1970 Census, male service workers had median earnings of \$2,881 while females managed median yearly earnings of only \$1,821.²⁵

In addition to the above, less than half of the service workers were employed at least fifty weeks during the year.²⁶ Moreover, since eating and drinking establishments, similar to other Black-owned firms, hire a predominately Black work force, it is useful to note that this group of employees tend to be among the lowest paid service workers regardless of their industry association.

The forenoted characteristics of employment in eating and drinking establishments suggest that they hire a

disproportionate number of secondary workers. This adds further support to the earlier inference that a majority of Black-owned firms operate in the secondary labor market, an outcome that is directly attributable to the fact that they are small in economic size and display few, if any, of the features of center firms.

The occupational distribution of workers in food stores, which represents over one-fifth of all Black retail firms, is much more evenly distributed than among eating and drinking places. In fact, over two-thirds (68 percent) of the employees hold jobs in the upper half of the occupational structure. However, when wages of these workers are taken into consideration, it becomes clear that the median wages paid by the industry tend to be considerably lower per occupation than those paid in the other major industry groups. Thus, though the food stores component of the retail sector portrays a more favorable occupational profile, low wages serve to keep the majority of the workers in the secondary sector of the labor market.

Employment in the transportation and public utilities industry is dominated by clerical, craft persons, and operatives. With the exception of clerical workers, employment in this industry is characterized by high paying blue-collar jobs. For example, the median wage of operatives and craftpersons are higher in transportation than in any of the other industries. Not only are wages higher but

employment in this industry is very stable as nearly 78 percent of the male work force and approximately 64 percent of the female workers were on the job at least fifty weeks.²⁷ Thus, unlike the other industries discussed above, the transportation industry displays two of the key features of the primary labor market--high median earnings and stable employment.

Black-owned transportation enterprises, however, are not typical of those in the larger economy. Only 8 percent of all such firms are large enough to maintain a paid work force and their gross receipts only averaged about \$125,000 each. These facts suggest that even though Blacks have gained representation in this key industry, few of the resulting jobs are likely to display features which warrant their being designated as primary employment. Perhaps the only exception to the latter comment is employment among managers, officials, and proprietors, which is definitely representative of primary employment.

The construction industry is dominated by managers and officials, craft, foremen, and laborers. These occupations contain 75 percent of all construction employment. Though all of these occupations, including laborers, are high paying, the cyclical nature of construction minimizes the role of this industry in terms of its impact on primary labor market employment. This is particularly the case with Black-owned construction firms

where only 22 percent hired a work force and reported average receipts of only \$131,000.

In the area of finance and insurance, the occupational structure of the firm differs considerably from that associated with manufacturing and selected service enterprises. While Black insurance and banking firms can hardly be classified as economic giants and at this level of aggregate analysis are perhaps properly placed in the periphery of the economy, they do maintain a work force with a sizable number of primary type jobs. This characteristic is probably highly industry specific. In other words, banking and insurance firms provide more primary type jobs than other forms of business regardless of size or the racial character of the owners.

Black-owned finance and insurance firms differ from other Black business establishments in that they hire more workers on a per-firm basis and, assuming that the industrial-occupational matrix does have some validity, a full four-fifths of all jobs are found among the top four occupational categories (see Table IV). A majority of these jobs, therefore, display primary like characteristics even though the firms may operate in the periphery of the larger economy, a distinction which does not apply to any of the other industries.

On the basis of the various occupational profiles, there should be little doubt as to the overall orientation

of labor markets in Black-owned firms. Most importantly, the relative size of these firms and the fact that, in terms of the theory of economic dualism, most appear to fall in the periphery of the economy, serves to support the notion of linkage between the economic status of the firm and the resulting mix of jobs. If, therefore, we were to try and predict the character of the internal labor markets of a majority of the Black-owned firms, we would say that they are probably loosely structured with a highly transient work force, without formal work rules and wage setting policies and pay relatively low wages.

To the extent that the foregoing characterization is an accurate one, it would seem to follow that a large portion of Black-owned enterprises would not be able to successfully compete for the most productive workers. Furthermore, when Black employers do manage to obtain highly productive workers either through a straight hire or through investments via on-the-job training, they probably find it difficult to keep them in their employ for an extended period of time because of external labor market competition for such workers.

Instability in the internal labor market causes lower productivity which in turn contributes to smaller returns to the owner of these firms with the subsequent upshot being a lower wage structure and little economic clout.

The fact that the technology of production in periphery firms is uniquely noted for its simplicity, the

reservoir of substitutable workers makes it possible for these enterprises to maintain an adequate supply of labor. Moreover, a majority of all Black-owned firms are located in large urban areas, especially those with large concentrations of Black and other minority populations. For example, 78 percent of all Black-owned firms are located in major Standard Metropolitan Statistical Areas (SMSA) where one hundred or more such firms are also located and where 71 percent of the total Black and other minority populations lived in 1970. To the extent that Black firms hire Black workers, the geographical proximity of plant and population would further enhance the ability of these businesses to satisfy their labor requirements.

In further consideration of internal labor markets, by being dominated by secondary jobs, we would not expect considerable resources to be expended by Black-owned companies for recruiting, screening, and training of workers. Employers are not likely to use their resources to attract workers where a buyer's market for labor prevails. The importance of the absence of an organized strategy for attracting and hiring new workers should not be overlooked as it is frequently this factor which gives rise to the development of internal labor markets.

Finally, the apparent absence of unionization which fosters the formulation of work rules, labor allocation, and wage setting policies further suggests that internal labor

markets in Black-owned firms will exhibit few of the characteristics which are more commonly observable in firms where unions exist.

For a more detailed appraisal of labor markets within Black-owned business enterprises, the thrust of this discussion will now shift from the more aggregate industry analysis to that of the firm. By definition, internal labor market analysis requires an individualized examination of business enterprise. Firms may exhibit industry-wide organizational similarities; however, each will often display operational processes of considerable variation when it comes to managing and allocating workers and controlling the internal work environment. Therefore, to acquire a more comprehensive understanding of the allocation of workers in Black-owned firms, we now offer a series of case studies which have been developed through on-site interviews with managers, owners, and workers at several leading businesses from across the United States.

Since only a small portion of the businesses in the Black economy employ a paid work force and an even smaller number provide enough jobs to necessitate organized labor allocation procedures, the case studies which follow are based on discussions with major companies--those employing a minimum of fifty workers--in the areas of banking, manufacturing, and insurance. These industries were selected because of their historical significance to the Black economy

and because they contain some of the nation's leading Black-owned business enterprises. Moreover, there are several employers within the banking, insurance, and manufacturing industries with enough employees to justify a systematic approach to the organization and allocation of their respective work forces.

As this discussion has shown, although Blacks have long been engaged in the insurance and finance industries, their entrance into manufacturing represents a rather contemporary phenomenon. Nevertheless, in all three industries, there are numerous firms that are large enough to have established internal labor markets even though, in the context of the foregoing analysis, they may be operating in the periphery of the national economy.

Finally, the cases are descriptive as well as analytical; therefore, in many instances we not only present what is but also offer some explanation for the observations presented.

Notes

Chapter IV

¹Bennett Harrison, Education, Training and the Urban Ghetto (Baltimore, Maryland: Johns Hopkins, 1972), pp. 116-152.

²Ibid. See also: Robert Averitt, The Dual Economy (New York: W.W. Norton and Company, Inc., 1968) and Barry Bluestone, "The Tripartite Economy: Labor Markets and the Working Poor," Poverty and Human Resources 5 (July 1970).

³Averitt, The Dual Economy, p. 1.

⁴Ibid.

⁵Ibid., p. 2.

⁶Ibid., pp. 55-57.

⁷Bennett Harrison and Edward Hill, "The Changing Structure of Jobs in Older and Younger Cities," New England Political Economy, Working Paper No. 2 (Cambridge: MIT-Harvard Joint Center for Urban Studies, 1978), p. 13.

⁸Bluestone, "The Tripartite Economy," p.

⁹Averitt, The Dual Economy, p. 2.

¹⁰Ibid.

¹¹Ibid., pp. 63-66.

¹²Ibid.

¹³Ibid.

¹⁴Ibid., p. 65.

¹⁵Ibid., p. 66.

¹⁶Peter B. Doeringer and Michael J. Piore, Internal Labor Markets and Manpower Analysis (Lexington, Massachusetts: D.C. Heath and Company, 1971), p. 165.

¹⁷Ibid., pp. 165-166.

¹⁸John H. O'Connell, Jr., "Black Capitalism," Review of Black Political Economy 7, No. 1 (Fall 1976):73.

¹⁹Ibid.

²⁰U.S. Department of Commerce, Bureau of the Census, 1972 Survey of Minority-Owned Business Enterprises--Black (Washington, D.C.: U.S. Government Printing Office, 1975), p. 4.

²¹Andrew F. Brimmer and Henry S. Terrell, "The Economic Potential of Black Capitalism," Public Policy 19 (Spring 1969):289-308.

²²Crowding is a concept borrowed from the literature on employment and labor market discrimination. In the context of labor market discrimination, crowding is the tendency for Black and other minority workers to be compressed into a few menial occupations. The artificial increase in the supply of labor for such jobs reduces wages. As wages decline, workers lose their incentives to accept such jobs. The net effect of the crowding phenomenon is that there are fewer workers competing for higher paying jobs. Consequently, majority workers will realize a competitive advantage in the labor market as there will be fewer workers for the more attractive jobs. For a complete discussion of the crowding concept, see Daniel R. Fusfeld, The Basic Economics of the Urban Racial Crisis (New York: Holt Rinehart and Winston, Inc., 1973), pp. 63-70. The concept is being used here to characterize the societal forces--discrimination in capital, labor, and product markets--which have resulted in Black entrepreneurs being limited to a few areas of business development.

²³U.S. Department of Commerce, Bureau of the Census, 1970 Census of Population, U.S. Summary, Volume 1, Part 1 (Washington, D.C.: U.S. Government Printing Office, 1973), Table 227.

²⁴U.S. Department of Labor, Tomorrow's Manpower Needs, Volume IV (Washington, D.C.: U.S. Government Printing Office, 1969).

²⁵U.S. Department of Commerce, Bureau of the Census, 1970 Census of Population, Table 227.

²⁶Ibid.

²⁷Ibid.

Chapter V

Internal Labor Markets in Black-Owned Banks

THE INDUSTRY

Of the more than 40,000 banking institutions operating in the United States, only forty-seven are owned by Blacks. Statistically, this represents less than one-half of one percent of the U.S. total.¹ The largest Black-owned bank, the Independence Bank of Chicago, reported assets of \$65.9 million as of December 31, 1977, while the smallest, the First Prudential of West Palm Beach, Florida, reported assets of \$3.7 million.² Black banks provide employment for approximately 1,600 people but only twelve of the forty-seven institutions employ fifty or more workers.

As a group, Black banks are still going through the developmental state as most, 80 percent, have only been in operation since the mid-1960's. A closer examination of available data shows that a full 55 percent of these establishments have been established since 1970³ Consequently, it is not unusual to find Black banks operating without any well-defined personnel policies and procedures or formal job descriptions. Job classifications and duties of employees are seldom rigidly defined. One researcher in the late 50's noted that "duties of the employees are not rigidly defined [because] the bank must operate with sufficient

flexibility to shift all of its personnel as need demands."⁴ A follow-up to the earlier study found that even today (1978) "job classification continues to be not so rigidly defined as to prevent the shifting of personnel from one operation to another as the need arises. It is still possible, on almost any occasion, to find some employees doing work which is not specifically identified with their job classification."⁵ In a similar vein, an executive at one of the nation's oldest banks pointed out that his bank did not have written job descriptions for most of the jobs in the bank, nor did they have a formalized set of personnel policies and procedures. In such instances, junior employees depend upon the more experienced staff to define their job requirement. Banking executives, however, do recognize the need for more formal work rules which might be partially reflected through written personnel policies and procedures. Unfortunately, many of these organizational practices are in the "thinking" rather than "acting" stages.

In order to study the internal labor markets of Black banks, it is first necessary to try and identify those banks which are large enough to employ a significant number of workers, for, without a critical mass of employees, a major precondition which gives rise to internal labor markets is absent. In other words, such banks should: (1) display some form of on-the-job training process, (2) have jobs which are definable in terms of skill content, (3) have some

type of rule-making process which governs the behavior of workers, (4) implement job classifications that are related to those of the industry as a whole, and (5) adopt a formalized and relatively consistent method for determining wages.

The fact that most banks are too small in terms of gross assets to require a sizable work force diminishes their need to formalize the work environment. Thus, small banks, in general, are unlikely to employ enough workers to generate sufficient dynamics to be included in a broad internal labor market discussion.

The twelve Black banks that employ at least fifty workers (Table VI, for a list of these banks), employ over 50 percent of all persons working in Black-owned banks and they hold 68 percent of all assets of these business enterprises. On-site interviews were held with personnel managers and other employees at four of these major banks, and it is from these sessions that this analysis of the industry has been developed.

CHARACTERISTICS OF THE INTERNAL LABOR MARKET

The racial composition of the work force of Black-owned banks is very reflective of that found in most firms owned by Blacks. That is, it is comprised almost totally of Black or other minority workers. The data contained in Table VII substantiates this finding. Within

Table VI. Major Black-Owned Banks

| Bank | Location | Employees | Assets (million) |
|-------------------------------------|---------------------|-----------|---------------------|
| Seaway National Bank | Chicago, Ill. | 104 | 61.629 |
| Independence Bank of Chicago | Chicago, Ill. | 90 | 65.933 |
| First Bank National Association | Cleveland, Ohio | 77 | 35.576 |
| Industrial Bank of Washington | Washington, D.C. | 73 | 49.730 |
| Mechanics and Farmers Bank | Durham, N.C. | 69 | 42.468 |
| Tri-State Bank of Memphis | Memphis, Tenn. | 67 | 24.703 |
| United National Bank of Washington | Washington, D.C. | 65 | 34.169 |
| Citizens Trust Bank | Atlanta, Ga. | 64 | 41,882 |
| Freedom Nation Bank of New York | New York, N.Y. | 60 | 53.856 |
| Bank of Finance | Los Angeles, Calif. | 58 | 30.500 |
| First Independence Bank of Detroit | Detroit, Mich. | 56 | 35.378 |
| Consolidated Bank and Trust Company | Richmond, Va. | 51 | 29.028 |

Source: Black Enterprise, June 1978.

Table VII. Occupational Distribution of Workers in Four Major Black-Owned Banks

| Major Occupational Group | Workers in Four Major Black-Owned Banks | | | | | | | |
|--------------------------------|---|---------|--------|---------|--------|---------|--------|---------|
| | Black | | | | White | | | |
| | Male | | Female | | Male | | Female | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Professional & Technical | | | | | | | | |
| Managers & Officials | 32 | 10.2 | 28 | 8.9 | 6 | 1.9 | | |
| Sales | | | | | | | | |
| Clerical | 36 | 11.5 | 193 | 61.5 | | | 3 | .9 |
| Craft & Kindred | 13 | 4.1 | | | | | | |
| Operatives | | | | | | | | |
| Service | 3 | 1.9 | | | | | | |
| TOTAL | 84 | .3 | 221 | | | | | |
| Percent of Total Employment* | | 27.0 | | 70.4 | | 1.9 | | .9 |

* Percentages may not equal 100% because of rounding.

Source: Data obtained from four Black-owned banks during on-site interviews.

these enterprises, minority employees hold a full 97 percent of all jobs. A major study by the Equal Employment Opportunity Commission in 1975 found that Blacks held about 9 percent of all banking jobs.⁶ Nearly three-fourths of all jobs in Black banks are held by Black females. The Commission's study, which included over 4,000 commercial and stock savings banks, found that Black females only held 6.5 percent of the jobs in those institutions submitting EEO-1 Employer Information Reports.⁷ What is more, Black females constituted nearly one-half of all officials and managers in Black banks compared to only 2.4 percent of such positions in those firms included in the Commission's study.⁸ Overall, female employees tend to fair better in Black-owned banks than they do in white-owned ones. Women, for example, hold 63 percent of the banking jobs in the nation but they have only 21 percent of the officials' and managers' posts. Clearly, Black female workers in Black-owned banks are more equally represented than females in white-owned banks regardless of race.

The occupational structure within Black-owned banks is very consistent with that generally found in financial institutions. Employment is dominated by two groups of individuals--those holding jobs as managers and officials, and those working in clerical positions. Most of the clerical staff in banks work as accounting clerks, tellers, bookkeepers, and cashiers.

Federal law requires that all employees be classified as either exempt or non-exempt from the provisions of the Fair Labor Standards Act. Exempt employees are those who do not receive overtime pay for hours worked in excess of forty hours per week. Non-exempt employees must receive overtime pay for hours worked in excess of the forty-hour maximum. As a general rule, clerical staff falls in the non-exempt category while middle-management and executive personnel constitute the exempt employees. These distinctions, as is pointed out later, are extremely important in terms of wage determination among workers in the bank.

Although middle-management and executive jobs can be placed in the primary sector of the internal labor market, lower level clerical jobs are not primary in nature but rather take on many of the characteristics of secondary employment. Clerks and tellers, who make up the bulk of the secondary labor force in these enterprises, are frequently locked into dead-end work situations. As a result, these workers maintain a very casual relationship with their employers. Turnover, for example, often runs as high as 60 and 70 percent per year among entry-level clerical positions. The turnover rate for tellers in banks in the national economy has been placed at 25 percent.⁹

Entry and intermediate-level clerk and teller positions are among the lowest paying jobs in the bank. Some

of the bankers interviewed were quick to point out that the turnover problem did not come about because of the pay scale attached to these particular jobs. Rather, teller jobs have been traditionally held by female workers who often decide against career employment and opt instead for marriage or, in some instances, leave to take up residence in another city. Such observations, however, are at odds with conventional wisdom relative to the relationship between wages, job security, and turnover among workers. Though not suggested by any of the bankers, the fact that there is negligible turnover in upper-level clerical and management jobs in Black banks--it is almost non-existent--may serve to discourage longevity amongst clerical workers. Regardless of the reason or justification advanced in the explanation of the turnover problem, it is clear that there are both primary and secondary type jobs in Black-owned banks and it is safe to say that the basic occupational division of workers in Black-owned banks corresponds with that of banks in general. Consequently, skills developed by workers in Black-owned financial institutions are transferrable to similar enterprises elsewhere.

Another significant feature of the labor market within Black banks is the well established on-the-job training programs for workers holding jobs below the mid-management level. These enterprises place a tremendous amount of emphasis on the internal labor market as a supplier

of supervisory, managerial, and sometimes executive personnel. In fact, one banker noted that, to his knowledge, there had never been an officer of the bank who was hired directly from the outside.¹⁰ "Officers usually work their way up through the ranks and many of them begin their banking careers as tellers."¹¹ All of the bankers interviewed noted that it is an explicit policy to try and fill job vacancies from within; therefore, on-the-job training is extremely important to the survival of the enterprise.

For the most part, however, formal on-the-job training is reserved for the entry level clerical positions such as tellers. Training of these individuals is conducted on a "buddy system" where new employees are assigned to a more senior worker. The trainee is usually assigned to the head teller or supervisor of tellers for training. Supervisors, for example, are responsible for defining job functions and responsibilities as well as acquainting the trainee with performance expectations and the length of the training. The initial phases of the training is usually heavily supervised and last for a period of from two to three weeks. After this period of direct training, new tellers are then "assigned a window" where they conduct basic banking services such as the receiving and recording of deposits and check cashing. As the new employees master the basic skills, they are given additional responsibilities. Gradually, after about six months, the training subsides and

the new teller begins to perform all tasks associated with the job. The training is very job specific but is also general enough to be utilized in similar jobs in other financial institutions.

One of the more interesting aspects of on-the-job training in Black banks is that the further one advances up the occupational ladder, the less formal the training becomes. Since these institutions are very small when compared to others in the industry, the supportive systems which are available to supervisory and managerial personnel in the larger banks are usually absent. In fact, the absence of experienced personnel in mid-management and supervisory positions in Black banks was cited as one of the reasons why such individuals often seek employment with the larger White-owned banks. When discussing this issue with Ms. Rita Reddick, Personnel Manager at the First Independence Bank of Detroit, she noted that one of her very successful managers had decided to take employment at a larger bank in order to get the assistance he needed to develop professionally in the field of banking.

His complaint [noted Ms. Reddick] has been that as he has moved up in our bank, it has usually been the result of a crisis situation. There was no one to really tell him what he should be doing in his various jobs . . . It has really been a "sink or swim" situation and he wants to get with a more structured organization . . . Some place where there is training, specific job descriptions, and adequate supportive

staff. It's a case where experienced people go looking for alternatives¹² which provide opportunities for growth.

As the foregoing observation shows, the on-the-job training programs which are in place for entry-level clerical positions are not always available to mid-management and supervisory personnel. For these individuals, training comes from doing the job, frequently without the benefit of guidance from an experienced co-worker. Herein lies perhaps the most unique and significant shortcomings of the internal labor market in Black banks. The size of these institutions along with the necessity to maximize their limited resources restricts the formation of formal on-the-job training for supervisory and mid-management personnel.

In their efforts to compensate for the lack of in-house training, Black banks place heavy emphasis on staff obtaining training from outside sources. Bankers interviewed consistently reiterated the fact that their institutions encouraged employees to enroll in banking and related management courses being offered by area colleges or other educational institutions. Most of these banks have developed some form of program through which financial assistance is made available to those permanent employees undertaking formal educational training. For example, enrollment in any course offered by the American Institute of Banking is supported by the respective banks.

There is, however, one basic requirement for any

educational program supported by the banks; they require that the training be directly related to the job. Nevertheless, while employers may only wish to support those training activities which benefit their particular individual enterprise, the nature of the banking industry makes it extremely difficult for Black banks to avoid serving as a training ground for other financial institutions operating in the larger economy.

Job training is becoming very formalized at those banks included in this analysis. All of the banks, for example, maintained some type of educational policy which addresses not only on-the-job training but more formal classroom training as well. Classroom training courses are subject to the approval of a vice-president or a more senior officer of the bank. Banks provide financial support for most business and management courses. Some banks even encourage their employees to enroll in MBA programs at the bank's expense. Still, however, the banks are very explicit in defining the overall purpose of their educational programs, which is to enhance the employees' ability to perform current and future job assignments within their respective firms.

WAGE DETERMINATION

Wage determination within Black-owned banks is basically an administrative process. None of these enterprises are represented by collective bargaining units.

Administrators, primarily the chief executive officer and his immediate vice-presidents establish wages for all the positions within the bank exclusive of that for the chief executive officer, which is determined by the board of directors.

The actual wage determination process within these institutions is centered around a combination of informal area wage surveys and an assessment of the responsibility associated with each job, as well as the performance of the individual holding any given job. Both vertical and horizontal wage differentiation patterns are observable in Black-owned banks. In addition, there is some evidence that the wages assigned to each of the various jobs are either high or low enough to facilitate voluntary internal mobility among the work force. This process, however, is frequently limited because of the size of most Black-owned banks.

A community wage survey provides the initial framework for wage determination within these enterprises. Employers usually obtain wage information from neighboring banks, the Chamber of Commerce, and from surveys conducted by public and private groups. This process is particularly important in setting wages for entry-level positions since it allows Black banks to remain somewhat competitive in their bid for labor. For example, the non-exempt compensation policy at the Seaway National Bank of Chicago explicitly states that "It is the policy of Seaway to maintain levels of

compensation which are consistent with those offered by comparable types and levels of positions [offered] by other employers."¹³

Unlike the early years when Black banks could lay claim to what seemed to be an unlimited reservoir of trained labor, today they are found to be in competition with other similar institutions. The more open external labor market presents employment alternatives to Blacks which were simply not available a decade ago. For example, a North Carolina banker observed that up until a few years ago, his entire pool of tellers had earned bachelor's degrees and some even held master's degrees. His bank, as well as many other Black-owned ones, dealt in surplus labor market of well-educated workers who were shut out of the larger labor market by discrimination. This represented a pool of stable workers who could be employed in low-wage clerical positions within the bank. Today, however, Black college graduates experience many more labor market options than was the case prior to the Civil Rights movement in the 1960's. As a result, these financial institutions must employ less educated minority workers who too have higher expectations relative to earnings. Most importantly, Black financial institutions must compete with others in the larger community for most of their workers. Competition for Blacks trained in banking has increased tremendously and Black bankers realize that even for entry-level positions, they have to pay

competitive wages. As one banker in the Midwest noted, "There is no sense in saying that we don't think a teller is worth more than \$100.00 per week when every other bank in the area is paying \$120.00. You simply won't get any tellers. We always have to at least meet the minimum in order to attract workers."¹⁴ The area wage survey, as informal as it may be, serves as a critical link between the labor market within major Black-owned financial institutions and the broader external market.

Once employees are hired, wage determination takes on an added dimension. Here, competition as well as worker performance is a major force in establishing wages.

Though Black-owned banks are in the process of developing them, at present few have formal, written job descriptions and a corresponding salary range based on the tasks associated with each job. In the absence of such process, these banks place a great amount of emphasis on the worker's immediate supervisors' assessment of individual worker performance even though the appraisal is not always linked to a written job description.

Performance appraisals usually assess employees in the area of the quality of their work, their job knowledge, quantity of work required as well as the amount of supervision involved and its quality. A performance appraisal guide typical of those used in the banks interviewed is included as Exhibit A.

A couple of the banks have very sophisticated job evaluation systems which are designed to assess specific responsibilities and to fix salaries which are reflective of the tasks and salary conditions in the competitive market. All employees are subject to an annual performance assessment. The annual review provides the bank with a mechanism for arriving at yearly wage and salary merit adjustments. In instances where banks attempt to have their salaries reflect the cost of living, reviews are sometimes held twice a year. According to Mr. Jessie Anglin, Senior Vice-President at the Mechanics and Farmers Bank in Durham, N.C., "The semi-annual review helps us to keep wages somewhat in line with inflation."¹⁵

A version of the job evaluation system used by the Seaway National Bank of Chicago and the key elements of its job evaluation manual are included here as Exhibit B. This system evaluates each job on the basis of its supervisory responsibilities, internal and external communications, and pre-job knowledge requirements.

As pointed out above, wages for most positions in Black banks are established and maintained through administrative processes. But it is common to find merit increase schedules being applied differently between management and clerical employees. In other words, there is evidence of a dual merit system being utilized. Managers are given higher relative merit increases than are clerical

workers. An illustrative example of the merit differentials is presented in Table VIII. Clearly, this policy probably further adds to the turnover problem discussed above. Not only are clerical workers engaged in dead-end jobs but their services to the bank are not placed in very high esteem as evidenced in the merit pay differential.

Banks with less sophisticated systems of wage determination usually designate the responsibility of evaluation and wage reviews to supervisory and managerial personnel. Once these individuals have conducted their employee appraisals, their findings are submitted to the chief executive officer or his designate. These individuals make all decisions on wage adjustments.

While few banks have completely formalized their wage determination procedures, many make it an explicit policy to spell out to their employees just how the salaries for their particular jobs were established. For example, at First Independence in Detroit, it is an explicit written policy that "employees are paid in proportion to their responsibilities, experience, and performance required by the job . . . Salaries are in line with rates for similar work performed in the community."¹⁶

In closing out this discussion on wage determination, a few summary comments are in order. First, the formality of written job descriptions and more explicit attempts to link wages to jobs appears to be a growing trend among Black

Table VIII. Merit Increase Ranges for Management and Clerical Workers
(illustrative only)

| <u>Worker Performance</u> (overall rating) | <u>Merit Increase Range</u> | |
|---|-----------------------------|-----------------|
| | <u>Management</u> | <u>Clerical</u> |
| Marginal | 0% - 4% | 3% - 4% |
| Average | 5% - 7% | 4 1/2% - 6% |
| Above Average | 8% - 10% | 6 1/2% - 7% |
| Outstanding | 11% - 12% | 7 1/2% - 9% |

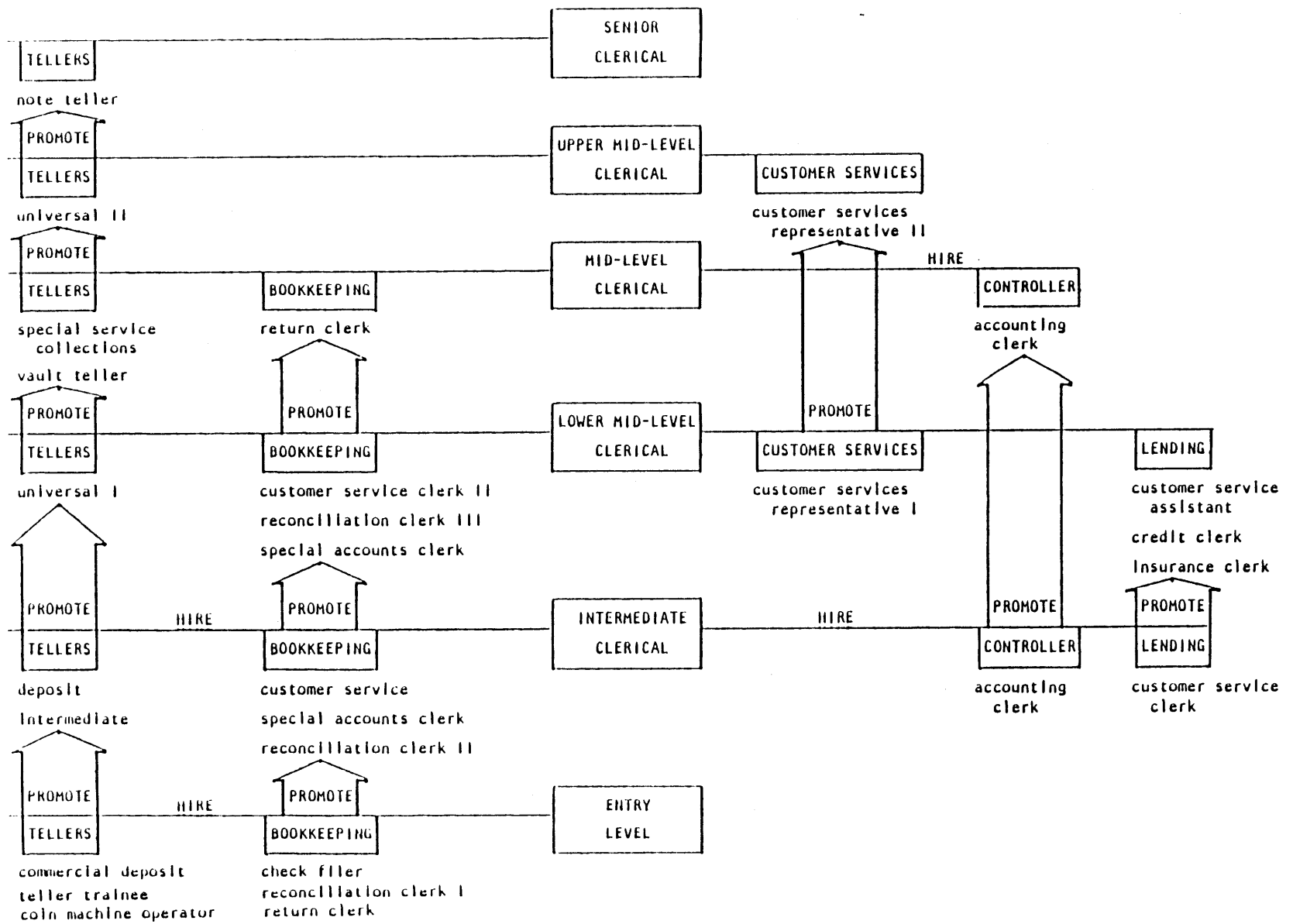
Source: Data in author's possession.

bankers. Secondly, these enterprises are making a conscious attempt to maintain a wage-setting process which is reflective of the competition for labor within the industry. Finally, the prevailing wage structure within these enterprises tends to facilitate internal mobility among workers.

LABOR ALLOCATION INSIDE BLACK BANKS

Internal labor markets in Black financial institutions are closed for those positions below the rank of officer. Accordingly, mid-management and supervisory job vacancies are filled internally through promotions and transfers. Beyond the mid-management level, the internal market displays features of both an open and closed system. Since chief executives are frequently responsible for the hiring of all officers, they are more likely to try to fill vacancies with employees who have experience in the field and who are familiar with the way their particular bank operates. As such, an attempt is first made to fill job vacancies through internal promotions before resorting to hiring from the outside. Virtually all new employees, therefore, are hired into low level jobs. Workers who survive the turnover problem represent an internal labor supply for upper level jobs within the bank (Figure I). While entry-level tellers and bookkeeping clerks may be classified in the lowest pay grade, there does exist some opportunity for horizontal

FIGURE 1. MAJOR JOB CLUSTERS WITHIN BLACK-OWNED BANKS



mobility. Workers can be exposed to more than one type of job though the skill requirements remain relatively constant.

Secondly, there are a number of lower middle-level clerical jobs which makes it possible for a few entry-level employees to advance. Nonetheless, one must keep in mind that this is really the second level for most clerical employees and also the level where bottlenecks relative to further employment advancement begins to take shape. Job opportunities beyond the lower middle level are very few as the actual number of positions available and turnover among employees is reduced considerably.

Finally, the jobs are grouped on the basis of pay scales. As such, the same line of reasoning applied to job promotion possibilities also apply here. That is, once an employee reaches a lower middle-level clerical position, the chances of receiving a salary re-classification diminishes. Nevertheless, since banks maintain a merit system, it is possible for an employee to receive some wage increase without being promoted. Such a method for obtaining a higher wage has its limitations, however, as a result of the maximum salaries associated with most clerical and related positions within the bank.

Clearly, the major port of entry to the internal labor market in the banking industry is through entry-level clerical positions. None of the banks included in this study has any program in place for management trainees where

education might serve as a partial substitute for training and make it possible for a less experienced person to enter the firm at the management level. The latter should not be interpreted to mean that the only way to enter the internal labor market of the enterprises in question is through lower-level job vacancies. The point is that, while some management and supervisory positions are filled with persons from the outside, this tends to be the exception rather than the rule.

Entry into labor markets within Black banks follows conventional patterns and is controlled by management. Personnel managers, usually officers, are responsible for hiring all non-officer personnel. The chief executive officer, on the other hand, is responsible for the hiring of all officers. When entry-level job vacancies occur within the bank, the personnel office places a great deal of emphasis on referrals from present employees. As such, the apparent openness of the internal market below the rank of supervisor tends to diminish considerably.

Rules governing the exit of workers have not been very well developed in the Black banking industry. Most of the banks have never experienced a layoff per se so they have not had to formalize a procedure for layoff. Layoffs are minimized in Black-owned banks because they start out small and generally add workers as demand necessitates. There are work rules, however, which spell out the conditions upon

which a worker may be discharged by the bank and the rights of the individual in relationship to this process. Such rules are included in the bank's personnel policies and procedures manual which is made available to all new employees. In those cases where there are no formal personnel policies, the bankers rely on what they refer to as "expected behavior" among people working for financial institutions. Custom and institutional behavioral patterns, therefore, are extremely important in governing the conduct of workers in these situations.

Finally, it is useful to point out that the concepts of seniority, bumping rights, and job posting and bidding have little or no application to the labor markets within Black banks. Again, this is attributed to the developmental nature of these enterprises and the high level of voluntary turnover among clerical and other non-managerial personnel.

SUMMARY

In the four banks included in this study, internal labor markets tend to be somewhat closed, not so much because of skill requirements or restrictive hiring practices but because of the limited turnover in upper-level occupations within the individual banks. However, the basic occupational structure of these internal labor markets do provide some opportunity for horizontal mobility within the enterprise even though wage rates may in fact remain

constant. On the other hand, vertical movement within Black-owned banks occurs primarily within occupations. Few tellers, in reality, actually become branch managers or other types of managers within these institutions. Such is the nature of the banking industry, however, the small size of most Black-owned banks further hampers mobility.

Because of the virtual absence of the potential for upward mobility, there is not a very strong incentive for workers to perform above minimum requirements. Although this may be viewed as a natural response to such circumstances, it nonetheless retards the growth and development of the Black banking industry. Unfortunately, the proximity of most Black-owned banks to ghetto areas diminishes the tendency for managers of these enterprises to concern themselves with programs for reducing turnover among clerical employees. Yet profits are adversely affected as the unstable work force reduces the operational efficiency of these institutions.

In closing, it is instructive to note that many of the problematic elements of the labor markets within Black-owned banks are shared by those that are white-owned. Throughout this industry, "jobs have become routine, repetitive, and relatively devoid of skill [as these enterprises are] increasingly filled with employees who are frustrated because they are bored with their jobs."¹⁷ What is needed, therefore, is a re-examination of the organization of work in these institutions in order to increase employee

earnings and worker satisfaction.

Notes

Chapter V

¹"Black-Owned Banks, 1977," Black Enterprise 8, No. 11 (June 1978):121. U.S. Department of Commerce, Bureau of the Census, County Business Patterns, 1976, Volume 53 (Washington, D.C.: U.S. Government Printing Office, 1978), Table 1A, p. 1.

²"Black-Owned Banks, 1977," Black Enterprise (June 1978):125-127.

³Ibid.

⁴I. Owen Funderberg, "An Analysis of Operating Problems of a Bank Serving a Predominantly Negro Market" (Thesis, Stonier Graduate School of Banking, Rutgers University, 1959), p. 24.

⁵Vivian R. Patterson, "A Black Bank Revisited" (Thesis, Stonier Graduate School of Banking, Rutgers University, 1978), p. 53.

⁶U.S. Congress, Senate Committee on Banking, Housing and Urban Affairs, Hearings on Treasury Department's Program to Enforce Compliance With Equal Employment Opportunity Requirements by Financial Institutions Which Are Federal Contractors, 94th Congress, 2nd Session, August 1976, p. 40.

⁷Ibid.

⁸Sidney Feldman, "Bank Unionization: Marking Time, Not Marching," Bankers Magazine 161, No. 3 (May-June 1978): 49.

⁹Ibid.

¹⁰Interview with Mr. Jessie Anglin, Senior Vice-President, Mechanics and Farmers Bank, Durham, North Carolina, June 1978.

¹¹Ibid.

¹²Interview with Ms. Rita Reddick, Personnel Manager, First Independence National Bank of Detroit, August 1978.

¹³Seaway National Bank of Chicago, "Compensation Policy for Non-Exempt Personnel" (memo), September 22, 1978.

¹⁴Interview with Ms. Rita Reddick, August 1978.

¹⁵Interview with Mr. Jessie Anglin, June 1978.

¹⁶First Independence National Bank of Detroit, "Personnel Policy Manual," August 1978.

¹⁷Charles J. Coleman and Jane A. Rose, "Bank Unionization: Status and Prospects," Monthly Labor Review 98, No. 10 (October 1975):39.

Exhibit A

First Independence National Bank of Detroit

Performance Appraisal Guide

Staff Personnel

NAME
COST CENTER
BRANCH/DEPT.
JOB TITLE
EMPLOYMENT DATE

REVIEW DATE
SOCIAL SECURITY NUMBER
JOB NUMBER
SALARY GRADE

PERFORMANCE APPRAISAL GUIDE

STAFF PERSONNEL



FIRST INDEPENDENCE NATIONAL BANK
- OF DETROIT -

Is this employee's job correctly described in the description indicated on Page 1? Yes___No___

(If "NO", please draw a line through incorrect data and make corrections)

- INSTRUCTIONS:**
1. Read carefully the phrases describing the various factors. Base your rating on characteristic performance, not isolated instances or future expectations.
 2. Rate each factor separately. Avoid letting your appraisal of one factor influence your judgement of another.
 3. Please denote appraisal by circling asterisk.
 4. Comments should be made in typewritten form or in ink.

| KNOWLEDGE OF WORK | * | * | * | * | * |
|---|--|---|---|--|---|
| Consider knowledge of work gained through experience, training or education. | Inadequate To Job Requirements. | Requires Some Assistance To Meet Minimum Standards. | Adequate To Meet Capably Most Job Requirements. | Meets All Job Requirements Thoroughly | Excellent Knowledge Of Own Work and Good Working Knowledge Of Related Work. |
| COMMENTS | | | | | |
| QUANTITY OF WORK | * | * | * | * | * |
| Consider the volume of satisfactory work produced in relation to others. | Below Minimum Standards Slow Worker. | Consistently Turns Out Less Work Than Others. | Consistently Turns Out A Satisfactory Volume Of Work. | Consistently Turns Out More Work Than Others. A Good Producer. | A Rapid Worker With An Extremely High Volume Of Work Accomplished. |
| COMMENTS | | | | | |
| QUALITY OF WORK | * | * | * | * | * |
| Consider neatness, accuracy, number of errors or rejections. | Work Seldom Meets Required Standard. Poor Quality. | Frequently Below Required Standard. Errors Excessive. | Quality of Work is Adequate. Meets Standards. | Above Standard. Consistently Few Errors. | Extremely Neat and Accurate Worker. |
| COMMENTS | | | | | |
| SUPERVISION REQUIRED | * | * | * | * | * |
| Consider the degree of supervision required by the employee in carrying out his/her duties. | Needs Constant Supervision. Wants to be Directed. | Requires More Than Normal Supervision. | Requires Normal Supervision. | Requires Less Than Normal Supervision. | Self Reliant. Supervision Minimal. |
| COMMENTS | | | | | |

| PUBLIC CONTACTS | * | * | * | * | * |
|---|---|--------------------------------------|---|---|--|
| Consider the degree to which the employee influences the public favorably through personal, telephone or letter contacts. | Evidences Lack of Concern. Does Not Meet Standards. | Frequently Below Required Standards. | Customer Contacts Satisfactory. Makes Favorable Impression. | Evidences Very Good Concept Of Our Public Relations Policy. | Creates Excellent Impression. Handles All Situations Well. |
| COMMENTS | | | | | |

| STAFF CONTACTS | * | * | * | * | * |
|---|---|--|-------------------------------------|---|-----------------------------------|
| Consider the degree to which the employee works harmoniously with immediate associates, co-operates and assists others. | Makes Little Attempt To Co-operate. Has Difficulty Working With Others. | Seldom Assists Voluntarily. Occasionally Creates Friction. | Works Well With And Assists Others. | Co-operates Very Well. Tactful And Considerate. | Attitude Excellent. Sets Example. |
| COMMENTS | | | | | |

GENERAL COMMENTS

| SALES RESULTS — | (This rating to be completed where applicable) |
|--|--|
| Sales contacts made during this calendar year _____ | |
| Number of sales made during this period _____ | Units _____ |
| Is this employee diligently and enthusiastically selling our services? | |
| COMMENTS | |

Record Since Last Review:

Absent _____ Day(s) Late _____ Occasions

Number of Reportable Teller Differences _____

Prepared By _____ Date _____

In Agreement _____
(Officer In Charge)

if employee disagrees with rating(s) he may decline to sign report and discuss the matter with a Personnel Officer.

Reviewed with me _____ Date _____
(Employee's Signature)

INTERVIEW REPORT:

Please detail here the highlights of your interview with the employee, including any reaction or comment of the employee on the interview.

SUMMARY OF APPRAISAL

OUTSTANDING — The individual consistently exceeds the requirements of the position.

SATISFACTORY PLUS — The individual is doing an above average job on most factors and could handle additional responsibilities.

SATISFACTORY — The individual is performing satisfactorily on his/her present job.

— He/She should continue to progress.

— His/Her potential is limited to present job.
(Check which applies)

SATISFACTORY MINUS — The individual's performance does not meet desired standards at present.

— He/She can improve his/her performance with further training and experience, and proper effort on his/her part, as indicated herein.

— He/She should be replaced.
(Check which applies)

DEVELOPMENT RECOMMENDATIONS

What specific suggestions have you made to the employee to enable him/her to better understand what he/she can do to assist in his/her own development?

Recommended Salary Action _____

Reviewed in Personnel Department _____

Exhibit B

Seaway National Bank

Job Evaluation Manual

(excerpts)

SALARY ADMINISTRATION PROGRAM
FOR
MIDDLE MANAGEMENT PERSONNEL

It is the policy of Seaway National Bank to maintain a compensation program that will attract, motivate and retain qualified employees and reflect each individual's contribution in accomplishing the bank's goals.

The Salary Administration Program for Middle Management personnel assures

- your salary is responsive to your individual performance in your job without regard to race, color, religion, age, sex or national origin;
- your salary is competitive with comparable jobs in your area;
- your salary potential reflects current economic conditions;
- your performance is reviewed at least once a year.

Now let's discuss our Salary Administration Program and how it relates to your current and future salary.

The Salary Administration Program is composed of two primary elements:

JOB EVALUATION - which measures responsibilities involved in your job.

INDIVIDUAL PERFORMANCE - which assesses your performance in relation to those responsibilities.

JOB EVALUATION

The Job Evaluation process determines a salary range for each job. Here's an outline of the various phases of this process. The foundation of Job Evaluation is the:

Job Analysis/Job Description

You, with the help of your supervisor and the Personnel Department, prepare a description of your current job that includes the principle duties you perform and the scope of your authority and responsibilities. When completed, this job description is submitted to the:

Job Evaluation Committee

This committee, composed of senior members of the bank, carefully reviews that description using a uniform system that numerically rates the job to determine a:

Salary Grade/Salary Range

This salary grade, in turn, determines the appropriate salary range for your job. Put another way, all the jobs in the bank are grouped into salary grades based on an objective rating system. Each salary range is established through a market research effort concerning salaries being paid for jobs similar to yours in the non-metropolitan area of Chicago in which you work. This effort establishes a minimum and maximum salary level for each range. Salary ranges are reviewed annually.

INDIVIDUAL PERFORMANCE

How It Is Measured

Normally, your performance is reviewed annually as of December 31 for officers and on anniversary date for non-officers. These regular performance reviews provide you and your supervisor with the opportunity to discuss your job performance and future direction. This review evaluates your total performance, including attitude and attendance, and emphasizes your potential growth. It is your supervisor's responsibility to assess your performance using a scale ranging from "Outstanding" to "Unsatisfactory." Descriptions of these rankings are:

- Outstanding - performs all requirements of the job in an exemplary manner;
- Above Average - performs all requirements of the job in better than average manner;
- Average - meets daily requirements of the job accurately and punctually;
- Marginal - requires improvement - job performance is borderline;
- Unsatisfactory - fails to meet requirements of the job - performance is substandard.

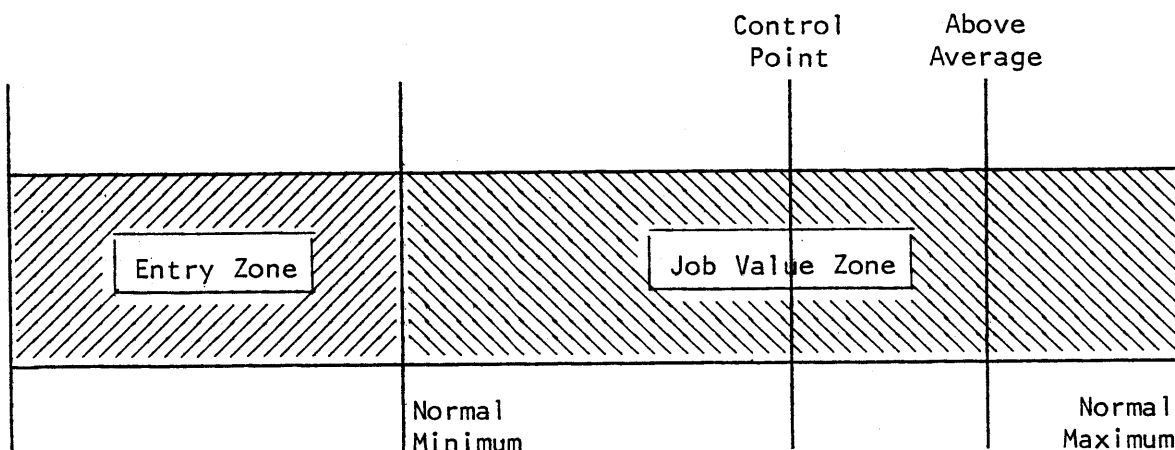
PERFORMANCE REVIEW

Although the job evaluation process established your current salary grade and its salary range, movement through the

salary range is up to You. Your performance and potential for future advancement are the decisive factors in determining your salary increases and promotability. Here's how performance ratings affect your salary increases:

- Outstanding Performance gives you the opportunity to move through your salary grade to the normal maximum;
- Above Average Performance enables you to move midway between the control point and normal maximum;
- Average Performance enables you to move to the control point - that point in the salary range that is considered the average market salary for the job;
- Marginal Performance will necessitate interruption of your salary increases before the control point until your work becomes satisfactory;
- Unsatisfactory Performance does not warrant a salary increase and failure to improve may result in termination.

Employees placed on jobs for which they are not fully trained will not move beyond the normal minimum until the required skills are attained.



OUTSTANDING PERFORMANCE

ABOVE AVERAGE PERFORMANCE

AVERAGE PERFORMANCE

MARGINAL PERFORMANCE



UNSATISFACTORY PERFORMANCE

KIND AND AMOUNT OF SALARY ADJUSTMENT

A salary adjustment can result from either a salary performance review or a promotion but each such recognition should be treated separately:

o. Range for Merit Increases

| <u>Percentage Increase</u> | <u>Level of Performance</u> |
|----------------------------|-----------------------------|
| -0- | Unsatisfactory |
| 0 - 4% | Marginal |
| 5 - 7% | Average |
| 8 - 10% | Above Average |
| 11 - 12% | Outstanding |

o. Range for Promotional Increases

Appropriate placement within salary range but not to exceed twelve percent (12%).

Note: If salary is below normal minimum, the above percentage increase will not necessarily apply.

YOUR SALARY

After carefully defining your performance level in your current job and establishing your potential for advancement, your supervisor will then recommend an increase for you in accordance with management's annual salary policy. This increase can range from zero to a significant percentage depending on that policy, your performance and potential for advancement. If you are reaching the maximum for your salary

range, one of two things will happen - you will be counselled regarding promotion to a higher-rated position if one is available or told that no other position is available and as a consequence, your salary will be reviewed on a biennial basis.

If you have further questions about the salary administration program, feel free to ask your supervisor or contact the Personnel Department.

JOB ANALYSIS SCHEDULE

SEAWAY NATIONAL BANKI. JOB IDENTIFICATION

1. Name: _____ Date: _____
2. Department: _____
3. Present Job Title: _____
4. Length of time in this position: _____
5. I report directly to: _____

II. WORK PERFORMED

- A. Basic Function: Furnish a brief general DEFINITION of your position, as it is now performed, and its objectives or purpose. This section should convey an overall picture of the position and the reason it exists.

B. Functions Performed

1. Regular: Describe in detail, and in some logical sequence, the work performed regularly. Please describe each function in a separate numbered paragraph. For each function, describe what is done, how it is done (unless obvious), and why it is done (unless obvious). Please make your statements definite so that the duties and their full significance are clearly understood. Attach additional sheets if necessary. To the right of each numbered paragraph, indicate the approximate percent of time spent on each function. (Attach additional pages if necessary.)

Helpful Hints: Section II, B.

Section II, B. "Functions Performed," clarity and simplicity of expression are extremely important in the explanation of your job duties. A masterpiece of explanation is not required. Use a minimum of well-chosen words to say something concisely. A telegraphic style of writing is desirable, but do not use words that are open to varying interpretation, because the wrong impression may be given.

Begin your statements with a carefully selected action word, a verb (see sample below). Your statement should indicate WHY, HOW, and WHY a job function is performed.

WHAT signifies what you are being paid to do.

HOW identifies the method or means that are being used to accomplish WHAT.

WHY explains the purpose or reason for performing the WHAT; it is the justification for performing the WHAT.

ACTION WORDS: (verbs)

| | | | |
|--------------|--------------|--------------|------------|
| accounts for | details | keeps | records |
| acts | determines | lays out | refers |
| adjusts | directs | maintains | removes |
| analyzes | discovers | makes | repairs |
| answers | drafts | manipulates | requests |
| applies | drives | marks | reworks |
| approves | estimates | negotiates | reviews |
| arranges | evaluates | observes | schedules |
| assigns | examines | obtains | secures |
| assists | figures | operates | selects |
| carries | files | orders | sells |
| checks | finds | organizes | sets |
| compares | follows | participates | sketches |
| compiles | formulates | performs | stamps |
| composes | handles | persuades | stands |
| computes | informs | places | stores |
| constructs | installs | prepares | supervises |
| contacts | instructs | processes | takes |
| controls | interprets | proposes | teaches |
| coordinates | interviews | pulls | totals |
| creates | investigates | pushes | types |
| decides | issues | reads | uses |
| designates | itemizes | receives | walks |
| designs | judges | recognizes | writes |

I. EDUCATION: This factor considers the minimum academic or technical training acquired by formal education that is required to perform in this position satisfactorily. Evaluate the requirements of the job, not your own level of academic achievement (check highest level required).

_____ Up to and including High School.

_____ High School, plus additional specialized courses or plus 1*to 3 years special or technical training.

_____ High School, plus*additional training equal to 2 years of college.

_____ College: basic training in*a specialized knowledge, field, or trade.

_____ Master's Degree: advanced knowledge or training in a specialized knowledge, field, or trade.

* Describe here specialized knowledge or training and specify reason that it is essential (unless otherwise obvious) to this position.

List additional specialized course, subjects or training which are necessary but which are NOT easily available in High School or College: _____

II. EXPERIENCE: This factor evaluates the extent (how much) and kind of previous practical experience required to perform in this position satisfactorily. Indicate extent and kind required: _____

A. What, if any, on-the-job training or instruction, provided by the bank, is required to acquire the knowledge and to develop facility for average job performance. Indicate the length of any training.

B. Given the necessary education and previous experience and any on-the-job training required, how long does it take an individual to attain an acceptable level of job proficiency?

_____ Months _____ Years

C. What professional certification, licensing, or registry which indicates attainment of a recognized level of competence and/or which meets federal, state, or local requirements, is necessary for functioning in this position? _____

D. Other Abilities: List other special abilities and characteristics which are essential to this position and state the reason that each trait is a requirement (unless obvious). _____

- III. CONTACT WITH OTHERS: This factor evaluates the responsibility for working with or through other people to get results.

INSIDE BANK (but outside your own department). If you are not required to make any contacts outside your own department, specify "NONE". The following information must be provided for each contact. Use additional pages if necessary.

1. Who, in BANK?
2. How? (phone, letter, in person, etc.)
3. Purpose?
4. How often?

OUTSIDE BANK: (If you are not required to make any outside contact, specify "NONE.") The following information must be provided for each contact:

1. Who?
2. Where?
3. How? (phone, letter, in person, etc.)
4. Purpose?
5. How often?

- IV. COMMUNICATIONS: This factor evaluates the extent to which communication skills are required for successful performance of the job. It includes those skills which together constitute a facility with words; the ability to speak and write clear and convincingly; the ability to absorb and understand information. Describe below:
1. Kind: Written (letters, articles, reports, etc.)
Verbal (phone, face-to-face, teaching, speaking, etc.)
 2. Subject Matter
 3. Who? Audience or object of communication.
- V. ACCOUNTABILITY: This factor evaluates the effect of failure (as a result of any act or omission) on the part of the employee in the performance of the job. Please describe below:
1. The kinds of failure unique to this job.
 2. The effects or consequences of failure.
 3. Who would be affected by the failure.
- VI. DISCRETIONARY RESPONSIBILITIES: This factor evaluates the responsibility for making decisions. It considers the demand, complexity, authority, and impact of decisions--impact on the job holder's divisional unit, other units bank, and recipients of services external to bank. Describe below:
1. The kinds of decisions you are required to make.
 2. Which decisions you refer to your immediate superior.
 3. Who or what is affected by these decisions.

ADMINISTRATIVE RESPONSIBILITY

Complete the next sections only if you have managerial/
supervisory responsibility, regularly directing the work of
two or more employees.

This section appraises the responsibility of the position for
achieving results through the direction, control, and
coordination of personnel.

VII. SCOPE OF SUPERVISORY RESPONSIBILITY: This factor evaluates the number of people supervised, directly or through subordinates.

A. Total number of employees supervised is _____.

B. Number of subordinates directly supervised is ____.

VIII. TYPE OF SUPERVISION GIVEN: This factor evaluates the type of supervision exercised in terms of the level of the job in the organization. It also measures the degree of responsibility for costs, methods, and personnel (circle one).

1. Part-time immediate supervision over a small group of employees - instructing, assigning and checking their work at intervals. Most of time spent performing same work as members of the group. No responsibility for costs, methods, or personnel.
2. Immediate supervision over a unit where most of time is involved in assigning, reviewing, checking work, eliminating normal difficulties under standard procedures. Does not perform same work as members of the group. Little or no responsibility for costs, methods, or personnel.
3. Direct supervision of a unit with responsibility for results in terms of costs, methods and personnel. May also involve direct supervision of a unit where responsibility for results rests primarily with the next higher level of supervision and the Type of Supervision Given for the next higher level is rated at least "4" (see see following level).
4. General supervision of a major division with responsibility for execution of recommendations regarding quantity and quality of work, costs, methods, maintenance of discipline, interpretation and enforcement of company rules and regulations, transfers, hiring, separations, promotions, etc.
5. Direct and coordinate two or more divisions through subordinate managers who exercise full supervision over each department. Determine standards of performance, audit progress, and see bank policies are carried out.

IX. TYPE OF SUPERVISION RECEIVED: This factor evaluates the type of supervision you receive from your superior. It evaluates the extent and closeness of supervision provided in which the immediate superior outlines the methods to be followed, the results to be obtained, and the frequency with which work progress is checked (circle one).

1. CLOSE SUPERVISION: Superior provides close supervision for simple, repetitive duties. Work progress is closely monitored.
2. GENERAL SUPERVISION: Superior provides general supervision, under standard practices; subordinate operates alone on routine work, checking with superior when in doubt.
3. OCCASIONAL SUPERVISION: Superior provides occasional supervision. Subordinate works toward a definite objective using a wide range of procedures. Subordinate plans and arranges own work, referring only unusual matters to superior.
4. GENERAL DIRECTION ONLY: Superior provides only general direction as subordinate works on broad policies and general objectives. Subordinate refers specific matters to superior only when interpretation of bank policies is deemed necessary.

Below is a list of administrative or supervisory responsibilities (costs, methods, personnel) which may not be a specific function of your position. Check as many as apply. Explain below, unless obvious, each item checked.

- Establish objectives for organizational component.
- Establish long/short range policies, procedures, etc.
- Review and approve operating reports; analyze operation.
- Control use of equipment, materials, supplies, etc.
- Prepare budgets.
- Approve budgets.
- Meet budgetary costs.
- Negotiate important agreements.
- Retain consultants or professional services.
- Plan work.
- Review work.
- Hire.
- Promote.
- Salary increases.
- Transfer.
- Discharge.
- Discipline.
- Instruct or train.
- (Other)

Factors Used in Evaluating
Seaway Jobs

- 100 1. Decision Making
 - 50 A. Managerial - Judgment, Creativity and Complexity
 - 30 B. Supervision Needed
 - 20 C. Accountability, Including Influence on Costs or Generation of Income

- 70 2. Responsibility for Supervision
 - 30 A. Number of Persons Supervised
 - 20 B. Pressures for Work Completion
 - 20 C. Responsibility for Control and Safekeeping of Money, Negotiable Instruments and Other Valuables.

- 50 3. Communications
 - A. External
 - 1. Customer Contact
 - 2. Other Banks
 - 3. Other Institutions
 - B. Internal - Other Banks and/or Departments

- 90 4. Job Knowledge
 - 40 A. Education
 - 50 B. Experience

FACTOR 1

PRE-EMPLOYMENT TRAINING AND/OR EDUCATIONAL REQUIREMENTS

This factor measures the requirements of the job in terms of the level of basic mental capacity and/or academic and skill attainment required for job entry and performance, regardless of how this mentality, training, education or skill has been gained. The factor degrees are described in terms of the level of attainment equivalent. The type of work, as represented by the Benchmark jobs, rather than the definition should be controlling, since it is the job requirements that are paramount.

The evaluation should not reflect what the job incumbents happen to have in the way of educational attainment, when this does not accurately reflect true job requirements. The fact that applicants of higher capability are employed for promotion potential should not be used as grounds for increasing the degree.

| DEGREE | DEFINITION |
|--------|---|
| A | Less than completion of high school would provide adequate background for job performance. |
| B | Completion of general high school program is a requirement. |
| C | High school completion with specialized skill courses or brief post-high school business school program. |
| D | Specialized business, computer, technical, or other significant post high school education is necessary. |
| E | Completion of 4-year general college or university program or equivalent technical skills and mental capabilities such as represented in computer programming. |
| F | Completion of a 5 year or more university, scientific, engineering, business systems or comparable program, or MBA, LLB or similar professional training. |
| G | Completion of extensive post graduate program for performance of theoretical management decision-making simulation, broad economic trend prediction or similar research of intermediate to long range nature. |

FACTOR 2

EXPERIENCE

This factor relates to the experience required by a job. It is that amount of time required by the average employee possessing the specified pre-employment requirements to reach an acceptable level of work performance. Where prior experience on other jobs is required for effective learning or performance on the job evaluated, the total time essential from the time of original hiring, based on continuous progress, shall be used. The accumulated time which incumbents on a given job may have due to lack of vacancies for promotion shall NOT be given consideration in this factor.

| DEGREE | DEFINITION | NORMAL PROGRESS |
|--------|--|--------------------------------|
| A | Simple, routine entry job with limited duties. | 1 mo. or less |
| B | Routine entry job with more varied duties. | Over 1 mo. - up to 3 mo. |
| C | Entry technical or clerical progression job with varied duties. | Over 3 mo. - up to 6 mo. |
| D | Entry technical or professional job or a widely varied clerical job where a complete annual cycle is required for effective performance. | Over 6 mo. - up to 1 yr. |
| E | Progression jobs. Also entry technical or professional jobs where extended on-the-job training is necessary. | Over 1 yr. - up to 2 yrs. |
| F | Progression jobs only. | Over 2 yrs. - up to 3 1/2 yrs. |
| G | Progression jobs only. | Over 3 1/2 yrs. - up to 5 yrs. |
| H | Progression jobs only. | Over 5 yrs. |

FACTOR 3

PRESSURES FOR WORK COMPLETION

This factor measures the internally and externally imposed deadlines for completion of the work assigned which requires frequent extra effort or stress to the job incumbents. Unusual or emergency situations of infrequent occurrence shall not be considered.

NOTE: Internally imposed deadlines are not to be considered if they are imposed by an area upon itself. They must be imposed by one separate area upon another.

| DEGREE | DEFINITION |
|--------|---|
| A | No external deadlines are imposed, however, occasional work pressures may be encountered through special assignments in addition to regular work, need to catch up from a holiday or absence, seasonal requirements, etc. |
| B | Consistent requirement of at least weekly interval deadlines for completion of projects and other work assignments . . . OR occasional daily queueing pressure for prompt customer service. |
| C | Consistent requirement of single daily deadline for completion of one or more elements of the work assigned . . . OR multiple daily queueing pressure for prompt customer service. |
| D | Consistent requirement of multiple daily deadlines for work completion. |

FACTOR 4

JUDGEMENT, CREATIVITY AND COMPLEXITY

This factor refers to the judgement, creativity and complexity of the thought processes required by the job for successful planning and performance by individuals assigned thereto. The regular and recurring duties or responsibilities having the highest requirement of this factor shall be the basis for degree assignment.

| DEGREE | DEFINITION |
|--------|--|
| A | Little or none required; job is so structured that work can become practically automatic. |
| B | Some required; recognizes out-of-pattern items or discrepancies and refers to higher classified job for action or instructions. |
| C | Requires decisions following procedures and patterns that are well established and limited in their variation. Refers out-of-pattern items to higher classified position. |
| D | Requires decisions following procedures and patterns that include definite analytical steps that are well established but require discretion on the part of the incumbent without reference to higher classified jobs or supervision except in unusual cases. |
| E | Requires minor modification of routines, procedures and patterns within the established policies, goals, and objectives. Includes the necessity of analysis and limited initiative or creativity. |
| F | Requires significant modifications to or development of routines, procedures within established policies goals and objectives. Analysis of some complexity is a definite requirement of the job. Initiative and/or creative capability is also necessary. |
| G | Requires major modification and revision to or development of routines, procedures within established policies goals and objectives. Major and complex analyses are definite requirements. Some creative capability and definite initiative are also essential elements. |
| H | Requires developmental and creative work in fields or areas within general policy framework and guidance. |

FACTOR 5

SUPERVISION RECEIVED

This factor measures the independence of action required by the job incumbent to complete work assigned without waiting for supervisory decisions.

| DEGREE | Degree availability of immediate supervisor, manager, officer or other responsible person who can provide a decision | Type of supervision received by the job being evaluated through written instructions, procedures, and references as well as verbally given supervisory information | | |
|--------|--|--|------|-----|
| | | CLOSE | NORM | GEN |
| | | X | Y | Z |
| A | Always present | | | |
| B | Not always present, but generally available within time frame available for decision | | | |
| C | Difficult to contact and may not be available within time frame available for decision | | | |

FACTOR 6

RESPONSIBILITY FOR CONTROL AND SAFEKEEPING OF MONEY, NEGOTIABLE INSTRUMENTS, AND OTHER VALUABLES

| | | | | |
|--|---|---------------------------------|------------|------------|
| <p>This factor appraises the regular daily responsibility and control that some jobs have for the safekeeping of money, negotiable instruments and other valuables.* Irregular requirements are to be considered at the AR level.</p> <p>Collateral -- daily requirement is present, however, less than 20 percent of time is spent in handling, paying or receiving.</p> <p>Primary -- daily requirement with 50% to 100% of time spent handling, paying or receiving.</p> <p>Supervisory -- daily requirement for handling, paying/receiving may or may not be present; position has responsibility for others who do have a daily requirement for handling, paying/receiving, etc.</p> <p><small>*A valuable must have some intrinsic value, such as bonds, stocks, etc... cancelled checks, checks made out to bank or others, charge card sales slips, etc. are not valuables for purposes of evaluation on this factor.</small></p> | | | | |
| | | NATURE OF RESPONSIBILITY | | |
| DEGREE | TYPE OF RESPONSIBILITY AND CONTROL | COL | PRI | SUP |
| | | X | Y | Z |
| AR | Irregular or no responsibility for or control over money, negotiable instruments or other valuables. | / / / / / | / / / / / | / / / / / |
| B | Regular responsibility for or control over money, negotiable instruments or other valuables. | | | |
| C | Regular responsibility for or control over money, negotiable instruments or other valuables and for delivering and/or receiving them from other departments or through the mails. | | | |
| D | Regular responsibility for or control over money, negotiable instruments or other valuables and for delivering and/or receiving them from customers. | | | |

FACTOR 7

RESPONSIBILITY FOR INFLUENCE ON COSTS OR GENERATION OF INCOME

This factor appraises the job responsibilities through efficiency of operations cost reductions or other activities which directly or indirectly affect costs or income. The dollars influenced or controlled should be determined on an annual basis for evaluation purposes.

| DEGREE | TYPE OF INFLUENCE | COST OR INCOME DOLLARS INFLUENCED | | | |
|--------|---|-----------------------------------|-----|-----|-----|
| | | MIN | MOD | SUB | MAJ |
| | | W | X | Y | Z |
| A | Own work: efficiency only: clerical error correction costs. | | | | |
| | INDIRECT | | | | |
| B | Clerical preparation of information for reports, analysis, and/or decisions by others | | | | |
| C | Technical performance or professional analysis and/or recommendation. | | | | |
| | DIRECT | | | | |
| D | Supervising influence on efficiency and performance. | | | | |
| | | | | | |

FACTOR 8

RESPONSIBILITY FOR CONTACTS

| <p>This factor appraises the requirements of the job for sales and/or public relations influence which can affect bank customers, interdivision, intra-division, or other relationships essential for smooth functioning and profitability of the bank. Normal supervisor-subordinate relations are considered in another factor and are to be excluded in the consideration of this factor degree determination.</p> | | | | | |
|---|---|---|---|---|---|
| DEGREE | | TYPE AND PURPOSE OF CONTACT | | | |
| A | Contacts with other than intermediate supervisor and unit associates are not required. | | | | |
| B | Requires verbal contacts with bank employees in other areas for exchange of information; normal business courtesy expected. | | | | |
| C | Requires contacts with customers and potential customers for the exchange of information, normal business courtesy is required; OR multiple internal contacts requiring explanation and tact. | | | | |
| D | Requires contacts with customers and potential customers requiring explanation and tact as well as business courtesy . . . OR multiple internal contacts involving negotiation, and/or persuasion | | | | |
| E | Requires external contacts with customers and potential customers for purposes of negotiation and/or persuasion. | | | | |
| DEGREE | | FREQUENCY OF CONTACT | | | |
| | NONE | W | X | Y | Z |
| A | R | Limited Less than 10% (45 min./day) | Moderate 10% to 25% (45 min. - 2 hrs.) | Substantial 25% to 60% (2-4 1/2 hrs.) | Continuous Over 60% (Over 4 1/2 hrs.) |
| B | | | | | |
| C | | | | | |
| D | | | | | |
| E | | | | | |

FACTOR 9

RESPONSIBILITY FOR SUPERVISION

| <p>This factor appraises the character and size of the supervisory responsibility. Only those jobs which have definite and regularly assigned duties of instruction, training, work assignment, etc., shall be rated on this factor. The limited and occasional requirement of a job incumbent to train or instruct an immediate replacement is excluded and receives no credit on this factor.</p> | | | | | | |
|---|---|--------|-----------------------------|--------|----------|------------|
| DEGREE | CHARACTER OF SUPERVISION | NONE R | NUMBER EMPLOYEES SUPERVISED | | | |
| | | | W | X | Y | Z |
| A | Does not supervise others; may proof reports, letters, etc. | | 1 to 3 | 4 to 9 | 10 to 27 | 28 or more |
| B | Working leader assigns work, maintains equitable workloads, trains new employes in specific job duties. | | | | | |
| C | Unit Supervisor or assistant having disciplinary powers. | | | | | |
| D | Section Manager having Unit Supervisor(s) reporting | | | | | |

Assignment of Points to
Each Factor

| | | W | X | Y | Z |
|----------|---|----------------------------|----------------------------|-----------------------------|-----------------------------|
| FACTOR 1 | - A = 5 B = 10 C = 20 D = 25 E = 30 | | | | |
| FACTOR 2 | - A = 5 B = 10 C = 15 D = 20 E = 25 F = 30 G = 40 H = 50 | | | | |
| FACTOR 3 | - A = 5 B = 10 C = 15 D = 20 | | | | |
| FACTOR 4 | - A = 2 B = 4 C = 8 D = 13 E = 20 F = 30 G = 40 H = 50 | | | | |
| FACTOR 5 | - A = B = C = | | 0 5 | 5 10 15 | 10 20 30 |
| FACTOR 6 | - A = B = C = D = | | n/a 2 4 8 | n/a 7 14 20 | n/a 4 10 16 |
| FACTOR 7 | - A = B = C = D = | 1 2 4 6 | 2 4 7 10 | 4 7 12 15 | 6 10 15 20 |
| FACTOR 8 | - A = B = C = D = E = | n/a 2 15 25 35 | n/a 5 20 30 40 | n/a 10 25 35 45 | n/a 15 20 40 50 |
| FACTOR 9 | - A = B = C = D = | n/a 10 15 20 | n/a 15 20 25 | n/a 20 25 30 | n/a 25 30 30 |

Chapter VI

Internal Labor Markets in Black-Owned Insurance Firms

THE INDUSTRY

The Black insurance industry represents the most highly developed sector of the Black economy. Firms in this industry are, on the average, considerably larger than those found in any other industry where Black entrepreneurs are involved. The vast majority of the employees fall in the general category of "white collar" workers, though many perform unskilled job tasks.

Black insurance companies are somewhat different from their white counterparts in that they are primarily engaged in the sale of industrial insurance and their market focus is almost solely on the Black consumer. For individuals who are not familiar with insurance industry jargon, the concept of industrial insurance could be misunderstood. Briefly, the title is "derived from the fact that the agent [sells] insurance primarily to industrial workers. Originally, the industrial life policy was designed to assist the poor in burying a deceased breadwinner and was collectible on a weekly house-to-house basis."¹ Industrial insurance carries a number of distinguishing characteristics. First, it is sold in small units. Secondly, it is open to all members of the family and sold through house-to-house, person-to-person

soliciting by agents. Thirdly, agents call in person to collect premiums. Finally, the insurance is usually issued without a physical examination.²

White insurance companies tend to be more diversified both in terms of market and product mix. For example, while Black firms have historically concentrated on industrial insurance, white firms have exploited larger markets in health, life, credit life, and liability or casualty insurance.

As will be discussed later, the heavy concentration of Black insurance companies in the industrial insurance market has some rather distinct impacts on the occupational composition of their workers--an issue that is fully developed later in this discussion.

Black insurance companies provide employment for approximately 7,600 workers.³ An overwhelming majority of these individuals are Black. For example, from a survey conducted as part of this research project, it was found that 99 percent of the jobs in fourteen of the nation's major Black insurance companies were held by Blacks and other minorities (Table IX). This pattern of Black employment is common to most Black-owned businesses. In the Black insurance business, and any other requiring a high degree of public contact for that matter, economic rationality would suggest that such activities maintain a work force which reflects the client-market focus of the firm. In this

Table IX. Occupational Distribution of Workers in the Black Insurance Industry

| Major Occupational Group | Number of Workers | | | | | | Total |
|--------------------------------|-------------------|-------------|----------|----------|-----------|-----------|-------------|
| | Black | | White | | Other | | |
| | Male | Female | Male | Female | Male | Female | |
| Professional & Technical | 54 | 37 | 3 | | 10 | 3 | 97 |
| Managers & Officials | 499 | 67 | 3 | | | 1 | 580 |
| Sales | 1393 | 655 | | | 4 | | 2048 |
| Clerical | 43 | 725 | 2 | 1 | | 12 | 787 |
| Craft & Kindred | 1 | | | | | | 1 |
| Operatives | 4 | 32 | 1 | | | | 37 |
| Service | 32 | 10 | | | | | 42 |
| TOTAL | 2026 | 1526 | 9 | 1 | 14 | 16 | 3592 |
| Percent of Total Employment | 56.4 | 42.5 | * | * | * | * | 98.9 |

* Less than .05 percent.

Source: Douglas Johnson, "A survey of major Black-owned businesses in the United States." Data collected January-March 1977. Results reflect returns from fourteen Black-owned insurance companies throughout the United States.

regard, Mr. Owens of Supreme Life pointed out that

in the insurance business, people buy the individual not necessarily the company. No one buys a policy with any particular company because they feel that they will own a "piece-of-the-rock" but rather because the agent presenting the service shows the buyer that he has a need for the service in question . . . The purchase really reflects the confidence that the customer has in the salesperson.⁴

Thus, it makes good economic sense to have a Black sales force when marketing to the Black consumer. It should also be stressed here that historical forces such as those mentioned in the first chapter of this dissertation continue to impact hiring decisions throughout the Black insurance industry. Employment decisions within Black-owned firms are not only influenced by their product market orientation but also by their physical location as well. Even though there are obvious exceptions, an overwhelming majority of all Black-owned enterprises are located in or near the Black community. Consequently when jobs become available, these firms frequently turn to the immediate community in an effort to satisfy their labor requirements. In other words, the external supply of labor for Black-owned businesses enterprises is often limited to the minority community. The upshot of these factors is an internal labor market that is dominated by a single racial group. Thus, internal labor markets in Black firms will be dominated by Black and other minority workers not because of discriminatory hiring practices but because of (1) the physical location of these

enterprises within the minority community, (2) the desire among minority entrepreneurs to maximize employment opportunities to minority workers, and (3) most non-minority workers simply do not include minority-owned firms among their list of alternatives when searching for employment. Consequently, they will not be highly represented among the workers in Black-owned firms.

Clearly, the Black insurance industry can best be characterized as one which concentrates on the sale of industrial insurance and which utilizes a work force comprised almost solely of Black employees. And, since the purpose of these case studies is to examine the allocation and pricing of labor within Black-owned firms, it should be noted that the organization of the typical insurance company generates an internal labor market which is extremely complex. To illustrate, labor markets are separated between home office and field operations. This geographical separation of workers gives rise to labor allocation processes which are influenced by different work rules and wage-setting procedures. The dynamics of labor allocation are further complicated by the existence of unions in some of the companies. In those instances where workers are represented by organized labor, internal markets function around rather clearly defined rules and procedures. Prior to discussing these and other pertinent matters, however, a few comments pertaining to the data upon which this analysis is

based are in order.

DATA COLLECTION

Data for this case were collected through a survey of major Black employers and through on-site visits to three insurance companies. In addition, telephone interviews were held with officials of the Golden State Mutual Life Insurance Company and the Insurance Workers International Union of the AFL-CIO.

The survey of major Black employers was conducted between the months of January and March of 1978. Of the twenty-eight Black insurance companies employing fifty or more workers (Table X), fourteen (36 percent) responded to the survey. Firms responding to the survey employ nearly half of all workers engaged by the industry as of June 1978.⁵

During the interviews, discussions were held with staff, line supervisors, and personnel directors. These interviews were used to gather in-depth information on wage determination procedures and to gain further insight into the rules and regulations governing the allocation of labor within the Black insurance industry.

Finally, to complement interviews with the various companies, discussions were also held with officials at the National Insurance Association, the trade organization for the Black insurance industry. When these sources are

Table X. Major Black-Owned Insurance Companies in the U.S.

| Company | Location | Employment | |
|----------------------------------|---------------------|------------|------------------|
| | | Number | Percent of Total |
| North Carolina Mutual | Durham, N.C. | 1255 | 17.1 |
| Atlanta Life | Atlanta, Ga. | 1100 | 15.0 |
| Universal Life | Memphis, Tenn. | 778 | 10.6 |
| Golden State Mutual | Los Angeles, Calif. | 691 | 9.4 |
| Supreme Life | Chicago, Ill. | 500 | 6.8 |
| Mammoth Life | Louisville, Ky. | 300 | 4.1 |
| Chicago Metropolitan Mutual | Chicago, Ill. | 279 | 3.8 |
| Pilgrim Health and Life | Augusta, Ga. | 258 | 3.5 |
| Booker T. Washington | Birmingham, Ala. | 250 | 3.4 |
| Afro-American Life | Jacksonville, Fla. | 163 | 2.2 |
| Central Life | Tampa, Fla. | 160 | 2.2 |
| Benevolent Life | Shreveport, La. | 160 | 2.2 |
| Protective Industrial of Alabama | Birmingham, Ala. | 126 | 1.7 |
| United Mutual Life | New York, N.Y. | 125 | 1.7 |
| Virginia Mutual Benefit Life | Richmond, Va. | 120 | 1.6 |

(con. on next page)

* Percentage does not equal 100% because of rounding.

Source: Black Enterprise, June 1978

(Table X, con.)

| Company | Location | Employment | |
|--|---------------------|------------|------------------|
| | | Number | Percent of Total |
| Purple Shield Life | Baton Rouge, La. | 150 | 1.4 |
| Union Protective Life | Memphis, Tenn. | 102 | 1.4 |
| Winston Mutual Life | Winston-Salem, N.C. | 105 | 1.4 |
| Winnfield Life | Natchitoches, La. | 100 | 1.4 |
| Southern Aid | Richmond, Va. | 85 | 1.2 |
| Golden Circle | Brownsville, Tenn. | 89 | 1.2 |
| Christian Benevolent | Mobile, Ala. | 85 | 1.2 |
| Security Life Insurance of the South | Jackson, Miss. | 86 | 1.2 |
| Unity Life | Mobile, Ala. | 80 | 1.1 |
| Superior Life | Baton Rouge, La. | 75 | 1.0 |
| Gertrude Geddes Willis Life | New Orleans, La. | 56 | .8 |
| Mutual Benefit Society of Baltimore City | Baltimore, Md. | 60 | .8 |
| Reliable Life | Monroe, La. | 53 | .7 |
| | TOTAL* | 7346 | 100.1 |

combined, they provide an acceptable backdrop for the analysis which follows.

THE OCCUPATIONAL STRUCTURE OF THE
BLACK INSURANCE INDUSTRY

Workers in the insurance industry are primarily engaged in clerical, sales, and managerial occupations. These three occupational groups account for nearly 95 percent of all workers employed by the typical Black insurance company. A profile of the occupational distribution of workers in the industry is presented in Table IX.

From the data presented in Table IX, it is clear that salespersons constitute the largest group of employees with clerical workers representing the second largest occupation. The ratio of clerical and sales workers in Black insurance firms differs considerably from that registered by the industry as a whole. For example, whereas 57 percent of the workers in the Black insurance firms were engaged in sales activities, only 33 percent of the workers in national firms held such jobs.⁶ Similarly, while only 21 percent of the workers in Black firms were employed in a clerical capacity, nearly 46 percent of those in national firms were engaged in such work.

Proportional difference in the occupational concentration of workers in Black- and white-owned insurance firms can be attributed to differences in the market

orientation of the firms. As noted earlier, Black firms in the industry have focused primarily on industrial insurance while white-owned firms have developed a more diverse market. Subsequently, the Black firms require a proportionately larger sales force. The largest Black insurance company, North Carolina Mutual, for example, draws over 60 percent of its business from the sale of industrial insurance. Officials at North Carolina Mutual, Supreme Life, and the National Insurance Association repeatedly stressed the importance of an effective sales force to the survival of the Black insurance industry.⁷ Thus, by necessity, sales staff will proportionally outnumber other workers in most Black-owned firms. Without a large sales staff (or debit managers as they are frequently called) to maintain and develop new customers, the Black insurance industry would be short-lived indeed.

A second observation regarding the occupational distribution of workers in Black insurance companies is that Black female employees are underrepresented in management, professional, and technical positions. For example, while this group of workers represent over 40 percent of those individuals employed by the industry, they hold only 28 percent of the upper-level jobs. On the other hand, females are overrepresented in clerical positions. As the data in Table VIII show, there are more females in clerical positions than in any other occupation associated with the

industry. These tend to be among the more repetitive and lowest-paying jobs in the industry.⁸

The clustering of female workers in the clerical occupation is not a characteristic limited solely to Black-owned firms in the industry. White-owned firms display similar employment patterns. For example, in 1967 the industry employed about 1.3 million individuals.⁹ And, while the work force was almost evenly divided between men and women, "nearly 75 percent of all non-sales personnel were clerical and of those, about 80 percent were women."¹⁰ Thus, the concentration of females in the lower-paying clerical jobs is an industry-wide characteristic.

In short, the overall occupational distribution of workers in Black insurance companies reflects their market orientation. A larger sales staff is required as a result of the heavy orientation of these firms toward the industrial insurance market. Finally, while female workers do not hold a fair share of the upper management and sales positions, their relative status is superior to that which is characteristic of the industry as a whole.

CHARACTERISTICS OF THE INTERNAL LABOR MARKET

Black-owned firms engaged in the sale of insurance display internal labor markets that can be conveniently viewed from two different perspectives--the home office and the field office. Labor markets within the home office

display both formal and informal operational processes. In the larger and more established firms such as North Carolina Mutual, Golden State, Atlanta Life, and Supreme Life, internal labor markets in the home office are organized around a series of written personnel policies and procedures which establishes the framework for employee behavior while on the job and procedures relative to promotion and compensation. These rules have been primarily drafted to govern the behavior of clerical staff and seldom apply explicitly to managerial and executive personnel. In its personnel Guide, North Carolina Mutual makes explicit reference to clerical employees. The general statement of policy leaves little room for doubt that it is primarily geared towards clerical workers.¹¹

At Supreme Life, where the clerical staff is represented by a union, the contract defines all work rules for the clerical staff. In addition, the contract formalizes disciplinary and grievance procedures, seniority rights, working hours, personal leaves, as well as conditions for termination of employment. This particular contract, however, only covers about thirty-eight of the entire work force of about five hundred people and is limited to clerical workers in the home office and one Chicago district office.

Other than the general description of employee benefits which are provided for all workers, e.g., health insurance, vacations, and the like, there is no evidence of

any written rules and regulations which had explicit application to the second group of workers in the home office--the supervisors, managers, and executive personnel.

On the basis of earnings, the bulk of the clerical jobs within the Black insurance firms can be categorically grouped in the secondary labor market. An overwhelming majority of the positions are classified, for compensation purposes, as Step V and Step VI clerical jobs (Table XI). This characterization would also hold when one considers the tasks associated with a majority of the clerical positions.

When other criteria are applied to the jobs, however, they are not easily classified in the secondary sector. In fact, clerical positions exhibit a number of the features of primary type jobs. For example, there is surprisingly little turnover among clerical employees in those companies interviewed during the development of this case study. This is probably attributable to the general working conditions and the fringe benefit package provided to these employees. Though wages are relatively low, they are steady and there is a high degree of permanency associated with such jobs. Furthermore, though laws governing the disclosure of an employee's age restricts the gathering of data on this characteristic, after spending time in some of the companies it was very obvious that many of the clerical workers were approaching middle age. This factor probably contributes significantly to the low turnover rate among

Table XI. Illustrative Salary Range for Clerical Positions in
Black-Owned Insurance Companies

| <u>Job Classification</u> | | <u>Monthly Salary Range</u> |
|---------------------------|----------|-----------------------------|
| Clerical | Step II | \$401 - \$523 |
| Clerical | Step III | \$442 - \$575 |
| Clerical | Step IV | \$486 - \$632 |
| Clerical | Step V | \$535 - \$695 |
| Clerical | Step VI | \$588 - \$765 |
| Clerical | Step VII | \$647 - \$840 |

Source: Data in author's possession.

clerical employees. Finally, a majority of the home offices of these companies are located in or near central cities where historically jobs, particularly white collar ones that are open to Black and other minority workers, have been in short supply. This would certainly apply to those companies located in the South, the home of most of such companies.

Supervisory and executive positions in the home office clearly qualify as primary labor market jobs. These positions not only carry significant organizational prestige, they also display an enormous amount of "job freedom" which is most effectively demonstrated through the absence of any formal or written policies and procedures which explicitly spell out duties and responsibilities to any meaningful level of detail. For supervisory personnel, there are a number of references scattered throughout the respective personnel manuals regarding their responsibilities as the latter relate to directing the activities of their clerical subordinates. None of the companies, however, was able to produce written job descriptions for their middle management and executive personnel.

Custom and tradition play an important role in defining management and executive responsibility in Black insurance companies. Relying on custom, however, does have its limitations. In this regard, Mr. Murray T. Marvin, Senior Vice-President at North Carolina Mutual pointed out that "tradition and custom have important impacts on

Black-owned enterprises especially in terms of business development."¹² Marvin further observed that these firms have traditionally been interested in people, "a concern which sometimes impairs decisions which have the potential of enhancing the overall efficiency of the organization."¹³

Clearly, while some Black insurance companies have taken time to develop rather comprehensive personnel policies for clerical staff in the home office, there is little evidence of this having taken place among managerial and executive personnel.

Though it is not very common to find clerical workers organized, one such case does exist in the Black sector of the insurance industry. Clerical workers in the home office of the Supreme Life Insurance Company organized in 1977.¹⁴ Alleged dissatisfaction with company operating policies and wage determination processes provided the major impetus for union organizing at Supreme Life. Since the union has been in place, the level of job satisfaction among clerical workers has improved markedly.¹⁵ Most importantly, a consistent set of rules and regulations acceptable to both the workers and the company are in place. Similarly, all clerical workers are guaranteed an annual wage increase. Before the contract, workers were concerned about the company's wage administration policy and wage differentials among workers performing similar functions. With the advent of the collective bargaining process, all clerical workers

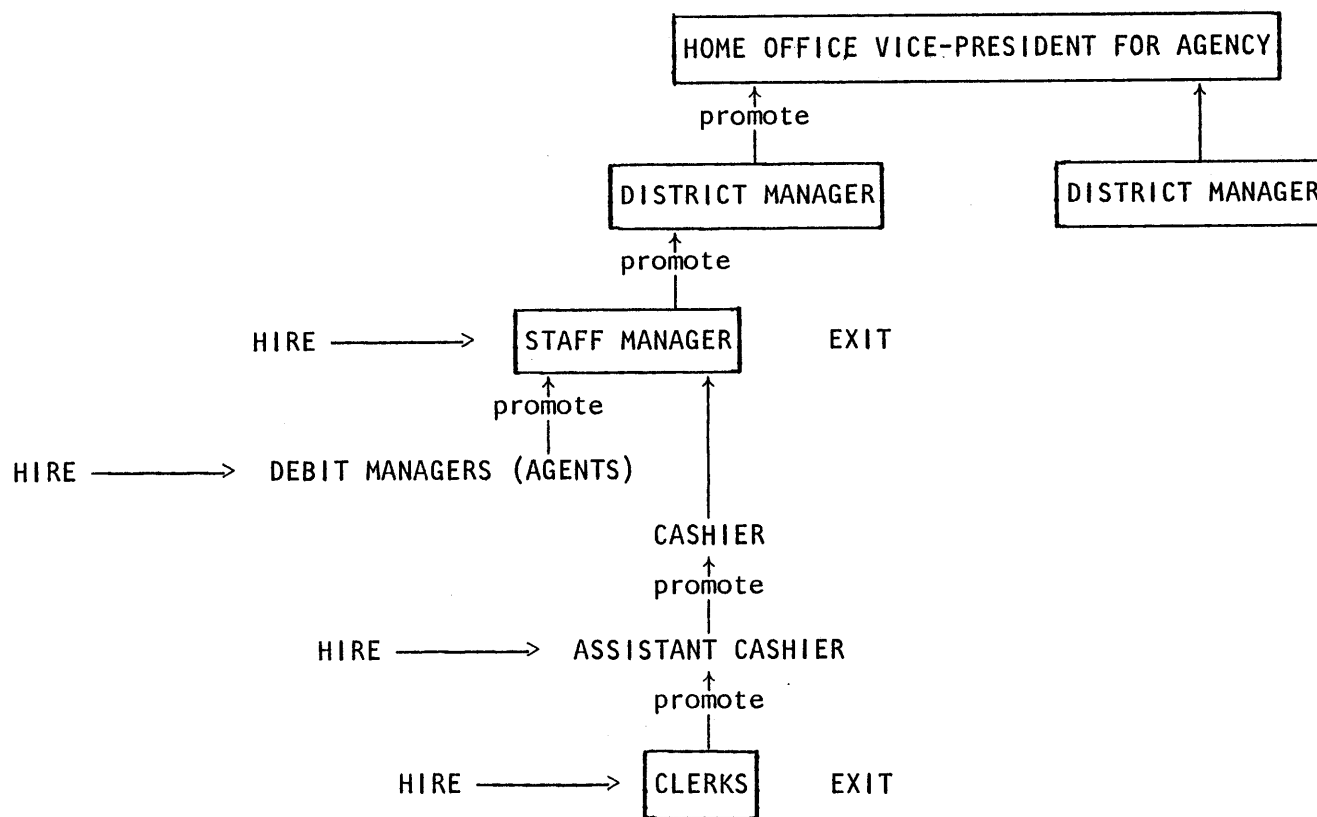
receive the same wage increase and their overall wages are higher than they were before the contract became effective.

When the internal allocation of labor in the field office is examined, we find in place a different set of operation procedures. The work force is comprised primarily of three groups of employees--sales personnel, clerical personnel, and managerial personnel. The basic operational responsibilities in the field office are assigned to the staff manager who reports to a district manager (Figure II). Salespersons are basically responsible for the collection of premiums. The clerical staff primarily serve as cashiers and are responsible for processing and recording of the premiums collected by the sales force along with the submission of reports of this activity to the home office.

Personnel policies for the firm usually apply to field office staff as well. A basic difference does exist, however, in the procedure for determining wages for sales workers, the largest single group of employees in the field office. This wage setting procedure is discussed at length later in this analysis.

Common to both the field and home office operations is the fact that there is little vertical mobility for clerical workers. The worker pyramid in the industry is extremely broad-based but very narrow at the top. Few clerks and cashiers ever become debit managers or district managers.¹⁶ Moreover, few debit managers become district

FIGURE II. ILLUSTRATIVE ORGANIZATIONAL STRUCTURE OF
FIELD OFFICE IN INSURANCE INDUSTRY



Source: Based on discussions with officials of Supreme Life and North Carolina Mutual Life Insurance Companies.

managers simply because of the limited number of district offices associated with most companies. For example, Supreme Life employs five hundred workers but it has only twenty-nine field offices. Thus, only twenty-nine of its total sales force can eventually become district managers.

Turnover in the industry is highest among the debit managers. About 40 percent of the sales force turns over each year.¹⁷ As one individual knowledgeable of the insurance industry noted, "this is one of the more tenuous occupations in the industry."¹⁸ An individual's tenure with the company is a function of his or her ability to maintain a good collection record, to increase company revenues in a significant way and to minimize lapses in existing policies.¹⁹ Compensation is directly linked to performance and the monitoring of an individual's performance occurs on a weekly basis.

Turnover is probably also influenced by the absence of any significant training program for salespeople. Companies seldom spend over two weeks training a salesperson. Thus, they make only a small investment and risk few of their resources. Turnover among sales staff in the field is not viewed as a major problem in the insurance industry even though the rate is frequently excessive. A surplus of labor capable of performing duties of an insurance salesperson further helps to minimize the turnover problem.

Additional perspectives on the functioning of the

labor market within Black insurance firms can be provided through an examination of the actual labor allocation process. Thus, we now turn to a review of the status of these labor markets relative to their degree of openness and the various ports of entry and exit.

LABOR ALLOCATION INSIDE BLACK INSURANCE COMPANIES

Labor markets within Black insurance firms are characterized by a high degree of openness and several ports of entry and exit.

Entry into the internal labor market of these firms is governed by a series of selection criteria. These criteria consist of job-specific test scores, personal interviews, and physical fitness. For non-exempt employees, e.g., clerical, computer operators, and programmers, tests are used to determine the level of the perceptive skills, verbal communications, and overall job knowledge. The screening and hiring of clerical and other non-exempt employees is primarily the responsibility of the personnel manager. For exempt employees, however, the role of the personnel manager changes and he/she serves only as a screening mechanism. Actual decisions to hire are considered the prerogative of the more senior managerial and executive staff.

Just as there are explicit rules and procedures governing the entry of workers into the firm, rules are very

clearly spelled out regarding the conditions for termination of employment. Rules governing the exiting of workers, however, are primarily geared to clerical and other non-exempt employees. These rules deal with a variety of involuntary movements in the work force. By way of illustration, companies spell out in their personnel manual conditions for termination, or involuntary exits. These conditions include dishonesty, incompetency, improper conduct, insubordination, possession of dangerous weapons on company property, failure to agree to work overtime, and failure to report for such overtime without a bona fide excuse, posting or distributing literature on company property without company approval, etc.

At Supreme Life, where clerical workers are represented by a union, the only reference to involuntary exits have to do with procedures for termination. Here, the company has agreed to "give at least a 2 week notice in the event of a lay-off and to discuss alternatives to such a lay-off or to negotiate the effects of such a lay-off." Rights of termination of employment of debit agents at Golden State Life remain with the company. The union can only impact this process through grievance or arbitration as spelled out in the contract.

In short, while a few of the companies in the Black insurance industry are partially involved in collective bargaining agreements, it is very clear that the individual

firms exercise full control over the involuntary exiting of workers from the internal labor market. Personnel managers of the various firms concur in their opinion that the involuntary movement of workers out of their respective firms has not represented a problem to management.

Procedures governing the movement of workers within the firm are consistent with those found in practically any firm. Persons already employed by the firm have first rights to bid on jobs which become available. This is the case in both union and non-union companies. Consequently, more than three-fourths of all job vacancies are filled through internal promotions, a process which is applicable to clerical as well as managerial and executive personnel.²⁰ Thus, while the internal market is an open one, a majority of the new hires are placed in entry-level clerical or sales positions. Moreover, these jobs are usually filled by people who have been referred to the company by a present employee. All of the companies responding to the Survey of Major Black-Owned Businesses indicated that they relied heavily on the employee-referred applicants pool for new workers.

Within the home office, supervisory, managerial, and executive posts are very stable. When jobs in the upper level of the firm do become vacant, they are frequently filled from within. A basic rationale for following this process is that jobs are filled with individuals who know the

company. On the other hand, tradition and custom also influence the promotion process within Black firms, especially the older ones. Some executives within these firms consider custom and tradition as interfering with the growth and development of the Black insurance industry.

Murray Marvin of North Carolina Mutual indicated that

traditionally, the need for many Black-owned firms to maintain their "blackness" poses a severe problem in that it limits the amount of talent that these enterprises can compete for . . . Though Black-owned firms can sometimes hire white managerial and executive personnel at salaries below those commanded by Blacks in the field, tradition and custom prohibit firms from taking advantage of such labor market conditions.²¹

The foregoing comments clearly indicate that the major port of entry in the home office of the insurance firm is via the clerical route. Yet few of the clerks can look forward to holding a supervisory or management position. Turnover in home office administration simply does not generate many job openings or opportunities for promotion.

Labor markets in the field office are extremely open. With the exception of the district managers position, jobs in the field office tend to be low in skill content and carry a very small associated training cost. Thus, firms that are heavily involved in the sale of industrial insurance will not emphasize the need to reduce turnover as long as the external supply of labor is adequate to meet

their needs. This applies particularly to the debit manager or salesperson. The upshot of these practices is that companies tend to use turnover as a mechanism for screening out less productive salespeople. When desirable and proved candidates are finally identified, companies will sometimes reassign them to higher-yielding debits (districts) as vacancies occur through terminations or promotions.

Some debit managers or agents are unionized, All full-time debit agents in the California district offices of the Golden State Life Insurance Company and those employed in the Atlanta and Detroit offices of North Carolina Mutual are represented by the Insurance Workers International Union, AFL-CIO.²²

Union organizing in the insurance industry has not been very significant over the years. Officials of the International estimate that less than 20,000 of the 1.7 million workers (about 1 percent) are involved in collective bargaining.²³

The contract between debit agents and their respective companies is very comprehensive, covering items ranging from union security and dues deductions to employee compensation. The basic agreement serves primarily as a vehicle for formalizing rules and regulations that are found in company personnel manuals and in their working agreements with its district, staff, and debit managers. Yet there are a few other provisions in the contract worth noting.

First, there exists a formal mechanism for conflict resolution. Detailed grievance procedures and the right to arbitration lend the debit agent job greater security than is customarily associated with the occupation. Secondly, the duties and responsibilities of the agent are explicitly set forth. For example, the agreement between Golden State Life and its debit agents lists fourteen responsibilities associated with their positions (see Exhibit D). A third item of interest relates to the filling of vacant debit agent positions. Again, with reference to the Golden State agreement, the company is required to post all debit vacancies and to send written notices of such to any agent who is on vacation or disability. Posting must last for seven business days. This procedure generates some mobility within the field office, since only agents in the district where vacancies exist can bid on jobs which become available. However, those who have successfully bid for an open debit within the immediate past three years are not eligible to compete. Seniority rules must be adhered to when filling vacant debit agent positions. The contract helps to minimize, if not eliminate, shifting and dismissing debit agents solely on the basis of their ability to maintain and/or increase their debits.

In sum, the overall allocation of workers in the Black insurance industry is predicated on an open labor market with very short lines of progression for most

employees. The services performed by these firms require only a small cadre of experienced managers and executives. The bulk of the work force is engaged in low-skill clerical and related activities which require little formal training or job experience per se. This brings us to an appraisal of on-the-job training within these enterprises.

ON-THE-JOB TRAINING

On-the-job training (OJT) programs are common to all Black-owned insurance companies. Both industry-specific and general training are conducted by these firms. General training tends to be associated with clerical occupations while the more industry-specific training is made available to sales personnel.

Responsibility for the training of clerical staff is customarily assigned to the employees' immediate supervisor or manager. These individuals define the job that the new employee is to perform and give instructions for carrying out each job task. Training of clerical staff can range from one to a couple of weeks, depending on the complexity of the job. During the initial "get acquainted period," workers are placed in a probationary status with the firm for a period of thirty to ninety days.

Once employees have progressed beyond the probationary period, they are eligible for participation in other training offered by the company. For example, it is

the policy of North Carolina Mutual, as well as many other companies, to encourage career-oriented employees to enroll in courses offered by the Institute of the Life Office Management Association (LOMA). These courses cover such areas as mathematics of life insurance, accounting, investment law, economics, etc. At this company, classroom instruction is provided during office hours and the company assumes the cost of associated examinations, assuming that the employee successfully completes the courses.²⁴

A few companies, primarily the largest ones, indicated that they also give their workers time off to take job-related courses away from the office in addition to providing tuition refunds for this type of training.²⁵ Furthermore, these same firms reported that they sponsor mandatory management training on a regularly scheduled basis.

On-the-job training for sales personnel is extremely limited. Though some reasons for deemphasizing training among this segment of the work force have already been discussed, it is perhaps useful to recall that salespersons constitute the most unstable occupation in the industry. Apparently companies view this instability as an indication that they should be extremely cautious of any type of substantive training for this group of workers. The Supreme Life Insurance Company, for example, in its contacts with debit managers state that "as a new agent [the new

employee] shall be given one (1) week of Pre-Debit training in the office during [his/her] first week of employment."²⁶ Training, as limited as it may be in this area of the industry, is specific to the industry. That is, the skills developed have primary application to the insurance industry.

To summarize, while OJT appears to be more developed in the home office where a majority of the clerical force is employed, it is treated in a much more casual manner in field operations. To be sure, very little training can occur in sales occupations in the time allotted to such by these companies. And the "sink-or-swim" approach to developing effective debit managers may be seriously impairing the growth of the Black insurance industry.

WAGE DETERMINATION

Wages for clerical staff are administratively determined. Only in the single instance where this group of employees is represented by a union are wages established through a collective bargaining mechanism.

Initial wages for clerical and first-line supervisors are usually based on a job analysis system and a community wage survey. The wage survey helps the company to structure its pay scales to reflect local competition for workers. Job analysis, on the other hand, is used to determine the relative worth of the various jobs within the company. All

clerical positions, for example, at North Carolina Mutual have been analyzed and salary ranges for each position established (see Exhibit E). The procedure examines jobs on the basis of their educational requirement, job knowledge required of the applicant, contacts with other workers within and outside the company, responsibility, working conditions, and the amount of supervision required of each job. It is important to point out that only a few of the larger companies have attempted to systematically analyze jobs and to develop wages to reflect job requirements. The general pattern among firms in the industry is to accept the wage rates most common to the local market of workers performing similar tasks.

Procedures for determining wages for clerical staff, once they have been employed, center around individual performance evaluation. With the major firms, especially those interviewed for this analysis, jobs have been graded according to the complexity of their respective tasks. Further, wages are established on the basis of going market rates for similar jobs in similar firms within the local labor market.

Job classifications are based on duties and skill requirements. At Golden State, for example, a "Job Evaluation Committee, composed of representatives from the Company's major operating units, evaluates the knowledge, skills, duties, responsibilities . . . required to perform

the work and sets the position classification. Salary ranges are then established for each classification."²⁷

At North Carolina Mutual, supervisors and managers determine the salary level for clerical positions. These individuals are guided, however, by salary policies which link job tasks with salary. Clerical jobs are placed in pay grades where minimum and maximum hourly rates of pay have been developed. At this company, all clerical and managerial staff are subject to an annual performance review which is used to establish the amount of merit increase, if any, an employee will actually receive.

The performance evaluation plan at North Carolina Mutual is typical of those used in the industry (see Exhibit F). Individuals are evaluated on a number of factors including the quality and quantity of their work, dependability, job knowledge, personal initiative, organizing ability, attendance, etc. Further, supervisors are required to assess the worker's long-range potential with the company.

Managers are also reviewed by their superiors. Here, however, the focus of the assessment criteria is on the ability of these workers to plan, organize, communicate, and otherwise carry out the responsibilities associated with being a manager (see Exhibit G).

The results of these performance appraisals for clerical and managerial personnel are taken before a company-wide review committee which reviews all

recommendations for merit increases proposed by the managers and supervisors.

In the union shop at Supreme Life, wages are negotiated for a period covering the life of the contract--in the present case, two years. Although this particular contract establishes a wage floor for home-office clerical staff (\$115 per week at the time of contract signing in 1977) as well as an across-the-board salary increase in 1978 and 1979, it has no wage-reopener clause nor are wages explicitly related to performance. Most importantly, the contract does not contain a cost-of-living wage clause. Exclusion of the foregoing factors means that salary increases may be offset by inflation. Thus, the relative earning of the workers in relationship to inflation actually decline over the life of the contract, a predicament not uncommon to workers in other industries.

Wage determination for field-office clerical staff is the same as that for home office employees. A significant differences does exist, however in the way debit managers, staff managers, and district managers are compensated for their work. Wages for this group of workers are based on a combination of extremely complicated factors which take into consideration the size of the district, new policies, renewal rates, and conservation rates within the individual sales districts. Simply put, these individuals are paid on a commission basis. The formula for determining the size of

the total salary, however, is a different issue.

At Supreme Life, compensation for the district manager is determined on the basis of (1) an agreed-upon base salary incentive, (2) weekly premium incentive, (3) monthly debit ordinary incentive compensation, (4) premium notice ordinary incentive compensation, and (5) premium notice ordinary personal production commission. Some explanation of these various factors is in order. For consistency and clarity, the following discussion is based on the compensation policy at Supreme Life.

The weekly basic salary that the district manager receives is determined according to the size of his total district premium income on an annualized basis. Here, the minimum salary of \$140 a week is based on an annual premium income of less than \$200,000. The maximum base salary that a district manager can receive is \$200, and this is based on an annual premium income for the district of \$500,000 or more. For more detailed statistics, see Table XII. The basic salaries listed in the table apply to any manager who is placed in a district. Thus, a manager who is transferred from another district will have his salary adjusted to conform to the weekly basic salary of the new district.²⁸ Weekly basic salaries are recalculated at the end of each calendar year. In addition, in the event that debits are transferred either to or from a district, the manager's weekly basic salary is subject to adjustment. Other more

Table XII. Weekly Basic Salary Schedule for
 Combination District Managers
 at Supreme Life Insurance Company

| District in <u>Class</u> | District Total <u>Annual Premium Income</u> | Weekly <u>Basic Salary</u> |
|-----------------------------|--|-------------------------------|
| A | \$500,000 or more | \$200 |
| B | \$400,000 - \$499,999 | \$175 |
| C | \$300,000 - \$399,999 | \$160 |
| D | \$200,000 - \$299,999 | \$150 |
| E | Less than \$200,000 | \$140 |

Source: Memorandum of working agreement for combination District Managers, Supreme Life Insurance Company.

variable commissions and compensation packages round out the weekly salary received by the district manager (see Exhibit H). This is perhaps the most stable salaried position in the entire field office operation. Still, however, continued employment of the district managers is based on his ability to meet the performance requirements relative to the collection of weekly premiums.

The weekly basic salary for the staff manager is determined on the basis of the actual size of the district's staff combined weekly premium (Table XIII). As is the case with the district manager, the salary of the staff manager is adjusted to reflect actual premium collection performance. In addition to the base salary, staff managers receive a commission on all advance collections, a financial reward for monthly collections, and for all policy renewal premiums collected by the debit managers (see Exhibit I). Again, performance is measured in terms of premium collections and, with these immediate and current indicators, district managers are able to constantly monitor the performance of their subordinates.

Finally, the key employee to the entire premium collection process is debit manager (salesperson). This individual works strictly on commission and does not have the cushions awarded the staff manager and the district manager. For the most part, persons holding these jobs receive very little pre-debit management training. Their

Table XIII. Weekly Basic Salary Schedule for
 Combination Staff Managers
 at Supreme Life Insurance Company

| <u>Staff in Class</u> | <u>Staff Combined Weekly Premium-MDD Premium Debit (Weekly Basis) Size</u> | <u>Weekly Basic Salary</u> |
|---------------------------|--|--------------------------------|
| A | \$4,000 or more | \$140 |
| B | \$3,500 - \$3,999 | \$135 |
| C | \$3,000 - \$3,499 | \$130 |
| D | \$2,500 - \$2,999 | \$127 |
| E | Less than \$2,500 | \$125 |

Source: Supreme Life Insurance Company of America, 1978.

economic survival is a function of their ability to collect the premium and to increase the amount of insurance in force through the sale of new policies.

While all debit agents work under a contractual agreement with their companies (see Exhibit J), some have opted to become unionized. Agents in the California district offices of the Golden State Life Insurance Company are unionized as well as those employed in the Atlanta and detroit offices of North Carolina Mutual. The debit agent agreement at Golden State appears to give the agent more security and protection than is the case where individual contracts between the company and the agent are in effect.

At Golden State, an agent receives a temporary advance salary for at least the first five months of his employment--an amount agreed upon by the company and the agent.²⁹ After this period, the agent is compensated for each month of employment in an amount which reflects his success at collections and a debit conservation commission.³⁰ In other words, the agent is paid on the basis of his/her ability to collect and to maintain the debit. The agent's wage is further advanced through the sale of new insurance. Again, however, it is clear that wages and job tenure are directly linked to performance; and, in this case, performance is measured on the basis of premium conservation and expansion.

What then can we conclude about wage determination in

the insurance industry? First, wages for clerical workers are administratively determined. Secondly, while the administrative branch of the industry establishes the framework for wage determination in the field office, the actual process of arriving at employee wages differs from that practiced in the home office. In the field office, wages are highly dependent upon premium income. Thus, unless the sales staff maintains satisfactory collections, the wages of all non-clerical employees will be affected accordingly. The key to the wage structure of the field office is the debit managers or salespersons. If these individuals do not collect, the staff manager's as well as the district manager's earnings will be adversely influenced. Thirdly, although a few workers in the industry are represented by a union, there is little evidence that unions have had any significant impact on wage determination. Finally, firms in the industry tend to follow local market trends when establishing wages for various jobs.

SUMMARY

The operation of labor markets within major Black-owned insurance firms is comprised of a combination of primary and secondary type jobs. Most of the clerical positions, though very stable, display a number of secondary characteristics. On the other hand, supervisory, managerial, and executive positions can be appropriately classified as

primary employment. The most difficult group of workers to classify are those engaged in sales activities within the industry. Although they are higher on the occupation-income pyramid than the clerical staff, tenure with the firm is directly related to the salesperson's ability to market the company's product. Consequently, job security is a function of one's ability to satisfy predefined performance objectives established by the company without any direct input from the worker. The company's discretion to fire or transfer at will makes it difficult to classify sales jobs as being primary or secondary.

Perhaps one of the most distinguishing features of the labor markets within these firms is that they are manned almost solely by Black workers. Moreover, even though female workers are overrepresented in the clerical occupations, their relative position is far superior to that registered by females in the industry at the national level.

The allocative structure of the labor market within these enterprises is a very open one for clerical and sales personnel. For supervisory, managerial, and executive employees, the market functions around a rather closed system where the major source of labor is supplied by the internal labor market. Job ladders within the companies are very short for a majority of the workers and there is little evidence of any significant movement of workers across occupational categories either within the home or field

office.

Unquestionably, internal labor markets are operable in major Black-owned insurance firms and these enterprises have developed--especially on the sales and clerical levels --formalized procedures which govern the internal allocation of labor.

Notes

Chapter VI

¹Henry J. Clermont, Organizing the Insurance Worker: A History of Labor Unions of Insurance Employees (Washington, D.C.: Catholic University Press, 1966), p. viii.

²For a more detailed discussion see: J. Owen Stalson, Marketing Life Insurance (Cambridge, Massachusetts: Harvard University Press, 1942), Chapter XX and Linda Pickhorne, The Negro in the Insurance Industry (Philadelphia: University of Pennsylvania Press, 1970).

³"Black Insurance Companies 1977," Black Enterprise (June 1978):145-165.

⁴Interview with Mr. James E. Owens, Vice-President for Agency, Supreme Life Insurance Company of America, October 1978.

⁵"Black Insurance Companies 1977," Black Enterprise (June 1978).

⁶U.S. Department of Labor, Tomorrow's Manpower Needs, Volume IV (Washington, D.C.: U.S. Government Printing Office, 1969), pp. 99-101.

⁷Interviews with Mr. Maceo Sloan, Vice-President for Agency Operations, North Carolina Mutual Life Insurance Company, June 1978, and with Mr. James E. Owens, October 1978, and Mr. Howard, National Insurance Association, October 1978.

⁸A March 1978 survey conducted by the U.S. Department of Labor, Bureau of Labor Statistics (BLS) found that most clerical positions range in salary from about \$500 per month to a high of about \$900 per month. This translates into an annual salary range of \$6,000-\$10,000. An overwhelming majority of the clerical jobs in the insurance industry fall at the bottom of the annual salary range. For more details of the BLS survey, see Exhibit C. Also refer to Table XI in this case study.

⁹American Council of Life Insurance, Life Insurance Fact Book (Washington, D.C.: American Council of Life Insurance, 1978), p. 92.

¹⁰Ibid.

¹¹North Carolina Mutual Life Insurance Company, "Personnel Manual."

¹²Interview with Mr. Murray J. Marvin, Senior Vice-President for Corporate Planning and Communications, North Carolina Mutual Life Insurance Company, June 1978.

¹³Ibid.

¹⁴Interview with Ms. Helen Miguez, Personnel Manager, Supreme Life Insurance Company of America, October 1978.

¹⁵Ibid.

¹⁶Interview with Mr. Jim Bolden, Director of Personnel, North Carolina Mutual Life Insurance Company, June 1978.

¹⁷Interview with Mr. Macco Sloan, June 1978.

¹⁸Interview with Mr. James Anderson, Agent, Vermont Life Insurance Company, January 1979.

¹⁹Interview with Mr. Howard, October 1978.

²⁰Douglas Johnson, "Survey of Major Black-Owned Businesses in the U.S." January-March 1978 (unpublished).

²¹Interview with Mr. Murray J. Marvin, June 1978.

²²Telephone interview with Mr. Joseph Pollack, Insurance Workers International Union, November 1978.

²³Ibid.

²⁴North Carolina Mutual Life Insurance Company, "Personnel Manual."

²⁵Douglas Johnson, "Survey of Major Black-Owned Businesses."

²⁶Supreme Life Insurance Company of America, "Supplementary Schedule for Debit Manager" (1971), p. 1.

²⁷Golden State Mutual Life Insurance Company, "You and GSM" (1973), p. 5.

²⁸Supreme Life Insurance Company of America, "Memorandum of Working Agreement for Combination District Managers" (1978).

²⁹Golden State Mutual Life Insurance Company, Agreement Between Golden State Mutual Life Insurance Company and Insurance Workers International Union, AFL-CIO (September 1977), p. 24.

³⁰Supreme Life Insurance Company of America, Agreement Between Supreme Life Insurance Company and Local 372 of the Service Employees International Union, AFL-CIO (1976), p. 7.

Exhibit C

Average Salaries for Clerical Workers

from

National Survey of

Professional, Administrative, Technical and Clerical Pay,

March 1978

U.S. Department of Labor

CLERK, FILE

Files, classifies, and retrieves material in an established filing system. May perform clerical and manual tasks required to maintain files. Positions are classified into levels on the basis of the following definitions.

Clerk, File I

Performs routine filing of material that has already been classified or which is easily classified in a simple serial classification system (e.g., alphabetical, chronological, or numerical). As requested, locates readily available material in files and forwards material; may fill out withdrawal charge. May perform simple clerical and manual tasks required to maintain and service files.

Clerk, File II

Sorts, codes, and files unclassified material by simple (subject-matter) headings or partly classified material by finer subheadings. Prepares simple related index and cross-reference aids. As requested, locates clearly identified material in files and forwards material. May perform related clerical tasks required to maintain and service files.

Clerk, File III

Classifies and indexes file material such as correspondence, reports, technical documents, etc., in an established filing system containing a number of varied subject matter files. May also file this material. May keep records of various types in conjunction with the files. May lead a small group of lower level file clerks.

KEY ENTRY OPERATOR**(Keypunch Operator)**

Operates keyboard-controlled data entry device such as keypunch machine or key-operated magnetic tape or disc encoder to transcribe data into a form suitable for computer processing. Work requires skill in operating an alphanumeric keyboard and an understanding of transcribing procedures and relevant data entry equipment.

Positions are classified into levels on the basis of the following definitions.

Key Entry Operator I

CLERK, ACCOUNTING

Performs one or more accounting clerical tasks such as posting to registers and ledgers; reconciling bank accounts; verifying the internal consistency, completeness, and mathematical accuracy of accounting documents; assigning prescribed accounting distribution codes; examining and verifying for clerical accuracy various types of reports, lists, calculations, postings, etc.; or preparing simple (or assisting in preparing more complicated) journal vouchers. May work in either a manual or automated accounting system.

The work requires a knowledge of clerical methods and office practices and procedures which relates to the clerical processing and recording of transactions and accounting information. With experience, the worker typically becomes familiar with the bookkeeping and accounting terms and procedures used in the assigned work, but is not required to have a knowledge of the formal principles of bookkeeping and accounting.

Positions are classified into levels on the basis of the following definitions.

Clerk, Accounting I

Under close supervision, following detailed instructions and standardized procedures, performs one or more routine accounting clerical operations, such as posting to ledgers, cards, or worksheets where identification of items and locations of postings are clearly indicated; checking accuracy and completeness of standardized and repetitive records or accounting documents; and coding documents using a few prescribed accounting codes.

Clerk, Accounting II

Under general supervision, performs accounting clerical operations which require the application of experience and judgment, for example, clerically processing complicated or nonrepetitive accounting transactions, selecting among a substantial variety of prescribed accounting codes and classifications, or tracing transactions through previous accounting actions to determine source of discrepancies. May be assisted by one or more accounting clerks I.

Work is routine and repetitive. Under close supervision or following specific procedures or detailed instructions, works from various standardized source documents which have been coded and require little or no selecting, coding, or interpreting of data to be entered. Refers to supervisor problems arising from erroneous items, codes, or missing information

Key Entry Operator II

Work requires the application of experience and judgment in selecting procedures to be followed and in searching for, interpreting, selecting, or coding items to be entered from a variety of source documents. On occasion may also perform some routine work as described for level I.

NOTE: Excluded are operators above level II using the key entry controls to access, read, and evaluate the substance of specific records to take substantive actions, or to make entries requiring a similar level of knowledge.

Exhibit D

Article XV

from

Agreement Executed by and Between
Golden State Mutual Life Insurance Company and
International Union, AFL-CIO
Effective September 1, 1977

ARTICLE XV
Agents' Duties and Responsibilities

Subject to the provisions of this Agreement, the Union agrees that each Agent covered hereunder will:

1. Accept as his primary obligation full and faithful performance of his duties as an Agent of the Company in what is recognized as a full-time job and refrain from engaging in any other occupation which will impair his efficiency as an Agent or adversely affect the condition of his debit.

a. The Union agrees that it does not seek to protect nor does it feel that this Agreement protects any Agent who engages in some other full-time employment on a night shift or otherwise, or who conducts or participates on a full-time basis in the conduct of a business enterprise.

b. Regular employment in another occupation during the period from Monday through Friday in each week is also in the category of situations which the Union considers to be undesirable.

c. The Union also recognizes that the categories outlined above are by no means an exhaustive list of situations where an Agent's efficiency may be found to have been impaired or the condition of his debit adversely affected by such other occupation, depending on whether the facts and circumstances in each case in fact do impair his efficiency or adversely affect the condition of his debit.

2. Canvass and endeavor to procure applications for contracts of Life, Endowment, Annuity, and Disability insurance of all kinds and classes of risks and upon the plans designated by the Company; and deliver all policies and contracts issued on such applications, and collect all premiums payable upon delivery and such other premiums and other monies as he may be authorized to receive; account for and pay over to the Company on his next report day all monies received as such Agent; use the appropriate Company forms for all transactions as designated by the Company; deliver to the Company not later than his next report day all applications for insurance procured hereunder (whether recommended by the local medical examiner or not), with the signature of the applicant thereon personally witnessed by the Agent.

3. Endeavor to keep in force the existing insurance of the Company; secure the reinstatement of insurance that has lapsed, and care for and conserve the Company's business that may be assigned to him from time to time by the Company.

4. Hold all monies received and collected by him on behalf of the Company in a fiduciary capacity, and as at all times the property of the Company and to be delivered to the Company; in no case use such funds for the purpose of promoting or paying his expenses, or make any deductions for commissions or otherwise therefrom, or make any personal or other use of any such sum so received by him.

5. Be governed by the ethics of the Life Insurance profession and the laws and regulations of the Insurance Department of his State, refrain from publicly communicating or publicizing orally or in writing derogatory statements concerning the Company, and abide by the rules and regulations as in effect under this Agreement. Notwithstanding any other provisions hereof, an agent's employment shall be terminated upon disqualification of the agent by the State of California Insurance Department, ruling, or court action.

6. Keep, in the manner and form prescribed and approved by the Company, true and correct records of all transactions, and shall make any uniform reports as frequently as reasonably required by business considerations. More frequent reports by a particular agent may be required by business considerations. The Agent will render reasonable assistance in making examination of his books and records.

7. Bring himself into, and maintain, compliance with bond requirements as presently in effect.

8. Not issue or circulate any bills or papers or write or send any communication to any person or corporation, or insert any advertisement in any publication at his own expense, or otherwise, in any way relating to the business of this or any other Insurance Company without first obtaining the written authority of the Company.

9. It is expressly understood that the Agent has no authority on behalf of the Company to make, alter or discharge any Life Insurance, Annuity or Disability Contracts, or to extend times fixed for the payment of premiums or to waive forfeitures, or to accept notes of any kind, or incur any liability on behalf of the Company to allow the delivery of any policy unless the person proposed be in good health and the first premium as selected be paid in full.

10. All books, records, forms and other supplies of all descriptions furnished by the Company to the Agent shall be and remain the property of the Company. Upon termination of his employment either by himself or by the Company, or at any other time upon request by the Company, will forthwith submit said books and records for an inspection and accounting to be made in accordance with the rules of the Company then in force. It is understood that the Agent may block his book in the presence of the Company representative at the time of submission if he so requests.

11. No suit at law or equity relating to the Agent's employment under this Contract shall be maintainable until sixty (60) days shall have expired after service, upon the District Manager or higher officer or representative of the Company, of a written statement including the amount of the claim.

12. Indemnify and save the Company harmless from damages resulting from or growing out of his wilfully unauthorized acts or transactions; and further, he expressly authorizes the Company to charge against or withhold commissions or other remuneration due or that may become due under this Agreement to the Agent, his executor or administrator or assigns, any monies due the Company or any liabilities incurred or paid by the Company to any persons by the reason of the wilfully unauthorized acts of the Agent committed during the continuance of his Agreement. The balance of any account that may be due the Company at said termination, and any other indebtedness herein shall be a first lien on any amounts due the Agent, his executors, administrators or assigns.

13. In case any inquiry is made of the Company regarding his reason for leaving, the Company is authorized to furnish such information, provided such information is furnished in good faith and with a belief that the facts submitted are true, and the Agent hereby releases the Company from all liability for damages sustained as a result of their having furnished any such information.

14. In all instances, where the accounts kept by the Agent in the books provided by the Company and the reports made by the Agent to the Company, contain entries or items made by him indicating that monies have been received by him on behalf of the Company, such entries or items shall be presumptive evidence of such receipt by him on the Company's behalf and the Company shall not be bound to make further proof of such receipt.

15. Execute an Agent's Acceptance as set forth in the form appended to this Agreement and made a part hereof.

Exhibit E

Excerpts from

Job Evaluation Manual for Clerical Jobs

from

North Carolina Mutual Life Insurance Company

INTRODUCTION

Objectives and Development Process

The purpose of job evaluation is to determine the relative worth of the different jobs in an enterprise. Relative worth is assumed to vary with the duties that must be performed, the conditions under which they are performed, and the qualifications required to perform them.

Evaluation of jobs, thus, begins with JOB ANALYSIS. Job analysis is the PROCESS of studying the duties and conditions of each job, and the qualifications which any person must possess in order to perform it. The study will be carried on by means of a QUESTIONNAIRE to be completed by the employee and reviewed by the supervisor and/or manager.

The results of the job analysis are then to be written up as a JOB DESCRIPTION. The analyst will go through a sifting and organizing process and present the essential details in a form to include (1) the heading, made up of job title and other identifying information, (2) the job purpose, (3) the duties performed, and (4) the personal requirements or specifications.

Members of the Job Evaluation Committee should carefully formulate the following basic policies:

1. Rate the job - not the man on the job.
2. Strive to get the facts, get them accurately, and get them all.
3. Look especially for distinguishing features of jobs and for relationships to other jobs.
4. Study jobs independently and objectively, but then discuss views thoroughly and open-mindedly before reaching final decisions.
5. Remember that job evaluation is merely a systematic, carefully controlled type of judgment, based upon the best factual data obtainable.
6. Remember that the results of job evaluation not only must be fair, they must SEEM fair and rational to individuals affected.

Our system of rating jobs will be the "Key Job Comparison Plan" developed by the Life Office Management Association.

Job Pricing Policy

The exact salary paid to an employee depends, first, upon the job grade into which his job falls. For each grade there will be a range - (30 - 50%) - above the minimum salary for the grade, although this may vary. There will be some overlap of the range for one grade with that of the next higher grade. Sufficient experience and outstanding performance in the lower of some job grades are of

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greater value than initial contributions in the higher ones. This may be a reward to a faithful, good-performing employee who does well in the lower-graded job class.

Salary increases will be of three types: length-of-service, merit and promotional. Length of service increases may be given after the maximum salary has been reached, based on a service period to be determined. Merit increases will be granted annually, the first of the service anniversary month, until the maximum salary has been reached, based upon a MERIT RATING. Promotional increases will be given when an employee is moved from one job level to a higher job level after a satisfactory performance rating has been filed by the Division Manager.

Factor and Degree Level Definitions

A six-factor point plan will be employed -

1. Education
2. Job knowledge
3. Contacts
4. Responsibility
5. Working conditions
6. Supervision

The factors are designed to be both meaningful and valid for evaluation purposes.

The degree level definitions give concrete meanings to the factors and establish rating scales for them. Each minimum degree level identifies the lowest level applicable to life insurance office work. All successive degree levels are defined according to the principle of identifying the smallest differences in the factors that are meaningful from an evaluation standpoint. The highest degree levels are the highest ones considered to be applicable to those office jobs within the scope of this plan.

Factor I--Education

This factor measures the knowledge, skill and ability, normally acquired prior to employment, which is required to perform the job.

Degree Level 1 --Up to and including high school

Degree Level 2 --High school, including special skills, such as typing, bookkeeping, mathematics

Degree Level 3 --High school, including the ability to take and transcribe shorthand or a high degree of typing skill to transcribe machine dictation

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Degree Level 4--High school, plus additional business or vocational school

Degree Level 5--College degree or equivalent

Factor II--Job Knowledge

This factor measures the knowledge, skill and ability, normally acquired on the job or on a previous job, which is required to perform the job.

Degree Level 1--Knowledge, skill and ability at the beginning level

Degree Level 2--Knowledge, skill and ability above the beginning level

Degree Level 3--Detailed knowledge of a limited number of moderately complex procedures in the immediate work area

Degree Level 4--Specialized knowledge of a variety of complex work procedures and practices

Degree Level 5--Extensive knowledge of a large variety of complex work procedures and practices

Degree Level 6--Comprehensive knowledge of a large variety of very complex procedures and practices

Factor III--Contacts

This factor measures the internal and external personal, telephone and written contacts regularly required in the performance of the job.

Degree Level 1--Limited and routine

Degree Level 2--Giving or securing information of average complexity or importance

Degree Level 3--Internal or external contacts requiring tact and judgment

Degree Level 4--Extensive and important internal or external contacts requiring a high degree of persuasiveness, tact and good judgment

Factor IV--Responsibility

This factor measures the degree of freedom in making decisions and taking actions, and the consequence of error.

Degree Level 1--Procedures spelled out in detail; very limited need for variance from a standard procedure. Effect of error slight, or there is a close check on the work

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Degree Level 2--Duties require some judgment in following procedures. Errors cause delay and confusion

Degree Level 3--Duties require decisions of consequence but usually within the framework of established work procedures. Some financial loss, or loss of goodwill possible in case of error

Degree Level 4--Duties require independent judgment, not circumscribed by established work procedures. Errors may result in substantial loss

Factor V--Working Conditions

This factor measures the unusual physical or environmental demands of a job, such as prolonged standing, walking, stooping, noise, use of staining material, or possibility of injury.

Degree Level 1--Normal working conditions

Degree Level 2--Some undesirable working conditions

Degree Level 3--Working conditions that are hazardous or injurious

Factor VI--Supervision

This factor measures the skill and responsibility for directing the work of others.

Degree Level 1--None ;

Degree Level 2--Some responsibility for workflow and production. Duties include answering job-related questions and training new employees

Degree Level 3--In addition to the responsibility described in degree level 2, duties require assisting in phases of supervisory work such as reporting on performance, recommending on advancements, etc; implementing new or changed work procedures and routines

Line

The Degree Level Point Values

The degree levels of all factors are assigned point values to weight them properly with respect to their relative importance:

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| <u>Factors</u> | <u>Degree Levels and Points</u> | | | | | |
|-----------------------|---------------------------------|----------|----------|----------|----------|----------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> | <u>6</u> |
| 1. Education | 25 | 45 | 65 | 90 | 125 | - |
| 2. Job knowledge | 30 | 50 | 70 | 95 | 120 | 150 |
| 3. Contacts | 10 | 20 | 35 | 50 | - | - |
| 4. Responsibility | 30 | 60 | 100 | 150 | - | - |
| 5. Working conditions | 5 | 15 | 25 | - | - | - |
| 6. Supervision | 0 | 25 | 50 | - | - | - |

Job Value Ranges and Grades

The number of grades and point value ranges are established on the basis of what makes the most reasonable groupings of the key jobs.

| <u>Job Value Point Ranges</u> | <u>Level or Grade</u> |
|-----------------------------------|---------------------------|
| 115 or less | 1 |
| 116 - 165 | 2 |
| 166 - 215 | 3 |
| 216 - 265 | 4 |
| 266 - 315 | 5 |
| 316 - 365 | 6 |
| 366 - 416 | 7 |
| | 8 |

Selection of Key Jobs by Job Family

One of the main features of this evaluation plan is the use of key jobs to aid in the evaluation process. A KEY JOB is one that is typical of the insurance industry, well understood by a large number of people, and acceptably evaluated at a given level of difficulty.

To facilitate the evaluation process, the following job categories or job families will be used:

Processing

Accounting

Secretarial

Machine Operations

Supervisory

Jobs will be assigned to the job family considered to be of primary importance on the basis of duties performed and qualifications required. The assignment of jobs to the job families will be of value in the analyses of personnel data and the assembling of material for salary surveys.

The following key jobs have been selected to help define the difficulty levels of the various factors in the model plan:

Key Jobs

Titles and descriptions - there should be a key job for each grade level in each job family, if possible. These key jobs become the yardsticks against which all other jobs are compared. Two or three jobs for each grade and family should be a sufficient number to serve as acceptable benchmarks for each level.

After the initial selection of key jobs for each grade level by job family, the initial evaluation can be made to test the point scale and establish a consistent pattern within each job family, among job families and by job grade. (Job descriptions should be written first before key jobs are selected).

Writing Job Descriptions

Each description should include:

1. Identification data (job title, department, division, etc)
2. A statement of the overall purpose of the job
3. A statement of the specific duties or responsibilities
4. Pertinent supplementary information

In addition to knowledge of the job duties, the analyst must know:

1. The overall purpose or function of the job
2. The organizational structure--to whom the employee reports and who reports to the employee

-7-

3. The source and destination of the work

4. The extent of the employee's responsibility and authority

The job analyst begins by outlining the job duties. Duties may be described in (1) the sequence in which they are performed, or (2) the order of importance of each duty, whichever is more appropriate for the job. When job duties constitute a complete cycle of work, it is usually more appropriate to present the duties in sequence. For example, the mail clerk (1) OPENS incoming mail; (2) READS, ROUTES mail; (3) CLASSIFIES mail into priority order.

When a full cycle of work is not completed and duties are performed intermittently and on unrelated subjects, it may be more advantageous to present the duties in order of their importance or by the amount of time spent on them. For example, the secretary (1) TAKES and TRANSCRIBES dictation; (2) MAINTAINS confidential files; (3) ANSWERS telephone and/or MAKES appointments; and (4) PERFORMS related clerical duties.

A standardized format should be used for all clerical jobs. The first step is to give the "General Purpose." This statement summarizes the job and orients the reader.

Exhibit F

Employee Evaluation Plan
North Carolina Mutual Life Insurance Company

EMPLOYEE EVALUATION PLAN
North Carolina Mutual Life Insurance Company

| | | | |
|------------|-----------|---------------------------|--------------|
| NAME | CLOCK NO. | JOB TITLE | DATE |
| DEPARTMENT | DIV. CODE | FROM EVALUATION PERIOD TO | FINAL RATING |

THE FOLLOWING GENERAL DEFINITIONS APPLY TO EACH FACTOR RATED BELOW:

GOOD: The employee's performance with respect to a factor meets the job requirements as the job is defined at the time of rating. THIS IS THE BASIC STANDARD FOR RATING ANY FACTOR BELOW.

FAIR: The employee's performance with respect to a factor is below the requirements for the job and must improve to be satisfactory.

VERY GOOD: The employee's performance with respect to a factor is beyond the ordinary requirements for good performance for the job.

POOR: The employee's performance with respect to a factor is deficient enough to justify release from present job unless improvement is made.

EXCEPTIONAL: The employee's performance with respect to a factor is excellent, approaching the best possible for the job.

| RATE ON FACTORS BELOW | POOR | FAIR | GOOD | VERY GOOD | EXCEPTIONAL | SCORE |
|--|--|--|--|--|---|-------|
| 1. <u>QUANTITY OF WORK</u> : Volume of work regularly produced. Speed and consistency of output. | Output inadequate to retain in job without improvement. <input type="checkbox"/> | Output below job requirements. <input type="checkbox"/> <input type="checkbox"/> | Output satisfies job requirements. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Output exceeds satisfactory job requirements. <input type="checkbox"/> <input type="checkbox"/> | Unusual speed and volume of output. <input type="checkbox"/> | — |
| 2. <u>QUALITY OF WORK</u> : Extent to which work produced meets quality requirements of accuracy, thoroughness, and effectiveness. | Quality too poor to retain in job without improvement. <input type="checkbox"/> | Work below standard quality requirements. <input type="checkbox"/> <input type="checkbox"/> | Work satisfies quality requirements. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Quality high. Work very well done. <input type="checkbox"/> <input type="checkbox"/> | Unusual accuracy, thoroughness and effectiveness. <input type="checkbox"/> | — |
| 3. <u>DEPENDABILITY</u> : Extent to which employee can be counted on to carry out instructions, be on the job, and fulfill responsibilities. | Too unreliable to retain in job without improvement. <input type="checkbox"/> | Not fully dependable. <input type="checkbox"/> <input type="checkbox"/> | Can be relied on to fulfill job demands. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Exceeds normal job requirements. <input type="checkbox"/> <input type="checkbox"/> | Extremely dependable in all respects. <input type="checkbox"/> | — |
| 4. <u>JOB KNOWLEDGE</u> : Extent of job information and understanding possessed by employee. | Knowledge inadequate to retain in job without improvement. <input type="checkbox"/> | Lacks required knowledge. <input type="checkbox"/> <input type="checkbox"/> | Knowledge satisfies ordinary job requirements. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Very well informed on all phases of work. <input type="checkbox"/> <input type="checkbox"/> | Handles work of most complex nature. <input type="checkbox"/> | — |
| 5. <u>EFFECTIVENESS IN DEALING WITH PEOPLE</u> : Extent to which employee cooperates with, and effectively influences people he contacts. | Relations too ineffective to retain in job without improvement. <input type="checkbox"/> | Does not always get along well with others; irritating, not cooperative. <input type="checkbox"/> <input type="checkbox"/> | Maintains effective working relations with others. Fully cooperative. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Ability superior to normal job requirements. Goes out of way to cooperate. <input type="checkbox"/> <input type="checkbox"/> | Obtains highest respect and cooperation from others. <input type="checkbox"/> | — |

| | | | | | | |
|---|---|---|--|---|---|-------|
| 6. INITIATIVE: Extent to which employee is a "self-starter" in attaining objective of job. | Lacks sufficient initiative to retain in job without improvement. <input type="checkbox"/> | Lacks initiative to attain required job objective. <input type="checkbox"/> <input type="checkbox"/> | Exercises amount of initiative required by the job. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Exercises initiative beyond job requirements. <input type="checkbox"/> <input type="checkbox"/> | Extraordinary. Beyond that which present job can fully utilize. <input type="checkbox"/> | — |
| 7. ADAPTABILITY: Extent to which employee is able to perform variety of assignments within scope of job duties. | Range of duties performed too limited to retain in job without improvement. <input type="checkbox"/> | Performs somewhat limited range of required duties. <input type="checkbox"/> <input type="checkbox"/> | Performs full range of ordinary job requirements. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Can perform all of the required and many of the unusual tasks within scope of job. <input type="checkbox"/> <input type="checkbox"/> | Can handle any variety of jobs. <input type="checkbox"/> | — |
| 8. JUDGMENT: Extent to which decisions and actions are based on sound reasoning and weighing of outcomes. | Judgment too poor to retain in job without improvement. <input type="checkbox"/> | Decisions not entirely adequate to meet job demands. <input type="checkbox"/> <input type="checkbox"/> | Makes good decisions in various situations arising in job. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Superior in determining correct decisions and actions. <input type="checkbox"/> <input type="checkbox"/> | Judgment always reliable on important and complex matters. <input type="checkbox"/> | — |
| 9. JOB ATTITUDE: Amount of interest and enthusiasm shown in work. | Attitude too poor to retain in job without improvement. <input type="checkbox"/> | Attitude needs improvement to be acceptable. <input type="checkbox"/> <input type="checkbox"/> | Favorable or acceptable attitude. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | High degree of enthusiasm and interest. <input type="checkbox"/> <input type="checkbox"/> | Extraordinary degree of enthusiasm and interest. <input type="checkbox"/> | — |
| 10. ORGANIZING ABILITY: Effectiveness in planning and performing work systematically. | Planning too poor to retain in job without improvement. <input type="checkbox"/> | Planning inadequate in some respects. <input type="checkbox"/> <input type="checkbox"/> | Work reasonably well planned and organized. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Careful and effective planner. <input type="checkbox"/> <input type="checkbox"/> | Exceptionally systematic. Exceeds organizing ability required by present job. <input type="checkbox"/> | — |
| 11. ATTENDANCE: Number of days of unexcused absence. | <input type="checkbox"/> 0 <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 <input type="checkbox"/> 12 or more | | | | | — |
| 12. PUNCTUALITY: Number of unexcused times tardy. | <input type="checkbox"/> 0 <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 <input type="checkbox"/> 12 or more | | | | | — |
| 13. POTENTIALITY RATING: | FAIR <input type="checkbox"/> SATISFACTORY <input type="checkbox"/> GOOD <input type="checkbox"/> EXCEPTIONAL <input type="checkbox"/> | | | | | TOTAL |

1. HAS EMPLOYEE SHOWN ANY OUTSTANDING ACCOMPLISHMENTS OR ABILITIES IN PERFORMING HIS WORK? WHAT ARE THEY?

2. ALONG WHAT LINES DO YOU THINK EMPLOYEE NEEDS IMPROVEMENT IN HIS PRESENT JOB?

3. WHAT IS EMPLOYEE DOING AT PRESENT TO IMPROVE HIMSELF, SUCH AS ATTENDING SCHOOL, STUDYING AT HOME, ETC.?

4. WHAT ARE YOUR SUGGESTIONS FOR HELPING HIM IMPROVE IN PRESENT JOB. FOR FUTURE JOBS?

5. IS EMPLOYEE DOING WORK WHICH FITS HIS ABILITIES. IF NOT, WHAT SHOULD HE BE DOING?

6. WHAT ARE YOUR GENERAL REMARKS CONCERNING EMPLOYEE'S PERFORMANCE OF HIS PRESENT DUTIES? WHAT ABOUT HIS CAPACITY FOR FUTURE GROWTH?

INDICATE (X) THE ADDITIONAL INFORMATION BELOW ONLY IF EMPLOYEE IS IN THE LEARNING STATE OF HIS JOB

EMPLOYEE IS: NEWLY HIRED NEWLY HIRED, BUT EXPERIENCED NEW TO JOB THROUGH UPGRADING
 TRANSFERRED FROM SIMILAR JOB REHIRED TO OLD JOB OTHER (SPECIFY)

COMMENTS

SIGNATURE OF RATER, TITLE

DATE OF RATING

SIGNATURE OF EMPLOYEE

DATE OF DISCUSSION

SIGNATURE OF REVIEWER

DATE OF REVIEW

FOR PERSONNEL DEPARTMENT USE ONLY

DATE OF LAST INCREASE

PRESENT SALARY

RECOMMENDED SALARY

DATE OF APPROVAL

APPROVED BY

NOTATION

Exhibit G

Performance Appraisal

(Managerial Personnel)

North Carolina Mutual Life Insurance Company

- PERFORMANCE APPRAISAL -
(Managerial Personnel)

North Carolina Mutual Life Insurance Company

NAME _____ DATE EMPLOYED _____ 19____
 TITLE _____ SOC. SEC. NO. _____
 ANNIVERSARY DATE FOR EVALUATION _____ 19____

I. MANAGERIAL SKILLS:

JUDGMENT. Evaluate the individual's demonstrated ability to reason, evaluate facts and opinions, consider the consequences, select sound alternatives and make decisions that produce desired results.

___ Excellent ___ Very Good ___ Good ___ Fair ___ Poor ___ Unknown

Comments: _____

ABILITY TO PLAN. Evaluate the individual's demonstrated ability to effectively develop a course of action, including the formulation of a total approach to achieve established goals and objectives.

___ Excellent ___ Very Good ___ Good ___ Fair ___ Poor ___ Unknown

Comments: _____

ABILITY TO ORGANIZE. Evaluate the individual's demonstrated ability to set realistic measurable goals and objectives and to arrange in an orderly, systematic manner those things that must be accomplished to attain the desired goal, including staffing, job assignment, responsibilities and authorities, and working relationships.

___ Excellent ___ Very Good ___ Good ___ Fair ___ Poor ___ Unknown

Comments: _____

ABILITY TO CONTROL. Evaluate the individual's demonstrated ability to establish necessary parameters and feedback mechanisms to assure maintaining adherence to a plan and modifying action when necessary to achieve the desired goals and objectives.

___ Excellent ___ Very Good ___ Good ___ Fair ___ Poor ___ Unknown

Comments: _____

-2-

ABILITY TO DEVELOP SUBORDINATES. Evaluate the individual's demonstrated ability to improve subordinates' job performance and/or prepare them for greater responsibility.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

ABILITY TO COMMUNICATE-ORAL. Evaluate the individual's demonstrated ability to transfer a thought, plan, idea, etc., through oral communications to others so they fully understand the subject.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

ABILITY TO COMMUNICATE-WRITTEN. Evaluate the individual's demonstrated ability to transfer a thought, plan, idea, etc., through concise written communications to others so they fully understand the subject.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

COURAGE TO ACT. Evaluate the individual's demonstrated ability to carry out difficult decisions and to get the job done despite adversity.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

ABILITY TO WORK UNDER PRESSURE. Evaluate the individual's demonstrated ability to obtain desired results under stress conditions, short-time cycles, threatening situations, adverse conditions, last minute changes, etc.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

-3-

ABILITY TO MOTIVATE. Evaluate the individual's demonstrated ability to inspire and encourage others to utilize their abilities to the maximum to achieve desired goals and objectives.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

WILLINGNESS TO ACCEPT GREATER RESPONSIBILITIES. Evaluate the individual's demonstrated interest, willingness and desire to seek out and/or accept tasks that increase responsibilities.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

DRIVE AND INITIATIVE. Evaluate the individual's demonstrated efforts as a self starter, with self motivation to achieve the established goals and objectives in reaching the desired results.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

FLEXIBILITY. Evaluate the individual's demonstrated ability to adjust to changing internal and external conditions.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

ABILITY TO DELEGATE. Evaluate the individual's demonstrated ability to delegate certain important segments of work for which he is accountable.

Excellent Very Good Good Fair Poor Unknown

Comments: _____

-4-

CREATIVITY/INNOVATIVE ABILITY. Evaluate the individual's demonstrated ability to develop alternate solutions to new and projected problems, envision problems and future impacts, seek methods and procedures for obtaining desired results.

 Excellent Very Good Good Fair Poor Unknown

Comments: _____

COOPERATION. Evaluate the individual's demonstrated ability to work with others, to help others, to be a "team player" and to accept ideas and recommendations from others.

 Excellent Very Good Good Fair Poor Unknown

Comments: _____

II. PERSONAL CONDUCT AND BEHAVIOR. Evaluate the individual's performance in maintaining a high level of personal conduct and behavior on and off the job.

_____ Maintains Company's standards _____ Questionable

Explain, if necessary _____

III. PERSONAL REFERENCE. Indicate the individual's stated job objectives.

IV. LIST DEVELOPMENT REQUIREMENTS - TO ENHANCE POTENTIAL. List your specific plans to help this individual meet these development requirements.

V. PERSONAL IMPROVEMENT. What is employee doing at present to improve his or her qualifications such as attending school, home study, etc.?

-5-

VI. OVERALL RATING. List specific job recommendations and proposed time frames.

____ Excellent ____ Very Good ____ Good ____ Fair ____ Poor

Comments: _____

VII. COMMENTS

SIGNATURE OF EVALUATOR TITLE DATE

SIGNATURE OF EMPLOYEE TITLE DATE

SIGNATURE OF REVIEWER TITLE DATE

Exhibit H

Memorandum of Working Agreement for
Combination District Managers
Supreme Life Insurance Company of America

SUPREME LIFE INSURANCE COMPANY OF AMERICA
(Incorporated by the State of Illinois)

MEMORANDUM OF WORKING AGREEMENT FOR COMBINATION DISTRICT MANAGERS
(Effective July 5, 1971)

The total compensation of the District Managers shall be determined weekly based on the total of the following: (1) Weekly Basic Salary, (2) WP Incentive Compensation, (3) MDO Incentive Compensation, (4) PNO Incentive Compensation, and (5) PNO Personal Production Commissions.

I. WEEKLY BASIC SALARY

A. WEEKLY BASIC SALARY SCHEDULE

The weekly basic salary for the District Manager is determined according to the District size. At the end of each calendar year, each District is classified by size based on the District's total annual premium income for the calendar year. This year-end classification determines the District Manager's basic salary for the succeeding year, effective the third Monday in January in accordance with the following schedule.

| District in Class | District Total Annual Premium Income | Weekly Basic Salary |
|-------------------|--------------------------------------|---------------------|
| A | \$500,000 or more | \$200 |
| B | 400,000 - 499,999 | 175 |
| C | 300,000 - 399,999 | 160 |
| D | 200,000 - 299,999 | 150 |
| E | Less than 200,000 | 140 |

1. Newly appointed District Managers

A newly appointed District Manager shall be paid a weekly basic salary as indicated above in accordance with the size of the District to which he is assigned.

2. Transfer of District Manager

When a District Manager is transferred to another District, his weekly basic salary shall be adjusted to conform to the weekly basic salary of the new District.

3. Recalculation of Weekly Basic Salary

At the end of each calendar year, the District Manager's weekly basic salary will be recalculated based on the District's total annual premium income for the calendar year. The District Manager's weekly basic salary shall then be adjusted for the succeeding year, effective the third Monday in January either upward or downward.

4. Transfer of Debits to or From a District

When debits are transferred either to or from a District, the District Manager's weekly basic salary may be adjusted, either upward or downward.

IV. PREMIUM NOTICE ORDINARY INCENTIVE COMPENSATION

A. FIRST YEAR OVERWRITING COMMISSIONS

The District Manager shall be paid bi-weekly a commission of 8% of the total first year PNO personal commissions credited to active Agents and Staff Managers assigned to the District and the District Manager.

B. RENEWAL OVERWRITING COMMISSIONS

The District Manager shall be paid bi-weekly a commission of 4% of the total renewal PNO personal commissions credited to active Agents and Staff Managers assigned to the District and the District Manager.

V. PREMIUM NOTICE ORDINARY PERSONAL PRODUCTION COMMISSIONS

The District Manager shall receive for PNO business personally written and placed by him the regular commission rate on PNO in accordance with the effective Form 1-160 schedule of commissions.

VI. MANPOWER DEVELOPMENT BONUS

A. FOR PROMOTION OF AN AGENT

If an Agent on the District is reclassified to Staff Manager of a Staff on another District, or District Manager of another District or any other management position, the District Manager shall be paid a \$50 cash bonus in a lump sum provided that the said Agent has been under the continuous supervision of the District Manager for the last fifty-two (52) weeks or longer.

B. FOR PROMOTION OF A STAFF MANAGER

If a Staff Manager on the District is reclassified to District Manager of another District or any other higher management position outside of the District, the District Manager shall be paid a \$150 cash bonus in a lump sum provided that the said Staff Manager has been under the continuous supervision of the District Manager for the last one hundred four (104) weeks or longer.

VII. MINIMUM REQUIREMENTS FOR SATISFACTORY PERFORMANCE

A. The minimum requirements for satisfactory performance by a District Manager shall be as follows:

1. District Weekly Premium Average Net Increase Per Debit Per Week - 50¢
2. District Weekly Premium Cumulative Collection % - 98%
3. District Weekly Premium Average Gross Arrears % - 80%
4. District Weekly Premium Average Gross Advance % - 100%
5. District MDC Premium Average Net Increase Per Debit Per Month - \$2
6. District MDC Premium Cumulative Collection % - 98%

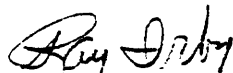
7. District PNO Annualized Premium Average Net Increase Per Agent Per Quarter - \$36
 8. District PNO Annualized Premium Average Net Increase Per Staff Manager Per Quarter - \$140
 9. Personal PNO Annualized Premium Average Net Increase Per Quarter - \$140
 10. District Activity Level $\frac{1}{2}$ - 100%
 11. District Expense Ratio $\frac{1}{2}$ - budgeted ratio
- B. Performance Below Minimum Requirements
1. If the District Manager fails to meet the foregoing minimum requirements at the close of any Compensation Quarter, he will be placed on probation for the succeeding Compensation Quarter.
 2. If the District Manager fails to meet all of the foregoing Weekly Premium and MDC Premium minimum requirements for two (2) successive Compensation Quarters, his employment may be terminated under this Agreement at the discretion of the Company.

VIII. GENERAL PROVISIONS

- A. The District Manager acknowledges and agrees to the right of the Company at any and all times to make such other appointments and to divide, re-divide or re-arrange any or all of its territory and its districts, including the district to which the District Manager is assigned, and any or all work whether in or out such district, and to make such changes in the method of conducting its business as may seem to the Company to be desirable.
- B. Termination
1. The District Manager shall have the right in his discretion to terminate his appointment and this Agreement by giving two (2) weeks notice thereof in writing to the Regional Agency Director or Agency Director.
 2. The Company shall have the right to terminate the appointment of District Manager and the Agreement at its pleasure by giving two (2) weeks written notice thereof, either to the District Manager in person or by mailing to his last known address as shown by the records of the Company.

- 3. In the event of the death of the District Manager, this Agreement shall terminate automatically.
 - 4. In the event of termination of this Agreement by the death of the District Manager or by action of the District Manager or of the Company, the obligation of the Company to pay the District Manager any further compensation based on this Agreement shall terminate therewith, effective as of the termination date.
- C. The Company reserves the unqualified right at any time without notice to change or revise this Agreement and the Company's rules and regulations.
- D. This Agreement shall take the place of any present Agreement the District Manager may have with the Company and all prior Agreements as to compensation are hereby cancelled and the District Manager's compensation shall hereafter be determined solely according to the terms of this Agreement.

SUPREME LIFE INSURANCE COMPANY OF AMERICA



By: Ray Irby, CLU
Vice President-Agency Director

(Complete, detach and return this receipt to the Home Office Agency Department)

SUPREME LIFE INSURANCE COMPANY OF AMERICA

Receipt is hereby acknowledged of a copy of the Supreme Life Insurance Company of America's Form 1-123 Memorandum of Working Agreement For Combination District Managers.

District _____

District Manager's Full Name (Print or Type)

Date _____ 19 _____

Signature - District Manager

Exhibit I

Memorandum of Working Agreement for
Combination Staff Managers
Supreme Life Insurance Company of America

SUPREME LIFE INSURANCE COMPANY OF AMERICA
(Incorporated by the State of Illinois)

MEMORANDUM OF WORKING AGREEMENT FOR COMBINATION STAFF MANAGERS
(Effective July 5, 1971)

The total compensation of ten Staff Managers shall be determined weekly based on the total of the following: (1) Weekly Basic Salary, (2) WP Incentive Compensation, (3) MDO Incentive Compensation, (4) PNO Incentive Compensation, and (5) PNO Personal Production Commissions.

1. WEEKLY BASIC SALARY

A. WEEKLY BASIC SALARY SCHEDULE

The weekly basic salary for the Staff Manager is determined according to Staff size. At the end of each calendar year, each Staff is classified by size based on the Staff's combined Weekly Premium-MDO Premium debit. This year-end classification determines the Staff Manager's weekly basic salary for the succeeding year, effective the third Monday in January in accordance with the following schedule.

| Staff in Class | Staff Combined Weekly Premium-MDO Premium Debit (Weekly Basis) Size | Weekly Basic Salary |
|----------------|---|---------------------|
| A | \$4,000 or more | \$140.00 |
| B. | 3,500 - 3,999.99 | 135.00 |
| C | 3,000 - 3,499.99 | 130.00 |
| D. | 2,500 - 2,999.99 | 127.50 |
| E. | Less than \$2,500 | 125.00 |

1. Newly Appointed Staff Managers
A newly appointed Staff Manager shall be paid a weekly basic salary as indicated above, in accordance with the size of the Staff to which he is assigned.
2. Transfer of Staff Manager
When a Staff Manager is transferred to another Staff, his weekly basic salary shall be adjusted to conform to the minimum weekly basic salary of the new Staff.
3. Recalculation of Weekly Basic Salary
At the end of each calendar year, the Staff Manager's weekly basic salary will be recalculated based on the Staff's size. The Staff Manager's weekly basic salary shall then be adjusted for the succeeding year, effective the third Monday in January either upward or downward.
4. Transfer of Debits to or From a Staff
When debits are transferred either to or from a Staff, the Staff Manager's weekly basic salary may be adjusted, either upward or downward.

II. WEEKLY PREMIUM INCENTIVE COMMISSIONS

A. DEBIT GROWTH BONUS COMMISSIONS

The Staff Manager shall be paid weekly Debit Growth Bonus Commissions of 12 1/2% of the total amount of Advance Commissions, TOI Commissions and Debit Growth Bonus Commissions paid to Agents assigned to his Staff, provided:

1. The Staff debit is in a net increase position quarter to date and year to date, and
2. The "cumulative collection percentage" on his Staff debit is 98% or more year to date, and
3. The "average gross arrears percentage" on his Staff debit is not more than 80% year to date, and
4. The "average gross advance percentage" on his Staff debit is not less than 100% year to date, and
5. All debit accounts on the Staff have been "called" for advance and arrears at the close of the weekly Account period and checked by the Staff Manager or District Manager, and
6. Written Field Inspections are completed and submitted to the Agency Department on all debits on the Staff every twenty-six (26) weeks.
7. No Debit Growth Bonus Commissions will be paid for net increase previously paid for.

III. MONTHLY DEBIT ORDINARY INCENTIVE COMPENSATION

A. FIRST YEAR OVERWRITING COMMISSIONS

The Staff Manager shall be paid bi-weekly a commission of 8% of all first year MOO premium collection on policies assigned to the Staff.

B. RENEWAL OVERWRITING COMMISSIONS

The Staff Manager shall be paid bi-weekly a commission of 4% of all renewal MOO premium collection on policies assigned to the Staff.

17. PREMIUM NOTICE ORDINARY INCENTIVE COMPENSATION

A. FIRST YEAR OVERWRITING COMMISSIONS

The Staff Manager shall be paid bi-weekly a commission of 10% of the total first year PNO personal commissions credited to active Agents assigned to the Staff and the Staff Manager.

B. RENEWAL OVERWRITING COMMISSIONS

The Staff Manager shall be paid bi-weekly a commission of 5% of the total renewal PNO personal commissions credited to active Agents assigned to the Staff and the Staff Manager.

18. PREMIUM NOTICE ORDINARY PERSONAL PRODUCTION COMMISSIONS

The Staff Manager shall receive for PNO business personally written and placed by him the regular commission rate on PNO in accordance with the effective Form 1-160 schedule of commissions.

19. MANPOWER DEVELOPMENT BONUS

If an Agent on the Staff is reclassified to Staff Manager (of another Staff), District Manager or any other management position, the Staff Manager shall be paid a \$100 cash bonus in a lump sum, provided that the said Agent has been under the continuous supervision of the Staff Manager for the last fifty-two (52) weeks or longer.

20. MINIMUM REQUIREMENTS FOR SATISFACTORY PERFORMANCE

- A. A Staff shall consist of a minimum of 5 to a maximum of 7 Combination Agents. No Ordinary Consultants or Part-time Ordinary Agents shall be assigned to the Staff of a Combination Staff Manager.
- B. The minimum requirements for satisfactory performance by a Staff Manager shall be as follows:
1. Staff Weekly Premium Average Net Increase Per Debit Per Week - 50c
 2. Staff Weekly Premium Cumulative Collection% - 98%
 3. Staff Weekly Premium Average Gross Arrear% - 80%
 4. Staff Weekly Premium Average Gross Advance% - 100%
 5. Staff MDO Premium Average Net Increase Per Debit Per Month - \$2
 6. Staff MDO Premium Cumulative Collection% - 98%
 7. Staff PNC Annualized Premium Average Net Increase Per Agent Per Quarter - \$36
 8. Personal PNO Annualized Premium Average Net Increase Per Quarter - \$140

Performance Below Minimum Requirements

1. If the Staff Manager fails to meet the foregoing minimum requirements at the close of any regular Compensation Quarter, he will be placed on probation for the succeeding regular Compensation Quarter.
2. If the Staff Manager fails to meet the foregoing Weekly Premium and MDO Premium minimum requirements for two (2) successive regular Compensation Quarters, his employment may be terminated under this Agreement at the discretion of the Company.

VIII.

GENERAL PROVISIONS

- A. The Staff Manager acknowledges and agrees to the right of the Company at any and all times to make such appointments and divide, re-divide or re-arrange any or all of its territory, districts and staffs, including the district and staff to which the Staff Manager is assigned, and any or all work whether in or out such district and/or staff, and to make such changes in the method of conducting its business as may seem to the company to be desirable.
- B. Termination
 1. The Staff Manager shall have the right in his discretion to terminate his appointment and this Agreement by giving (2) weeks notice thereof in writing to the District Manager, Regional Agency Director or Agency Director.
 2. The Company shall have the right to terminate the appointment of the Staff Manager and the Agreement at its pleasure by giving two (2) weeks written notice thereof, either to the Staff Manager in person or by mailing to his last known address as shown by the records of the Company.
 3. In the event of the death of the Staff Manager, this Agreement shall terminate automatically.
 4. In the event of termination of this Agreement by the death of the Staff Manager or by action of the Staff Manager or of the Company, the obligation of the Company to pay the Staff Manager any further compensation based on this Agreement shall terminate therewith, effective as of the termination date.
- C. The Company reserves the unqualified right at any time without notice to change or revise this Agreement and the Company's rules and regulations.

D. This Agreement shall take the place of any present Agreement the Staff Manager may have with the Company and all prior Agreements as to compensation are hereby cancelled and the Staff Manager's compensation shall hereafter be determined solely according to the terms of this Agreement.

SUPREME LIFE INSURANCE COMPANY OF AMERICA

BY: JAMES E. OWENS
Senior Vice President- Agency Director

(complete, detach and return this receipt to the Home Office Agency Department)

SUPREME LIFE INSURANCE COMPANY OF AMERICA

Receipt is hereby acknowledged of a copy of the Supreme Life Insurance Company of America's Form 1-124 Memorandum of Working Agreement For Combination Staff Managers.

District _____

Staff Manager's Full Name (Print or Type)

Date _____ 19 _____

Signature - Staff Manager

ADDENDUM TO MEMORANDUM OF WORKING AGREEMENT
FOR COMBINATION STAFF MANAGERS, FORM 1-124 (Rev. 7/71)

Section VII, paragraphs 5, 7 and 8 are changed to read as follows:

5. Staff MDO Average Net Increase Per DabitPer Month -\$4
7. Staff PNO Annualized Premium Average Net Increase Per Agent Per Week -\$20
8. Personal Pno Annualized Permium Average Net Increase Per Week -\$20

BY: James E. Owens
Senior Vice President-Agency Director

Exhibit J

Supplementary Schedule

Debit Manager

Supreme Life Insurance Company of America

SAMPLE

SUPREME LIFE
Insurance Company of America
(Incorporated by the State of Illinois)

SUPPLEMENTARY SCHEDULE
FOR DEBIT MANAGER

I understand and agree that as a Debit Manager for Supreme Life Insurance Company of America, I am a Combination Agent on a fulltime basis, whose duties and responsibilities are to solicit, procure and service Weekly Premium, Ordinary and other forms of Insurance issued by the Company and for which I have been properly licensed by the state to which I am assigned.

COMPENSATION

SECTION I DEFINITIONS

- A. Compensation Quarter - means that Company designated period of thirteen (13) consecutive weeks during which certain commission credits are accumulated for payment during the following Payment Quarter.
- B. Payment Quarter - means that Company designated period of thirteen (13) consecutive weeks during which the amounts credited and accumulated to an Agent's account during the preceding Compensation Quarter under the terms of this Agreement, are payable.
- C. Weekly Premium Average Gross Arrears Percentage - is equal to the percentage obtained by dividing the total of the Agent's Cumulative Gross Arrears for the year by his Cumulative Debit for the same period.
- D. Weekly Premium Average Gross Advance Percentage - is equal to the percentage obtained by dividing the total of the Agent's Cumulative Gross Advance for the year by his Cumulative Debit for the same period.
- E. Weekly Premium Net Increase - Issues (WP) + Revivals (WP) - Lapses (WP) = Net Increase (WP). In computing the Net Increase or changes in the WP Debit balance in force, only the premiums on policies transferred and the premiums on all policies lapsed during the Agent's first four (4) weeks on the debit shall be excluded.

Compensation for my services shall be as follows:

SECTION II NEW DEBIT MANAGER

As a new agent I shall be given one (1) week of Pre-Debit training in the office during my first week of employment and for the satisfactory completion of the week of Pre-Debit Training, certified by the District Manager, I shall receive as my total compensation a Temporary Training Allowance of \$ _____. This amount shall be equal to one week's advance commission plus 20% of the Weekly Premium debit size.

SECTION II DEBIT MANAGER Cont'd

- A. Beginning my second week of employment for the first two (2) weeks I am assigned to the debit I shall receive as my compensation an amount equal to 20% of the Weekly Premium debit size plus 20 "times" the Weekly Premium production received at the Home Office up to my scheduled weekly net increase requirement.
- B. For each week after the first two (2) weeks on my debit I shall receive advance commission amounting to twenty (20) times the amount of weekly net increase and collection commissions of 20% of the weekly collections I make on my Weekly Premium debit, provided:
1. The cumulative collection percentage on my debit is 98% or more year to date, and
 2. The "average gross arrears percentage" on my debit is not more than 80% year to date, and
 3. The "average gross advance percentage" on my debit is not less than 100% year to date, and
 4. I have prepared and submitted a weekly listing of premiums in advance and arrears.
 5. I submit my entire debit to a written Field Inspection every twenty-six (26) weeks.
- C. The collection commissions and the advance commissions on all net increase up to Scheduled Amount of \$ _____ per week shall be payable to me weekly. All net increase in excess of the weekly required amount shall be placed in Reserve. In any week that I meet collection, arrears and advance requirement but am below my weekly net increase requirement, I may withdraw an amount of net increase from my Reserve sufficient to satisfy my net increase requirement provided such withdrawal does not reduce my Reserve below my weekly net increase requirement.

WEEKLY PREMIUM DEBIT SIZE, NET INCREASE, COLLECTIONS,
GROSS ARREARS AND GROSS ADVANCE REQUIREMENTS FOR
VARIOUS MAXIMUM ADVANCE COMMISSIONS

| If the Agent is assigned a Weekly Premium Debit of: | Maximum Advance Commission Draw Allowed | Cumulative Average Net Increase Per Week | Cumulative Collection % | Avg. Gross Arrears % | Avg. Gross Advance % |
|---|---|--|-------------------------|----------------------|----------------------|
| \$600 or more | \$ 20.00 | \$1.00 | 98% | 80% | 100% |
| 500-599.99 | 40.00 | 2.00 | 98 | 80 | 100 |
| 200-499.99 | 60.00 | 3.00 | 98 | 80 | 100 |
| 150-199.99 | 70.00 | 3.50 | 98 | 80 | 100 |
| 100-149.99 | 80.00 | 4.00 | 98 | 80 | 100 |
| 50-99.99 | 90.00 | 4.50 | 98 | 80 | 100 |
| 0-49.99 | 100.00 | 5.00 | 98 | 80 | 100 |

- D. In any week that I do not meet my collection, arrears and/or advance requirement I shall not qualify for any weekly advance commissions and my collection commissions shall be reduced to 18% of weekly collections I make on my Weekly Premium debit. My failure to meet the foregoing minimum Requirements in any week will result in my being placed on probation if retained and may, at the discretion of the Agency Director, result in the immediate termination of my employment under this Agreement. I shall also forfeit any accumulated net increase in my Reserve and payment of any further "Times on Increase" Bonus Commissions and Debit Growth Bonus Commissions I may have been receiving.
- E. At the end of the first complete regular Compensation Quarter during my employment and each regular Compensation Period thereafter I shall receive the following "Times on Increase" Bonus Commissions and Debit Growth Bonus Commissions for net increase being held in my Reserve provided I have met the minimum collection, arrears and advance requirements.

1. Times on Increase Bonus Commissions

I shall receive TOI Commissions of 20 "times" the amount of net increase being held in my Reserve at the end of the Compensation Quarter.

2. Debit Growth Bonus Commissions

- a. I shall receive Debit Growth Bonus Commissions of 5 "times" the amount of Accident and Health net increase being held in my Reserve at the end of the Compensation Quarter.
- b. Based upon my Average Gross Arrears Percentage year to date I shall receive Debit Growth Bonus Commissions of the applicable number of times shown in the following table, times the amount of net increase being held in my Reserve at the end of the Compensation Quarter.

| <u>Agent's Average Gross Arrears Percentage For Year</u> | <u>Times Applied to Agent's Net Increase in Reserve at end of Quarter</u> |
|--|---|
| Under 40% | 5 times |
| 40% but less than 50% | 4 times |
| 50% but less than 60% | 3 times |
| 60% but less than 70% | 2 times |

TOI Bonus Commissions and Debit Growth Bonus Commissions shall be computed after the close of each completed regular Compensation Quarter and paid in thirteen (13) equal weekly payments during the following regular Payment Quarter in accordance with the Company's schedule as may be amended from time to time.

- F. If I leave the services of the Company for any reason, the obligation of the Company to pay me any further compensation of any kind under this Agreement shall terminate therewith, effective as of the termination date. Any advance payments, allowances or commissions in excess of earned commissions shall be due and payable to the Company, and the Company shall have recourse therefor.
- G. If I leave the debit for any reason (promotion, illness, death, transfer to another debit, or any other reason whatsoever), the obligation of the Company to pay me any further compensation of any kind under this Agreement shall terminate therewith, effective as of the status change or reclassification date.
- H. Ordinary (PNO and MDO) Commissions earned shall be paid to me, on a bi-weekly basis, in accordance with the effective Form 1-159 schedule of ordinary commissions attached and made a part of this Agreement.

SECTION III MINIMUM REQUIREMENTS FOR SATISFACTORY PERFORMANCE

- A. The minimum requirements for satisfactory performance under this Agreement are as follows:
1. Weekly Premium Average Net Increase Per Week - 50c
 2. Weekly Premium Cumulative Collection % - 98%
 3. Weekly Premium Average Gross Arrears % - 80%
 4. Weekly Premium Average Gross Advance % - 100%
 5. MDO Premium Average Net Increase Per Month - \$4
 6. MDO Premium Cumulative Collection % - 98%
 7. PNO Annualized Premium Average Net Increase Per Week - \$20

SECTION IV MISCELLANEOUS

This Agreement shall take the place of any present Agreement I may have with the Company and all prior Agreements as to compensation are hereby cancelled and my compensation shall hereafter be determined solely according to the terms of this Agreement, except as to commissions applicable to Ordinary (PNO) policies, with effective dates of issue prior to July 5, 1971 the payment of which was provided for in any previous Agreement or amendment thereof.

I have read, fully understand and agree to the terms and conditions set forth above as the basis of my compensation as an Agent of Supreme Life Insurance Company of America.

Dated at _____ the _____ day of _____ 19_____

SIGNATURE - MANAGER

SIGNATURE - DEBIT MANAGER

Chapter VII
Internal Labor Markets in
Black-Owned Manufacturing Enterprises

AN OVERVIEW

The entrance of Blacks into the manufacturing sector of the economy is a relatively new phenomenon. Of the nation's twelve leading Black manufacturing concerns all but two have come into existence since 1950.¹

As of 1972, the time of the latest national survey of Black business enterprises, there were approximately 4,116 Black-owned manufacturing firms doing business in the U.S. These relatively small business concerns employ an average of about five workers each, approximately 7 percent of the national average of seventy workers per manufacturing concern.²

For the Black economy, manufacturing represents one of its fastest growing industries. Between 1969 and 1972, for example, there was a 28 percent increase in the number of Black-owned manufacturing companies along with a 44 percent increase (not adjusted for inflation) in the gross receipts of these firms. Yet even with this impressive growth rate, Black manufacturing companies represent only 1.5 percent of the U.S. total and they generate a corresponding percent of the sector's gross receipts.³

The largest Black-owned manufacturing enterprise in the country is Johnson Products of Chicago. This company manufactures a variety of hair products that are primarily consumed by Blacks. The company reported gross sales of \$38 million in 1977 and is said to control between 30 and 40 percent of the estimated \$120 million Black hair products industry.⁴ The Johnson Products company employs in excess of four hundred people. While certainly not the oldest major Black manufacturing company, it ranks third only to the Parker House Sausage Company established in 1921 and the B.T. Metals Company, which began operation in 1930.

While Black manufacturing is still in an embryonic stage of development, as data in Chapter Two point out, Blacks have managed to gain entry into most of the major sectors of the industry, even though few of the companies produce finished consumer products which they market. Black manufacturing is being built around the intermediate phases of the overall manufacturing process. New companies frequently behave much like a "job shop" as they perform work which has proven to be unprofitable for larger companies to produce in-house or because the smaller company can produce the same product at a lower price.

One of the more recent developments among Black entrepreneurs entering the manufacturing sector is for them to acquire existing operating companies. While it is certainly too early to suggest that these latest developments

represent a trend, it appears to be catching on rather quickly. A few examples are in order. In 1977, P.F. Industries located in Bristol, Rhode Island, was purchased by a Black businessman who utilized a combination of public and private capital to make the purchase. Similarly, in 1977 the Harlem Commonwealth Council of New York purchased the New York Division of the Washburn Wire Company of East Providence, Rhode Island, and at the writing of this dissertation, the Bedford-Stuyvesant Restoration Corporation is negotiating the purchase of Columbia Wire and Cable Company located in Brooklyn, New York. These buy-outs involve facilities with complete manufacturing and marketing capabilities and they provide employment opportunities for hundreds of workers. Nonetheless, acquisitions represent the exception rather than the rule among Black businesspeople entering manufacturing. In a survey of major Black-owned businesses conducted as part of this research, a total of ninety-six manufacturing firms employing in excess of fifty workers each were identified. Of twenty firms responding to the survey (approximately 21 percent), only five (25 percent) were obtained through acquisition.

In the analysis which follows, the focus is on companies which were organized by their present owners. Three companies, each producing different products, are examined. The first case involves two companies which are owned by Progress Investment Associates of Philadelphia. The

second case is based on the Johnson Products Company of Chicago. While Johnson Products is an old established company, the Progress Companies are relatively new and represent a contemporary trend among Black entrepreneurs to enter the field of electronic equipment manufacturing and the intermediate phases of the electrical component sector of the automobile and communications equipment industries. As will be shown throughout the discussion, each company exhibits a different internal labor market and relies upon a combination of skill and unskilled labor to produce a variety of intermediate and final products.

PROGRESS PRODUCTS AND PROGRESS AEROSPACE

ENTERPRISES: THE CASE SETTING

Progress Aerospace Enterprises and Progress Products Company are holdings of Progress Investment Associates (PIA). The investment company is a spin-off of the Opportunities Industrialization Center movement which began in the late 1960's. The entities are all located in the City of Philadelphia and represent one of the leading economic development activities undertaken by Black Americans during the past decade.

Progress Investment Associates is a wholly owned minority enterprise. Its initial financing was obtained through a community investment strategy developed under the leadership of Reverend Leon Sullivan. The investment plan

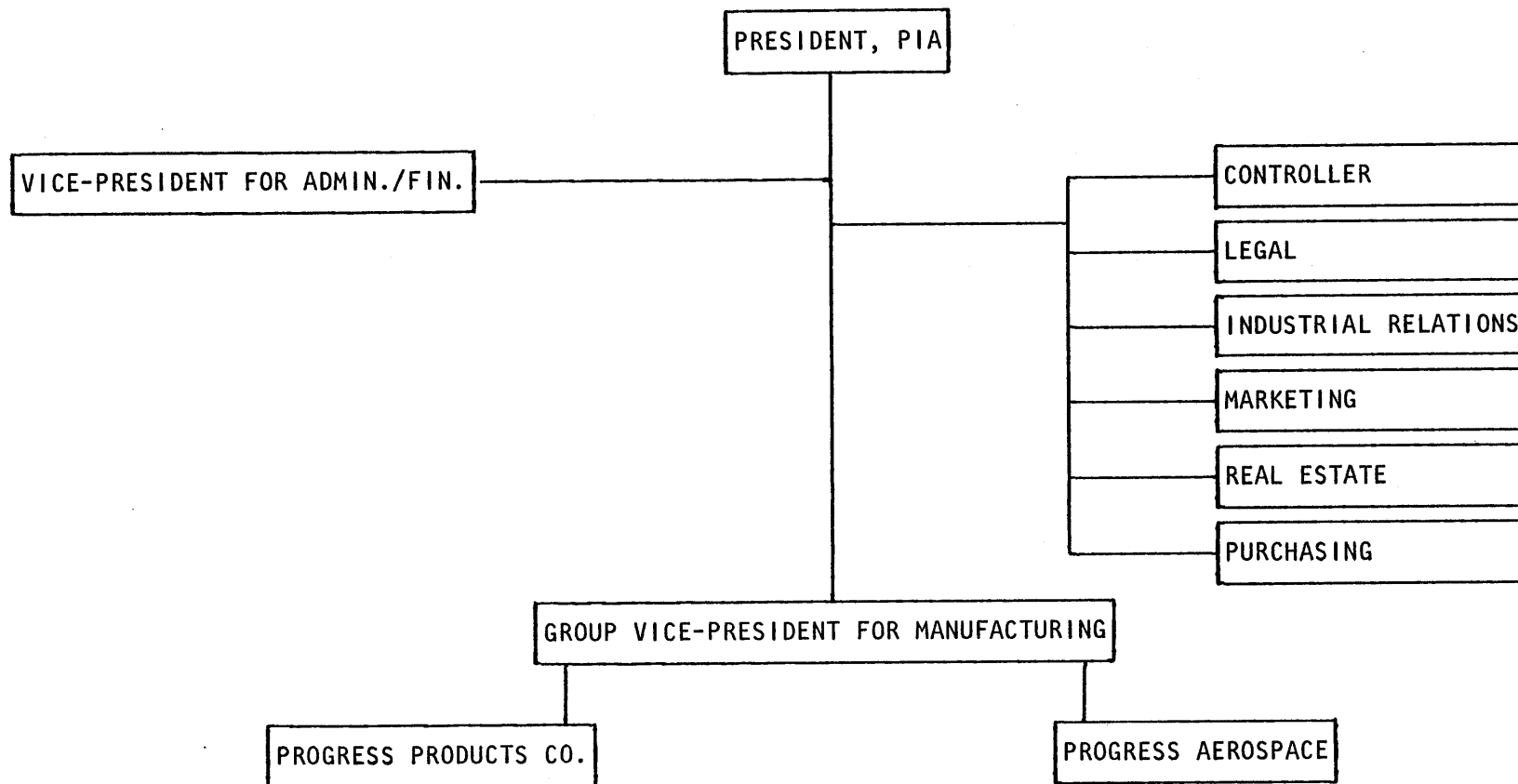
called for individuals, most of whom were members of Reverend Sullivan's church, to invest \$10 per month for thirty-six months--the 10-36 plan. In 1968, funds from this program were used to leverage private capital and thus make it possible for the investment company to begin a series of economic development activities ranging from garment manufacturing to the development of a multi-million dollar retail shopping center in North Philadelphia.

After several years of involvement in business development, Progress Investment Associates has established several business ventures from its early dealings in mini-food markets, garment manufacturing, and real estate activities. The manufacturing aspect of the investment company is the focal point of this case study. Thus, the remainder of this discussion addresses the functioning of labor markets inside two firms--Progress Aerospace and Progress Products.

The administrative responsibility of overseeing the operations of the two companies has been charged to the president of PIA. The president, in turn, has delegated the task of operating the two companies to a group vice-president (Figure III) who actually directs all manufacturing activities.

The two companies are housed in the same physical facility yet each maintains its own internal operating systems and the workers of each are covered by different

FIGURE III. ORGANIZATIONAL PROFILE OF PROGRESS INVESTMENT ASSOCIATES (PIA)



Source: Based on discussions with Mr. R. Strother, Industrial Relations Manager, Progress Investment Associates, January 1979.

union contracts, though by the same local (Local 929 of the International Brotherhood of Teamsters, Chauffers, Warehousemen, and Helpers of America). There is little or no movement of workers from one company to the other because of the separate union agreements and the different product orientations of the two companies. The only area of overlap between the two enterprises occurs at the executive and upper managerial levels. The president's staff, which consists of the controller, attorney, personnel manager, marketing manager, real estate manager, and a purchasing manager, serves both companies.

There are a number of clerical and related jobs associated directly with the president's office. These jobs represent a small subset of the internal labor market. Their structural relationship, as shown in Figure IV, resembles that found in most business enterprises of comparable size. This aspect of the internal labor market is best characterized by the mobility opportunities it provides the clerical staff. Clerical employees can look forward to both horizontal and vertical job mobility. Because these jobs are subject to the same administrative rules and procedures as those established for all non-union positions, further comment is reserved for a later section of this discussion.

Together, the Progress Companies employ approximately 210 workers (Table XIV). Although the specific occupational profile of each of the firms is taken up later, it is

FIGURE IV. CLERICAL COMPONENT OF PROGRESS INVESTMENT ASSOCIATES (PIA)

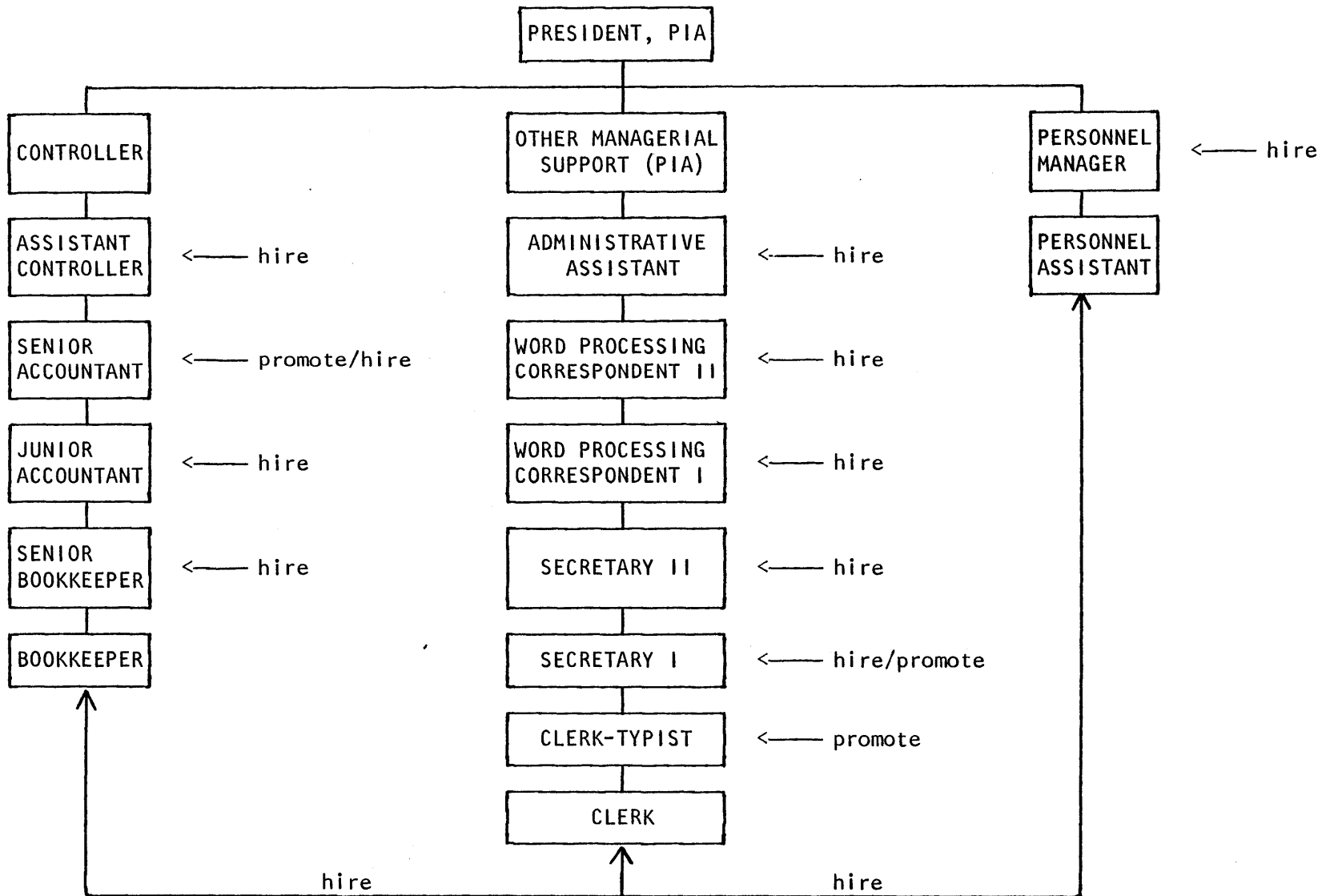


Table XIV. Occupational Distribution of Workers: Progress Investment Associates

| Occupation | Workers at Progress Investment Associates | | | | | | | | | | | |
|--------------------------|---|------|--------|------|-------|-----|--------|----|-------|----|--------|---|
| | Black | | | | White | | | | Other | | | |
| | Male | | Female | | Male | | Female | | Male | | Female | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Professional & Technical | 34 | 16.2 | 15 | 7.1 | | | | | | | | |
| Managers & Officials | 14 | 6.7 | 1 | .5 | 1 | .5 | | | | | | |
| Sales Workers | 1 | .5 | | | | | | | | | | |
| Clerical Workers | | | 11 | 5.2 | | | | | | | | |
| Craft & Kindred Workers | 20 | 9.5 | 3 | 1.4 | 7 | 3.3 | | | 2 | .9 | | |
| Operatives | 50 | 23.8 | 48 | 22.8 | | | 1 | .5 | | | | |
| Non-Farm Laborers | | | | | | | | | | | | |
| Service Workers | 2 | .9 | | | | | | | | | | |
| TOTAL* | 121 | 57.6 | 78 | 37.0 | 8 | 3.8 | 1 | .5 | 2 | .9 | | |

* Percentages may not equal 100% because of rounding.

Source: Personnel Department, Progress Investment Associates, January 1979

instructive to note at this point that of the more than two hundred employees, nearly one-half are involved in some form of assembly work. Moreover, the work force is almost totally Black, a distinguishing feature of most Black-owned business enterprises.

In examining the internal labor market, each company will be assessed as an individual unit. By taking such an approach, it will be possible to show how the product market orientation of the two manufacturing firms directly affects the structures of their internal labor markets and the impact of the external labor market on the allocation of workers within the firm. It is these issues which we shall proceed to discuss.

THE PROGRESS COMPANIES

Progress Products is best described as a low-technology, high labor-intensive company. Although the firm lists IBM, General Electric, General Motors, and other major companies among its list of clients, it is primarily engaged in the assembly of electric cables and harnesses for a few major automobile manufacturers. Progress works basically under subcontract with firms associated with the automobile industry. For the most part, the products produced by the company must be assembled in their entirety by hand. The company's work force, therefore, is comprised of individuals performing low-skill assembly type work. The only

job-specific requirement of people seeking work at Progress Products is that they have a capacity to undertake a series of repetitive job tasks relative to the assembly of electrical cables and harnesses.

All products assembled by Progress Products are used as a subcomponent of a larger product. To illustrate, the company assembles cables for General Motors which are used in rear window defrost units and auto stereo systems. All of the materials to produce the cable for the defroster and the stereo are procured from another General Motors affiliate and are shipped to Progress in accordance with its production demand. With this type of contractual base, a high degree of quality control is required by the company in order to minimize revenue losses. All orders rejected by the purchaser are returned to the company and thus impacts its accounts receivables. The only factor input supplied by Progress is labor. This contractual arrangement between a major company and a smaller one resembles Averitt's typology of firms relative to the core and periphery of the economy.⁵ On the basis of Averitt's model, Progress operates like a satellite firm in the periphery of the economy.

To produce its output, Progress Products employs a labor force comprised primarily of unskilled and semi-skilled workers. Categorically, all of the workers engaged in the actual assembly of cables can be grouped in the secondary labor market. These jobs are low in skill content and they

pay rather low wages. Moreover, job security, while protected to some extent by the union agreement, is a direct function of demand generated by orders from the contracting company. Thus, when orders are slack, workers are laid off and there is little or no attempt to shelter workers from such occurrences. The company's interest and need to carry its labor force during period of slack demand are influenced by the fact that it operates in a surplus labor market where people looking for work seldom have alternative jobs to choose from.

Profit margins also influences the company's decision to release workers when production demand declines. At Progress Products, careful attention is given to all phases of the cable assembly process in an effort to maximize both profits and output. For example, each assembler is required to produce a prescribed number of cables daily. To insure that daily output requirements are achieved, the company conducts production cycle counts four times during the course of the work day. Workers who repeatedly fail to produce the specified level of output are subject to termination by the company.

The nature of the assembler's job tasks makes on-the-job training an integral component of the manufacturing process. As is evident from the type of work involved, only short periods of training are required.⁶ The conventional wisdom, relative to the institutionalization of

OJT does not hold in this particular enterprise. Workers are not trained by the more senior production workers but by the foreman and sometimes even by the director of operations. Normally, only a few hours of training are required and most assembly workers are proficient at their jobs within a few days. The relative ease with which jobs are learned and workers recruited clearly affects the need for training of production workers and the significance of the external labor market to the productive capacity of the enterprise. Without the surplus labor market conditions characteristic of the North Philadelphia ghetto, Progress Products would find it hard to attract workers because of its low wages and simplistic job-task requirements.

Progress Aerospace, in contract to Progress Products, requires a different mix of technology, capital, and labor in order to product its products. Although this company is also engaged in the assembly of cables and harnesses, this type of work does not represent its major activity. This is a high-technology company with "capabilities in design engineering, manufacturing, testing, quality assurance and field service of electronic hardware at the component, sub-system or system level."⁷ Perhaps one of the best illustrations of the company's capability is reflected through one of its contracts with the United States Army Electronics Command. Under this agreement, the company produces field repair shelters, storage shelters, and field

communication shelters. These shelter systems are designed and produced in their entirety by Progress Aerospace. The firm is also presently engaged in the manufacturing of padlocks for the U.S. Department of Defense under an 8(a) set-aside contract.

The more capital intensive orientation of Progress Aerospace, in addition to the types of products produced, necessitates the hiring of a more skilled production work force, a factor which is evident from the slightly higher wages paid to the average employee. Hourly earnings range from a minimum of \$2.96 for a trainee in the machine shop to a maximum of \$7.01 per hour for the position of maintenance engineer. In Progress Products, hourly wages range from a low of \$2.65 to a high of \$4.95. Wages for salaried employees, however, are the same in both companies. For example, a general foreman in Progress Products is paid within the same salary range as one in Progress Aerospace.

If we were to group the jobs in Progress Aerospace taking into consideration primary and secondary characteristics, on the basis of wages alone, a larger portion of the jobs would fall in the lower tier of the primary labor market than would be the case in Progress Products. However, though the wage rate is a necessary criterion to consider when classifying a job, other factors such as job security, working conditions, etc., are also important. Therefore, before more substantive comments can

be offered in this regard, it is first necessary to more carefully explore the details of the workings of the overall internal labor allocation process, a matter which has been reserved for review later in this analysis.

In closing out these introductory comments, we might also note that both companies depend upon a lasting subcontracting relationship with their major clients. These contractual arrangements with major manufacturing concerns, particularly those in the cable and harness area, work because the smaller company can produce a given product cheaper than the company letting the contract. The smaller companies usually organize their manufacturing around those products which require little capital investment and are highly labor intensive. However, because of the smaller overhead and fringe benefit packages offered employees by companies such as Progress Aerospace and Progress Products, it is possible for such firms to produce subassemblies for major products at a cost well below those experienced by larger companies. The upshot of this arrangement is that the companies are severely limited in the type of salaries and working conditions they are able to offer their employees. Progress Products and Progress Aerospace behave much like any small firm operating on the factor side of the larger companies, they are competitive as long as they can satisfy acceptable quality control standards and can assemble a subcomponent of a larger product at a cost which is less than

that being realized by the contracting company. The implications of the foregoing comments will become clearer as we turn to a more structured analysis of the internal labor markets in these two manufacturing concerns.

LABOR ALLOCATION WITHIN PROGRESS PRODUCTS

Structurally, workers in Progress Products are organized around several job clusters (Figure V). An overwhelming majority of these employees, however, are concentrated in one occupation--operatives (Table XV).

Recall that Progress Products is a low-technology firm. Its labor force is comprised primarily of unskilled and semi-skilled employees. For example, over 90 percent of those individuals employed are engaged as operatives or assembly workers. Operative jobs are about equally distributed between males and females and both groups are paid the same hourly rate for comparable work. While the ratio of primary to secondary jobs is considerably low, there are a number of observations regarding the internal labor market that are worthy of further discussion.

First, lower level jobs provide the major port of entry to the internal labor market. Maintenance, assembly, and service jobs represent the major link between the internal and external labor markets. Virtually all new hires enter the internal market via one of the three positions. The relative ease with which entry level jobs can

FIGURE V. INTERNAL LABOR MARKET: PROGRESS PRODUCTS COMPANY

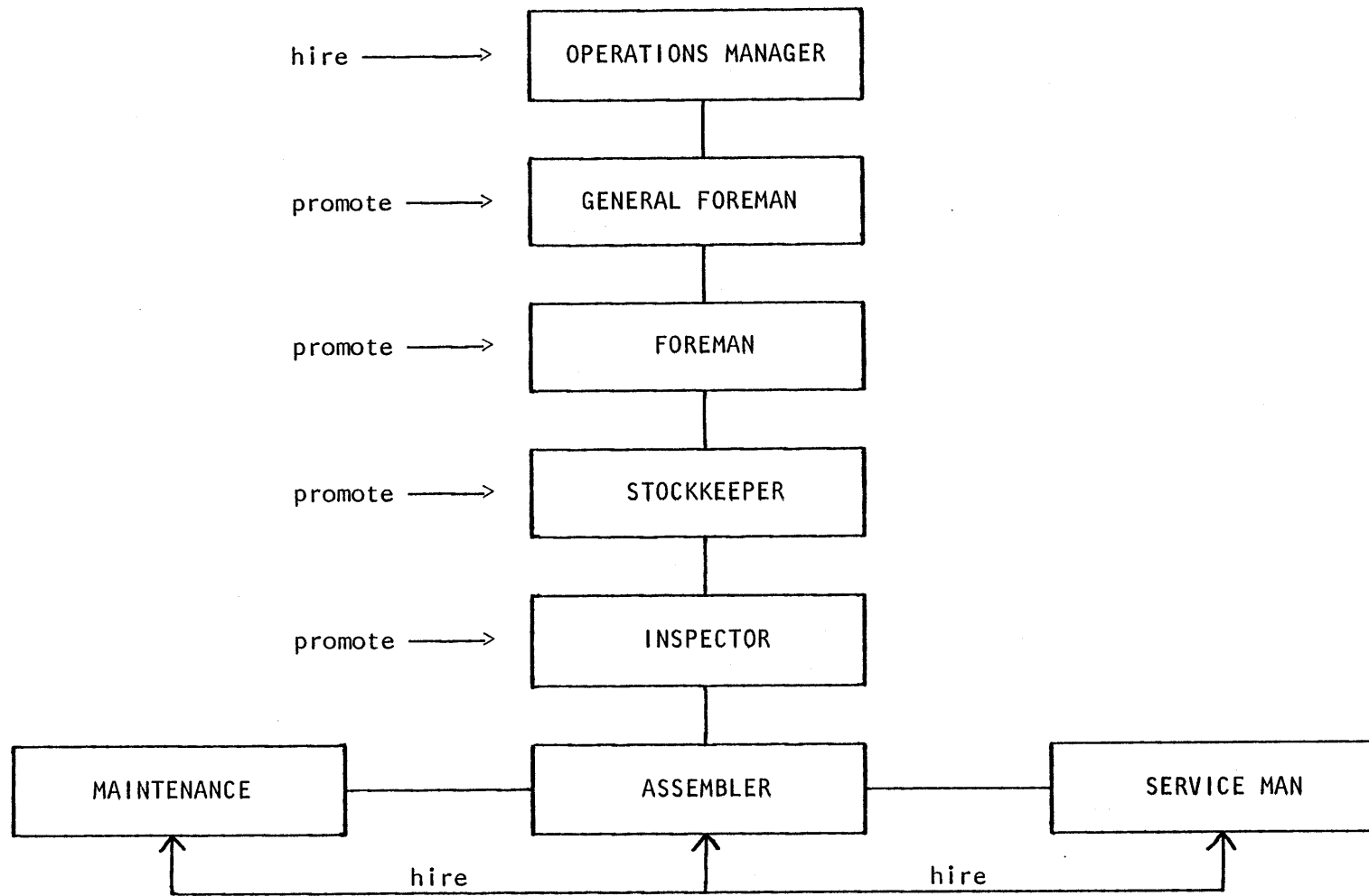


Table XV. Occupational Distribution of Workers: Progress Products Company

| Occupation | Workers at Progress Products Company | | | | | | | | | | | |
|--------------------------|--------------------------------------|------|--------|------|-------|---|--------|-----|-------|---|--------|---|
| | Black | | | | White | | | | Other | | | |
| | Male | | Female | | Male | | Female | | Male | | Female | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Professional & Technical | | | | | | | | | | | | |
| Managers & Officials | 2 | 2.7 | 1 | 1.4 | | | | | | | | |
| Sales Workers | | | | | | | | | | | | |
| Clerical Workers | 1 | 1.4 | | | | | | | | | | |
| Craft & Kindred Workers | | | | | | | | | | | | |
| Operatives | 30 | 40.5 | 38 | 51.4 | | | 1 | 1.4 | | | | |
| Non-Farm Laborers | | | | | | | | | | | | |
| Service Workers | 1 | 1.4 | | | | | | | | | | |
| TOTAL* | 34 | 46.0 | 38 | 52.8 | | | 1 | 1.4 | | | | |

* Percentages may not equal 100% because of rounding.

Source: Personnel Department, Progress Investment Associates, January 1979

be filled, given their skill content and an excess supply of unskilled labor, represents the primary force connecting the internal labor market with the external one. Job classifications and descriptions, frequently the most common element connecting the two labor markets, is of minor consequence in this particular instance as few specialized skills are involved and most unemployed workers are capable of performing the job tasks.

A second observation regarding the labor market within Progress Products is that the few jobs which do exist above the rank of assembler are filled through a process of internal promotion. In other words, access to the internal market is restricted to entry level assembler, service, and maintenance positions. Adherence to the promote-from-within policy is necessitated by the seniority provisions granted by the union contract. More senior employees are given first rights to bid on new openings. Seniority, however, is not the only criterion used in filling job vacancies. Other factors are also important. Mr. Brinkley Blackwell, operations manager for the company, noted that:

while we start by looking at seniority, we are simultaneously concerned with qualifications. We [the company] are not limited by contract to promote solely on the basis of seniority. It is quite possible for an employee to be hired as an assembler and remain as such throughout his/her tenure with the company. Promotion depends upon individual drive and the talents the individual demonstrates. Workers opting

for a promotion must be dependable, that is, have a very low lost-time ratio and must have shown, through past experience, that they do not require constant supervision. It is quite possible that a junior individual may have more capabilities than the more senior worker. If this can be established then the junior worker gets the job.

Although the company reserves all rights relative to internal promotions, the collective bargaining agreement does establish a procedure for job posting and bidding rights for its membership. Article XV of the union contract, for example, states that

notice of vacancies and new positions as well as qualifications shall be posted on the bulletin board by the Company for five (5) working days, . . . and in the case of a promotion, the employee will be on probation for sixty days (60). If during the probationary period, the Company deems that the employee has not qualified for the higher position, the employee may be placed back in any class at the same scale of wages which he or she received prior to the probationary period.

Internal promotion, as the major conduit for filling vacancies, transcends union jobs and includes the non-union supervisory positions as well. The latter is a product of the company's need to develop and maintain an efficient supervisory and quality control staff. Through this system of internal promotion, Progress Products is able to maintain a supervisory staff that is completely knowledgeable of the products produced as well as the most efficient means of

production.

While the company maintains an explicit internal promotion policy, in reality the chances for most workers' experiencing any significant mobility are extremely limited. This applies to both union and non-union jobs. Progress Products is a small company. Accordingly, there are only a few jobs above the entry level. For example, there are only five inspector positions, two stock keepers, three supervisory positions, and one operations manager. Moreover, there is little turnover in the supervisory and managerial ranks of the company. In this regard, Mr. Blackwell indicated that, after more than five years in his position, he has only lost one inspector and that virtually all turnover occurs below this position.¹⁰ In sum, occupational ladders are virtually non-existent within the firm, a concern which is further compounded by narrowly defined intraoccupational wage mobility.

Entrance to Progress Products' internal labor market is not highly restrictive. That is to say, there are no rigorous educational, aptitude tests, or extensive personal interviews involved in hiring assembly workers. Perhaps the most important criterion guiding the screening process is the physical abilities of the prospective employee. Entrance to the internal labor market is controlled by one individual-- the personnel manager. Neither the operations manager nor his staff of supervisors gets involved in the screening and

hiring of workers. Again, with reference to the interview with Mr. Blackwell, it was pointed out that his staff has thirty days to observe all new hires. If during this probationary period the worker does not exhibit the type of work habits required, he/she can be released without any consequence.¹¹ Blackwell further noted that:

the labor force in our area [North Philadelphia] is sufficiently large enough for us to satisfy our labor needs very quickly. For example, we have gotten as many as forty-five people within a three-day period. We maintain a running list of applicants that are prepared to go to work and we can₁₂ call them in immediately . . .

In a similar vein, while the company may at times find it necessary to recruit upper-level supervisory and managerial staff from the external labor market, when such does occur it represents the exception rather than the rule. The simplicity of the production process at Progress Products makes it possible for the company to fill all of its supervisory positions through internal promotions.

Thus, not only is the internal labor market closed to outside persons interested in mid-level production and line supervisory positions, it is also closed to upper-level supervisory and managerial aspirants. What is more, the entrance criteria for managerial positions are considerably more rigorous than those governing the entrance of production workers. For example, any candidate for the

position of operations manager must be able to demonstrate a considerable array of managerial, administrative, and planning talents in addition to having extensive practical experience in manufacturing processes.¹³

In summary, the allocative structure within Progress Products is best described as a closed system. The only port of entry for most workers is through the job of assembler. Seniority and ability are the primary concerns governing the movement of workers once they are hired.

The internal labor market is very broad and includes all production jobs ranging from assembly trainee positions to that of general foreman and most mid-level managerial positions as well. The overall design of the labor market clearly reflects the technological orientation of the company and its heavy dependency on a ready supply of unskilled workers in the external market.

LABOR ALLOCATION WITHIN PROGRESS AEROSPACE ENTERPRISES

The product market orientation of Progress Aerospace Enterprises gives rise to an internal labor market whose structural dynamics differ markedly from those found in its sister company. The labor market within Progress Aerospace is very departmentalized. Workers are organized into four functional areas representing distinct technological and production disciplines. Further, opportunities for intradepartmental as well as interdepartmental mobility are

much broader than those associated with Progress Products. Employees with the appropriate mix of skills and experience may look forward to both vertical and horizontal occupational and wage mobility within Progress Aerospace.

This division of Progress Investment Associates employs 124 workers. Nearly half of these employees are engaged in two major occupational categories--professional and technical employees, and managers and officials (Table XVI). Professional and technical workers represent over one-third of the work force and are involved in a variety of engineering, quality, and material control functions which support the manufacturing arm of the company.

Progress Aerospace, as with most minority economic development programs, prides itself on the fact that it has been able to fill most of its jobs with qualified and experienced minority workers. Data contained in Table XVI substantiate the company's success in this regard. Of the total work force, 116 or 94 percent, are minority. Most importantly, minority workers span the entire spectrum of the internal labor market and hold virtually all of the jobs at the top of the occupational pyramid, a pattern which is consistent with all of the firms interviewed during the course of this research project.

Unlike Progress Products, the internal labor market of Progress Aerospace is very open. The company's demand for more highly specialized labor is the major factor

Table XVI. Occupational Distribution of Workers: Progress Aerospace Enterprises

| Occupation | Workers at Progress Aerospace Enterprises | | | | | | | | | | | |
|--------------------------|---|------|--------|------|-------|-----|--------|---|-------|-----|--------|---|
| | Black | | | | White | | | | Other | | | |
| | Male | | Female | | Male | | Female | | Male | | Female | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Professional & Technical | 31 | 25.0 | 14 | 11.3 | | | | | | | | |
| Managers & Officials | 8 | 6.5 | | | 1 | .8 | | | | | | |
| Sales Workers | | | | | | | | | | | | |
| Clerical Workers | | | 7 | 5.6 | | | | | | | | |
| Craft & Kindred Workers | 20 | 16.1 | 3 | 2.4 | 7 | 5.6 | | | 2 | 1.6 | | |
| Operatives | 20 | 16.1 | 10 | 8.1 | | | | | | | | |
| Non-Farm Laborers | | | | | | | | | | | | |
| Service Workers | 1 | 1.8 | | | | | | | | | | |
| TOTAL* | 80 | 64.5 | 34 | 27.4 | 8 | 6.4 | | | 2 | 1.6 | | |

* Percentages may not equal 100% because of rounding.

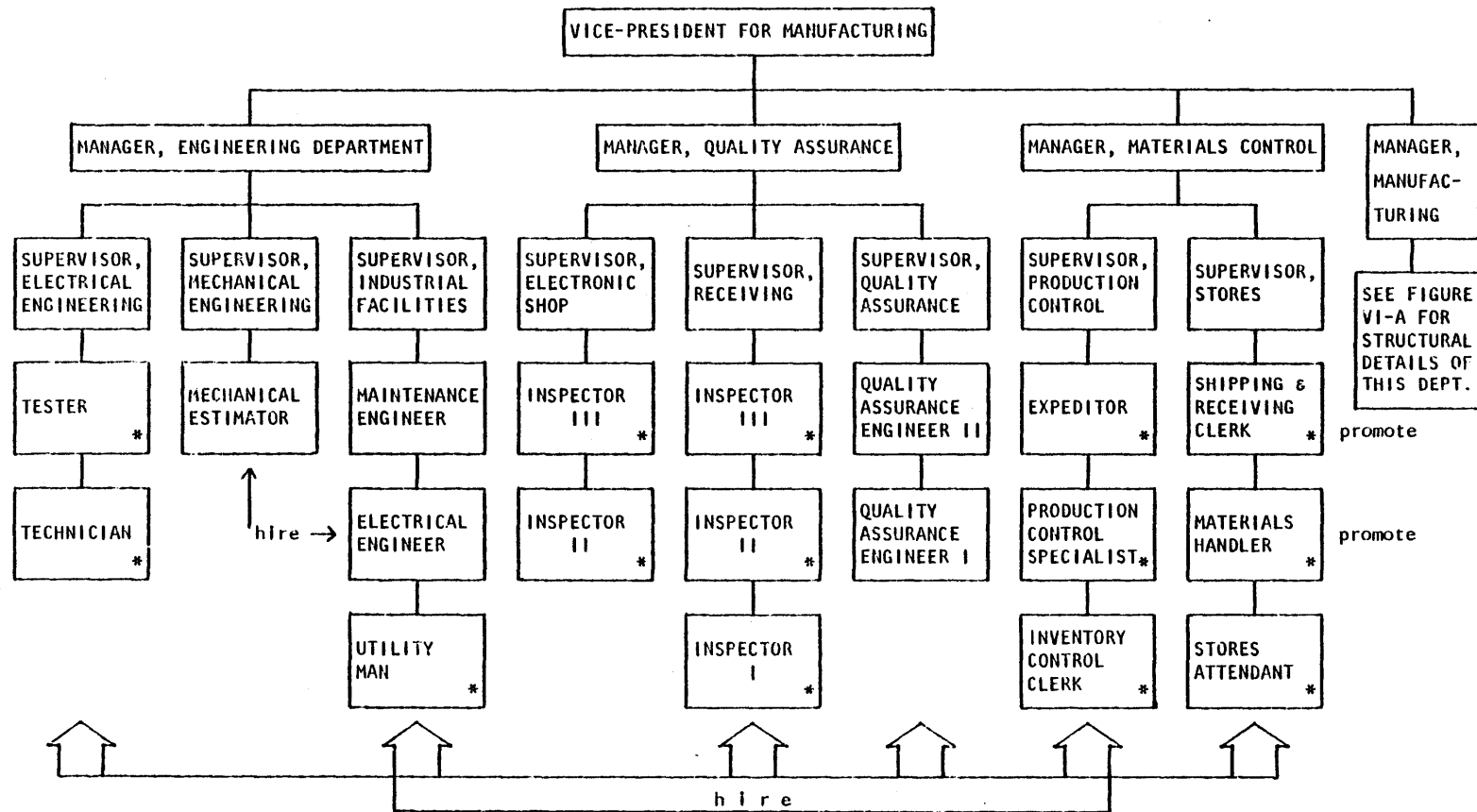
Source: Personnel Department, Progress Investment Associates, January 1979

facilitating the open market. To illustrate, engineering, as a discipline, is a basic ingredient to the company's operations. However, the time required to develop engineering skills prohibits the company from meeting its staff engineering requirements through internal promotions. Thus, Progress Aerospace has to enter the external market to satisfy many of its internal labor demands, especially those excluded from the collective bargaining agreement. In other words, the internal labor market is characterized by numerous ports of entry and exit (Figure VI).

Rules governing the involuntary movement of workers from Progress Aerospace are explicitly spelled out in the union contract. As is frequently the case, these rules cover such items as temporary and permanent lay-offs, and conditions for discharge which include, but are not limited to, theft, sabotage, sale or use of intoxicants on the premises or "contiguous thereto," smoking on the premises except where expressly permitted and the standard provision enabling the company to discharge any employee who fails to carry out a work assignment in a satisfactory manner.¹⁴ Before a worker is discharged, however, he or she has the right to aggrieve the decision with the option of appealing the outcome of such decision to arbitration.

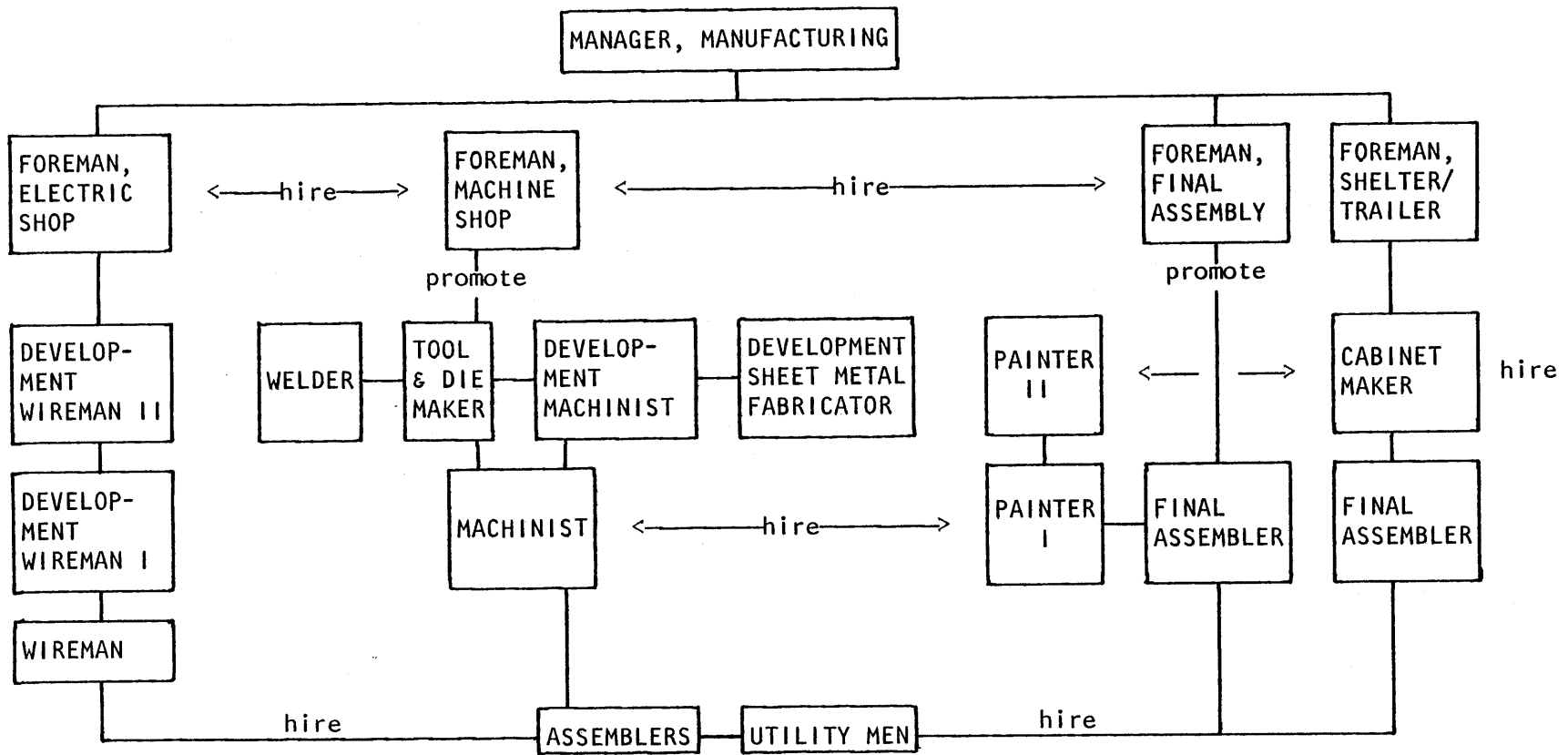
For non-union employees, rules and procedures governing the involuntary exiting are spelled out in the company's personnel manual and, in fact, is a repeat of the

FIGURE VI. INTERNAL LABOR MARKET: PROGRESS AEROSPACE ENTERPRISES



* Positions covered under union contract.

FIGURE VI-A. INTERNAL LABOR MARKET: PROGRESS AEROSPACE ENTERPRISES--MANUFACTURING



Note: All positions except those of foreman and manufacturing manager are covered under union contracts.

conditions spelled out in the union contract (see Exhibit K). Dismissal is only considered by the company as a last resort and it has established a hearing and appeals process which is comparable to the grievance procedure contained in the union contract.

Criteria governing the entry of workers into Progress Aerospace focus primarily on the educational attainment and work experience of prospective employees in relationship to the job(s) being filled. Experience and education are used as a proxy for ability and are compared with various job requirements as defined in job descriptions. Where possible and practical, employees must demonstrate skill capability prior to employment in areas where such skills can be objectively measured.¹⁵

Although there is considerable management involvement in establishing hiring standards for all workers, decisions relative to the hiring of production workers are delegated to the personnel manager who fills job orders as they are submitted to him by supervisors or their designates.

Regardless of their particular skill attainment, workers seeking entry-level employment at Progress Aerospace have many more options available to them than one finds in Progress Products. Entry-level jobs are available in all departments and, in most instances, it is possible for an employee to progress and to realize higher wages as a result. For workers already employed, the bargaining agreement

carries a five-day job posting requirement similar to the clause included in the Progress Products agreement. There is one factual difference in the probationary clauses of the two contracts worthy of some comment. Workers in Progress Products are hired under a sixty-day probationary clause as opposed to a ninety-day period in Progress Aerospace. The probationary period is a reflection of the technical and skill content of the jobs in Progress Aerospace as compared to those in Progress Products. By extending the probationary period, the company is attempting to minimize turnover in its skilled and semi-skilled work force where jobs are harder to fill due to the competition for such workers in the external labor market.

With regard to the issue of turnover, perhaps one of the most revealing findings of this case analysis concerns the occupational concentration of this occurrence within Progress Aerospace. Conventional wisdom holds that turnover is highest in secondary labor market type jobs. However, in this company, the highest turnover occurs among engineers and supervisors rather than in the lower paying jobs. Mr. Strothers, personnel manager, attributes the problem to the demands placed on top-level technicians and managers in small companies. "New and/or small companies simply cannot afford to employ a single purpose worker. Prospective employees must be technically competent in addition to being able to perform a variety of supervisory and related

functions within the company."¹⁶ The turnover problem in the upper ranks, according to Mr. Strothers, is further aggravated by the fact that most employees at this level can command comparable salaries with other firms without being subjected to the added workload.

While occupation-specific turnover statistics are not kept by the company, the plant-wide rate is estimated at about 15 percent. Though somewhat higher than the national rate for the manufacturing sector, which has been placed at about 10 percent,¹⁷ it is considerably lower than the 35 percent rate observed in Progress Products.

On the basis of the foregoing discussion, it is clear that the product market orientation of Progress Aerospace gives rise to an internal labor market which (1) is broader in scope than that observed in Progress Products, (2) provides several opportunities for horizontal and vertical occupation and wage mobility, and (3) requires a group of workers whose jobs are clearly linked to the external labor market as a result of the transferable nature of the skills required to perform associated job tasks. In addition, it generates a significant number of high-skill high-technology jobs that are held primarily by minority group workers.

To complete this analysis of the internal labor markets, we now turn to an examination of wage determination processes therein.

WAGE DETERMINATION: PROGRESS

PRODUCTS AND PROGRESS AEROSPACE

Wage determination processes within the two companies are identical but they produce somewhat different outcomes. Wages for union workers are established through the collective bargaining process while those for all other employees are determined by the chief executive and his management team. All contracts are negotiated by the chief executive of Progress Investment Associates (PIA) along with appropriate people from his staff. Similar to other firms included in this project, PIA utilizes a community wage survey to arrive at pay scales for the various jobs within the plant. The survey gives the company an idea of what it has to pay in order to be competitive in local labor markets.

All jobs are classified as hourly or salaried and are ranked in grades on the basis of their associated tasks. More explicitly, the wage and salary policy of PIA, which is applicable to both Progress Products and Progress Aerospace states that

Salary ranges are linked directly to the job classification and shall be determined with due regard to ranges of pay for other classes, and the relative difficulty and responsibility intrinsic in the positions. Also considered are prevailing rates of pay for similar industry salary scales, cost of living factors, and the financial condition of PIA . . . 18

Salary ranges for non-exempt positions within the two companies are presented in Table XVII. These positions are

Table XVII. Salary Grades for Exempt and Non-Exempt Positions
in Progress Investment Associates,
Including Progress Products and Progress Aerospace (annual)

| Positions | Salary Grades | | |
|------------|---------------|----------|----------|
| | Minimum | Midpoint | Maximum |
| Non-Exempt | | | |
| S1 | \$ 4,784 | \$ 5,980 | \$ 7,176 |
| S2 | 5,512 | 6,916 | 8,268 |
| S3 | 6,344 | 7,956 | 9,516 |
| S4 | 7,280 | 9,100 | 10,920 |
| S5 | 8,372 | 10,452 | 12,589 |
| S6 | 9,984 | 12,480 | 14,976 |
| Exempt | | | |
| M1 | 10,400 | 12,500 | 14,600 |
| M2 | 11,500 | 13,800 | 16,000 |
| M3 | 12,600 | 15,200 | 17,710 |
| M4 | 13,900 | 16,700 | 19,500 |
| M5 | 15,200 | 18,200 | 21,300 |
| M6 | 16,700 | 20,000 | 23,400 |
| M7 | 18,400 | 22,100 | 25,800 |
| M8 | 20,200 | 24,240 | 28,300 |

Source: Personnel Department, Progress Investment Associates, January 1979

not covered under the union contract.

Three different salary ranges have been established for all jobs. The minimum salary has been established as an entry-level wage for newly hired or promoted employees. The midpoint reflects what the company considers to be the going rate for competent experienced personnel while the maximum or top of the range is reserved for employees who are "very outstanding and who attain proficiency and a level of performance rarely achieved."¹⁹

Non exempt employees' salaries are reviewed once per year. The review may or may not result in a salary increase depending on the outcome of the performance appraisal. As is usually the case, these performance evaluations are conducted by an employee's immediate supervisor and they represent an attempt by the companies to motivate their workers through an annual financial incentive. If it is determined by the supervisor that an employee is deserving of a salary increase, a merit raise may be requested by the supervisor. All requests must eventually be reviewed and approved by the president or his designate.

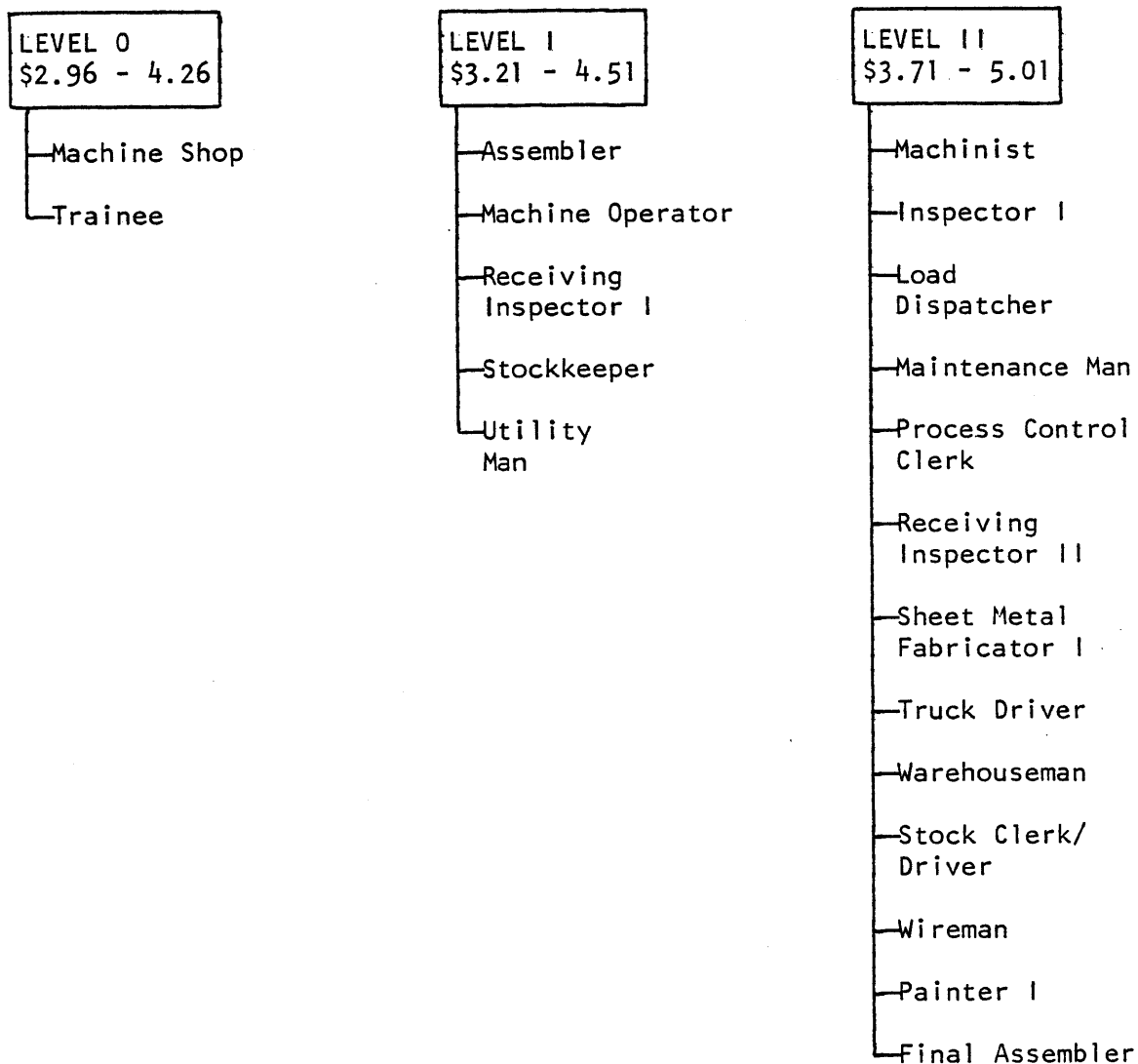
For workers covered by the bargaining agreement, the same policy regarding job content and skill requirements as noted above are used in the wage determination process. The present union contracts covered a three-year period and contain provisions for wage adjustments to reflect changes in the annual cost-of-living index. In addition, workers are

guaranteed an across-the-board wage increase on the anniversary of the contracts. The amount of the salary increase is uniform for all workers in both companies.

All union jobs in Progress Aerospace and Progress Products are placed in a negotiated salary range which makes it possible for an employee to experience a salary increase without necessarily changing jobs. While there are only a few job clusters and wage rates available in Progress Products, a larger variety of jobs as well as wage clusters are in place in Progress Aerospace. As for the latter, there are five different job levels and a total of thirty-five different job titles (Figures VII and VIII). Similarly, the wage levels, as shown in these figures, range from a low of \$2.96 to a high of \$7.00 per hour. If a new job is created by the respective companies, they must, within one month after the "new type of work or new type of machine for use in connection with manufacturing functions has been placed in operation, submit to the union its hourly wage rate range."²⁰ The union has fifteen days to indicate its approval or rejection of the placement of the new position within the labor grade structure.²¹

Clearly, wage determination in the internal labor markets of the two Progress companies involves a combination of administrative and collective bargaining processes. In both instances, the process strongly resembles that found in most firms where union representation is present. Perhaps

FIGURE VII. JOB LEVELS, PAY RANGES* AND JOB TITLES IN
PROGRESS AEROSPACE



(con. on next page)

*The hourly pay ranges cited here do not reflect any of the increases which have gone into effect since the initial signing of the contract in 1977.

Source: Agreement Between Local No. 929 Affiliated with International Brotherhood of Teamsters, Chauffers, Warehousemen and Helpers of America, and Progress Aerospace Enterprises, Inc., July 31, 1976.

(FIGURE VII, CON.)

LEVEL III
\$4.21 - 5.57

- Sheet Metal Fabricator II
- Development Wireman
- Inspector II/ Tester
- Production Control Expeditor
- Shipping & Receiving Clerk
- Painter II

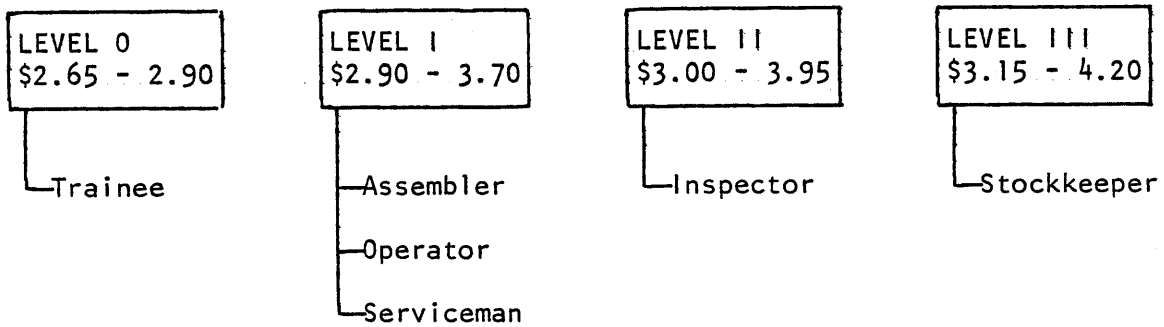
LEVEL IV
\$4.77 - 6.45

- Calibration Technician
- Inspector III
- Welder
- Cabinet Maker
- Tool & Die Maker
- Development Sheet Metal Fabricator
- Development Wireman II

LEVEL V
\$5.71 - 7.01

- Maintenance Engineer

FIGURE VIII. JOB LEVELS, PAY RANGES* AND JOB TITLES IN
PROGRESS PRODUCTS COMPANY



*The hourly pay ranges cited here do not reflect any of the increases which have gone into effect since the initial signing of the contract in 1977.

Source: Agreement Between Local No. 929 Affiliated with International Brotherhood of Teamsters, Chauffers, Warehousemen and Helpers of America, and Progress Products Company, July 31, 1976.

the most important point to be made is that the outcome of the wage setting process provides an excellent illustration of the impact of technology and production processes on wage rates in the internal labor markets.

SUMMARY

Internal labor markets within the Progress Products Company exhibits distinctly different structural patterns from those found in its sister company. Progress Aerospace, the more technologically advanced of the two firms is characterized by a combination of primary and secondary type jobs, most of which fall somewhere in the middle of this typology. On the other hand, Progress Products is a labor-intensive low-technology enterprise with most of its jobs falling squarely in the secondary labor market.

The limitations of the labor market within Progress Products are not easily overcome as a result of the products it manufactures and the prohibition against interfirm labor mobility. The companies clearly operate in different sectors of the external labor market and are perhaps representative of the types of varied approaches required if we are to address the problems of long-term unemployment among racial minorities. The fact that the foregoing analysis provides additional support to the notion that the development of minority enterprise represents one way of reducing unemployment among racial minorities is indeed

encouraging. What is absent, however, is the recognition that traditional structural and hierarchical relationships among the jobs being created should not be the central force in determining the organization of work within these newly developing Black manufacturing enterprises. More explicitly, the organization of work and the resulting wage scales among the Progress companies do not differ from those found in most manufacturing enterprises operating in the periphery of the economy. As such, a majority of the workers are engaged in low-skilled repetitive jobs where the resulting wage barely surpasses the urban poverty level for a family of four.

JOHNSON PRODUCTS COMPANY

Visitors arriving at the Johnson Products Company are probably overwhelmed by two factors. First, there is the Company's physical presence, which is best characterized by its overall attractiveness and interior design, expressions of the social and cultural background of the founder and principal owner of the company, Mr. George E. Johnson. The casual observer would find it extremely difficult to make a connection between the company as it exists today and the fact that Mr. Johnson started his operation with the grand capitalization of \$500 in 1954. Thus, to see the physical plant of Johnson Products is to see the results of a remarkable achievement of a group of individuals who have worked together to produce the nation's largest Black-owned

manufacturing enterprise in just twenty-five years.

Secondly, there is the presence of three flags, one of the United States, one of the State of Illinois, and the Black Liberation flag. These political symbols are expressions of the attitudes, values, and practices of our "democratic system" of government as well as the struggle among Black Americans to achieve social and economic equality within that system. Most important, however, is the observation that the Black Liberation flag reflects the managerial philosophy practiced by the company. While the enterprise is clearly a profit-oriented concern operating in a capitalist economy, it has successfully linked its manufacturing processes with the opportunity for human growth and development, a notion which is frequently tossed about in private enterprise but seldom realized. The company reinvests a significant portion of its earnings in its human resources through training, profit sharing, a variety of health maintenance programs, along with other fringe benefits. The upshot of these practices is a highly motivated work force throughout the organization.

Capitalism at Johnson Products takes on a meaning which is somewhat different from that normally associated with the private enterprise economy. At Johnson Products, capitalism means earnings and sharing of these earnings with workers and the community through a variety of programs and activities. And, while there are clearly definable levels

of hierarchy among executive, managerial, and production personnel, the ease with which the lowest workers can communicate with their superiors obscures traditional patterns of interaction between workers and managers, between owners of capital and workers. When these features are combined, they give rise to an internal labor market which is, operationally, much different from those associated with other business enterprises examined during the course of this research project.

Before commenting upon the details of the internal labor market at Johnson Products, it is first useful to offer some general observations relative to the company's posture in the cosmetics industry in general and the Black segment of the industry in particular.

THE BEAUTY CARE INDUSTRY

Beauty care represents an \$8 billion industry in the United States.²² It is an industry which had been overlooked by conglomerates until a few years ago. Today, however, companies such as Norton Simon, Colgate Palmolive, and the Squibb Corporation have purchased such cosmetics houses as Lanvin-Charles, Max Factor, and Helena Rubenstein.²³ Acquisitions represent an attempt by corporate giants to gain control of a profitable and growing consumer market.

Up to a few years ago, the industry exhibited considerable product and consumer market segregation. That

is, white-owned firms were not particularly interested in producing beauty care products for minority group consumers. For the most part, the Black sector of the industry was considered taboo to white manufacturers. Accordingly, Black cosmetics firms were left with the minority consumer market and they managed to control this entire segment of the industry from manufacturing to retailing. As George E. Johnson, founder of Johnson Products, put it,

White people, for the most part, ignored this industry as long as they thought it was a nickel and dime business . . . we were overlooked or else looked upon as just "nigger business." It was too little for them to be involved with or concerned about. Today, they are making strong efforts to take over every level of the kinky-hair industry. They want the manufacturing business. They want the beauty shop operations. And²⁴ they want the beauty jobber business.

The struggle for supremacy throughout the Black cosmetic industry is fostered by the fact that this segment represents a \$120 million per year business, approximately 1.5 percent of the industry's total.²⁵ Most importantly, however, is the notion that the Black submarket of the industry is virtually underdeveloped. Thus, larger companies are not so interested in the Black cosmetics industry because of what it presently generates in sales, but what it might produce if fully developed.

The entrance of the larger cosmetics firms into the Black submarket signals death for many Black-owned firms.

Small Black-owned cosmetics firms simply cannot compete with such industry giants as Avon, Revlon, and Faberge. These companies operate with extensive capital which enables them to offer a larger variety of products and to develop new markets, advertising techniques, etc.

There are a number of factors which strongly suggest that the fight over the Black cosmetics market has not been completely above-board. To illustrate, in the early 1970's Revlon began a campaign to penetrate the Black cosmetics market. Shortly after, in 1975, Johnson Products was required to place an extended warning on one of its major product lines. According to written reports and employees at Johnson Products, the Federal Trade Commission (FTC) charged that an active chemical ingredient in one of the company's major products could cause structural damage and eventual loss of one's hair.²⁶ Revlon, a major competitor in the Black hair care submarket, used this opportunity to develop its Black market. According to Ms. Dorothy McConner, Administrative Vice-President at Johnson Products:

We agreed to label our products more extensively because we wanted to make sure that consumers would not be harmed by their use. However, we also wanted to make sure that all of our competitors were required to do the same, else we would be placed in an unfair competitive disadvantage in the market. The FTC said sure, no problem. All companies producing a similar product would also be required to expand their warning labels. Johnson Products even supplied the FTC with a

list of its competitors, one of the most important of which was, and continues to be, Revlon. Yet, it was some twenty-three months later before the FTC required Revlon to put the same extended warning on an identical formulation. The most important point of this series of events is that Johnson Products lost \$10 million in sales as a result of Revlon's entry into the Black hair care market. During the twenty-three month period, Revlon moved in on our customers charging that our product was too strong and because of this, the federal government was requiring the extended warning label. In the meantime, Revlon was selling an identical formulation but was not required to apply a warning label for nearly two years after Johnson Products submitted to the FTC decree. We believe that the entire campaign bordered on a conspiracy between Revlon and the FTC to reduce Johnson Products' role in the industry. The point is that the then Chairman of the FTC was so close to Charlie Revson [President of Revlon] that he eulogized him at his funeral.

Johnson's arch competitor, Revlon, continued its move to gain control of the Black cosmetics market. For example, Johnson Product's major Black competitor, French Perm-Deluxall Products of Chicago, was purchased by Revlon in 1973.

Major department stores are also actively competing for a piece of the Black beauty care business. Many of these establishments are making special efforts to attract Black consumers. Black beauticians are being lured from Black beauty shops to staff salons in major department stores. If this trend continues, one of the major consumers of

professional hair care products will be lost and the industry will suffer accordingly.²⁸

The upshot of these events is a reduction in the control of an industry which Blacks have enjoyed for nearly three decades. Larger white-owned firms are entering the business with more capital and marketing expertise. Consequently, it is doubtful if the smaller Black manufacturers will be able to survive as the new competitors continue their surge for a piece of the market.

Within the Black submarket, there are six Black-owned cosmetics companies which employ at least fifty workers. These firms are identified in Table XVIII. There is no question of Johnson Products' supremacy in this sector of the industry. The company's work force constitutes approximately 30 percent of the total employed by Black manufacturers in the industry and it leads the industry in total sales.

The second leading Black-owned firm in the industry is Pro-Line. Located in Carson, California, Pro-Line was first organized in 1970 and has followed a pattern of development similar to that of Johnson Products. For example, Mr. Comer Cottrell started his cosmetics business with \$600 and in just eight years his gross sales has reached \$7 million and his firm provides employment for more than 150 workers.²⁹ None of the other Black producers of cosmetics is able to rival the position of Johnson Products or Pro-Line. The speed with which these firms have been able

Table XVIII. Major Black-Owned Cosmetic Companies

| Company | Location | Number of Employees |
|--------------------------------|-------------------------|------------------------|
| Johnson Products Company, Inc. | Chicago, Illinois | 437 |
| Pro-Line Corporation | Carson, California | 153 |
| Fashion Fair Cosmetics | Chicago, Illinois | 85 |
| Barbara Walden Cosmetics | Los Angeles, California | 60 |
| Ardell's Beauty Products | St. Louis, Missouri | 60 |
| Hair Research Laboratory | Selma, Alabama | 50 |

Sources: Johnson Products Company; Black Enterprise, June 1978; Try Us, 1978 edition.

to grow clearly substantiates the charge that "cosmetics has been one of the most lucrative fields of Black entrepreneurial endeavors."³⁰ However, with the emerging interest of white manufacturers and large retailers in the Black submarket, the basic structure of the industry appears to be going through a transformation which could change the position of Black entrepreneurs in the manufacturing and distribution of ethnic-oriented cosmetics.

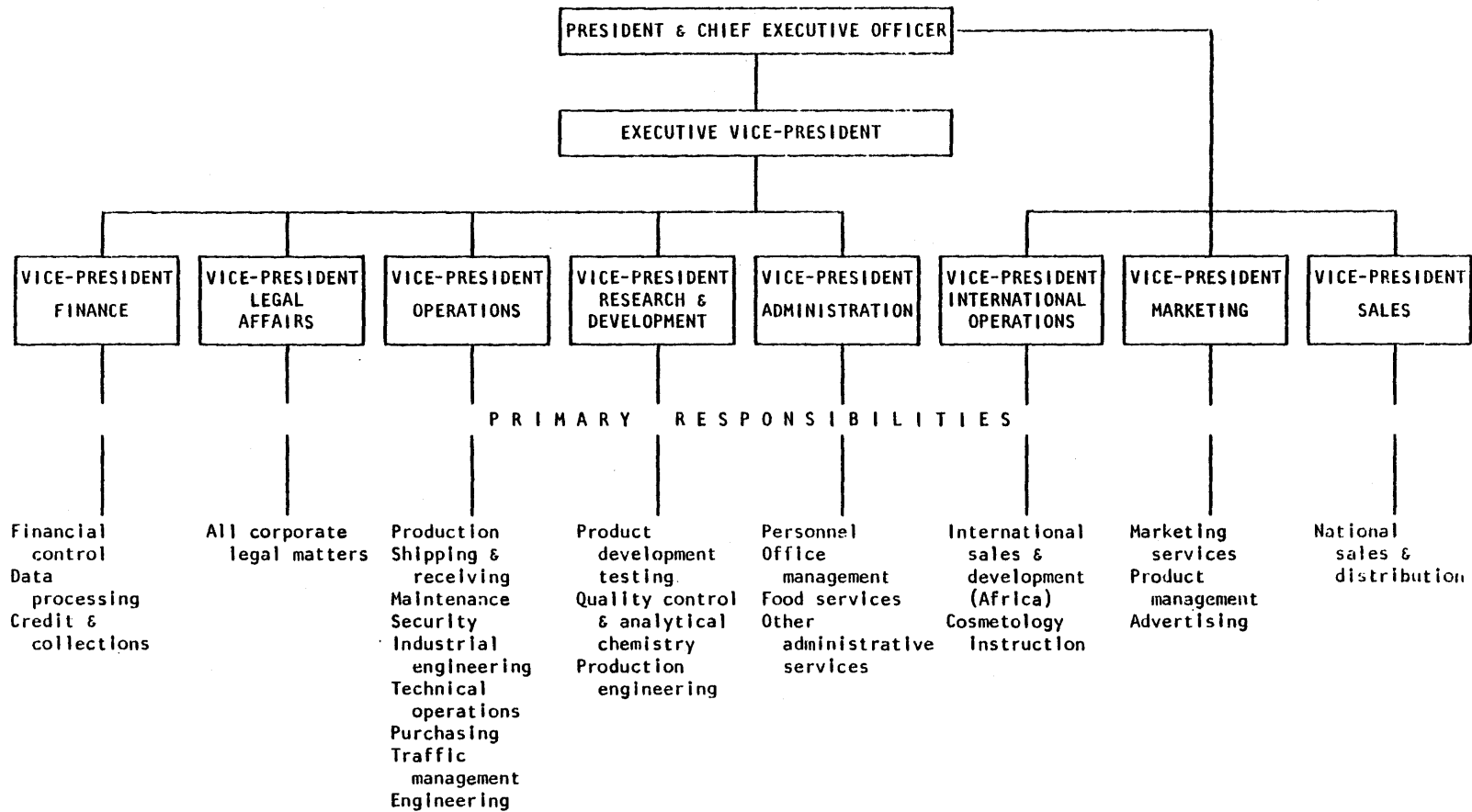
Johnson Products is one of the few Black-owned manufacturing enterprises with the capacity to develop, manufacture, market, and distribute its products. The company produces more than fifty products which are distributed in an international market. For example, nearly 10 percent of the company's 1978 sales were attributed to international sales, primarily to African countries. In fact, Johnson Products is presently engaged in the process of setting up a manufacturing facility in Nigeria.

The company will spend approximately \$1.5 million to set up its Nigerian subsidiary. Johnson Products' supremacy in the industry is also marked by its being the only Black-owned business enterprise listed on a major stock exchange. George E. Johnson and his immediate family, however, still hold over 60 percent of the company's stock. In 1971, Johnson Products went public and is listed on the American Stock Exchange. The company also operates six beautician schools through its wholly owned subsidiary,

Debbie's School of Beauty Culture, Inc.³¹

Vertical participation by Johnson Products in the cosmetics industry requires that the company maintain a full complement of research and development chemists, marketing, engineering, legal, and financial expertise. The managerial structure of the firm is shown in Figure IX. Each of the key managerial personnel are responsible for a wide variety of financial, marketing, production, and administrative functions. The company's overall structure, however, is very similar to that found in most firms large enough to afford specialized departments and personnel to man them. Likewise, the production process at Johnson Products is basically the same as that found throughout the industry. For example, Mr. Roland West, Plant Manager of Johnson Products and formerly of Avon, noted that the only difference between Johnson Products and the Avon Corporation, as far as production processes are concerned, is the amount of capital equipment being utilized.³² The similarities, however, quickly disappear when the position of the workers is considered. According to Mr. West, the attitude of management towards workers at Johnson Products is markedly different from that existing in his old company. "At Johnson Products, workers are treated like human beings and every effort is made to place individuals in work situations which most effectively complement their interest and skills."³³ Casual observations of workers during a site

FIGURE IX . MANAGERIAL STRUCTURE OF JOHNSON PRODUCTS COMPANY



Source: Discussions with Ms. Dorothy McConner, Vice-President for Administration, Johnson Products Company

visit along with several conversations with production, staff, and supervisory personnel provided strong support for Mr. West's conclusion. Further evidence of worker satisfaction will emerge as we discuss the particulars of the internal labor market at Johnson Products.

INTERNAL LABOR MARKET AT JOHNSON PRODUCTS

The internal labor market at Johnson Products is very broad in scope and includes virtually all of the jobs within the company. For the purposes of the following analysis, however, the internal allocation of workers can be conveniently viewed from a production and managerial perspective.

Labor markets in both sectors of the enterprise are very open, a factor which can be directly attributed to the absence of a collective bargaining process at the company. When job vacancies occur, the company is free to enter the external labor market to satisfy its labor demands. And, since Johnson Products is still a developing company, it frequently enters the external labor market for mid- and senior management personnel. Yet the company does adhere to a promote-from-within policy. Thus, before any job is filled with someone from the outside, a thorough review is made of all potential candidates who are already in its employ. This procedure is equally applicable to production and managerial personnel. Accordingly, there are numerous entry

and exit ports throughout the internal labor market.

The managerial segment of the internal labor market contains several job clusters which are organized around specific functional areas. As depicted in Figure IX, the ultimate responsibility for each of the major job clusters rests with one of the several vice-presidents. All managerial positions which are directly associated with each of the vice-presidents can be classified as primary labor market jobs. These are very secure jobs and they pay very competitive wages. Furthermore, they provide an opportunity for upward mobility within both the internal and external labor market, some of which is brought about by the prevailing competition for control of the Black cosmetics industry. For example, Ms. McConner of Johnson Products indicated that one of her company's leading development chemists had been hired by one of its local competitors at a much higher salary than what her company could afford to pay.³⁴

Positions constituting the primary sector of the internal labor market are presented in Table XIX. These positions, which range from management trainee to vice-president, represent over one-third (36 percent) of all jobs in the company.³⁵ Salaries for these positions range from a low of \$11,200 to a high of \$42,000.

The second major group of jobs in the internal labor market are those directly associated with the production

Table XIX. Salary Range and Job Titles of Primary Labor Market Jobs at
Johnson Products Company

| Position Class | Salary Range | | | Associated Job Titles |
|-------------------|--------------|-----------|-----------|--|
| | Minimum | Median | Maximum | |
| VI | \$ 11,200 | \$ 13,700 | \$ 16,200 | Management Trainee; Beginning Supervisor |
| VII | 11,900 | 14,650 | 17,400 | Inventory Coordinator; Compounding Supervisor; Receiving Supervisor; Laboratory Technician, Chemist; Junior Programmer; Executive Secretary |
| VIII | 12,600 | 15,600 | 18,600 | Industrial Engineer Trainee; Housekeeping Supervisor; Junior Chemist; Production Supervisor; Senior Pro- grammer; Junior Buyer; Sales Analyst |
| IX | 14,100 | 17,500 | 20,900 | Chemical Quality Control; Senior Buyer; Product Leader; Data Processor; Chef; Customer Service Manager; Chemist; Microbiologist; Traffic Manager |
| X | 16,600 | 20,350 | 24,000 | National Field Service Coordinator; Accounting Manager; Data Processing Operations Manager; Data Processing Program Manager; Budget Manager; Packaging Manager |
| XI | 19,200 | 23,750 | 28,300 | National Professional Sales Manager; Credit Manager; National Education Manager; Assistant Comptroller; Plant Manager |

(con. on next page)

Source: Personnel Department, Johnson Products Company, March 1979

(Table XIX, con.)

| Position Class | Salary Range | | | Associated |
|-------------------|--------------|-----------|-----------|--|
| | Minimum | Median | Maximum | Job Titles |
| XII | \$ 21,400 | \$ 26,900 | \$ 32,400 | National Sales Director; Product Manager; Director of Product Engineering, R&D; Director of Purchasing; Director of Special Promotions; Director of Professional Sales |
| XIII | 23,500 | 29,600 | 35,600 | Director of Quality Control and Analytical Chemistry; Director of Data Processing; Advertising Manager; Manager of Marketing Services; Director of Design; Director of Franchise |
| XIV | 25,000 | 32,300 | 38,800 | Comptroller; Director of Materials Management; Director of Personnel; Company Attorney |
| XV | 28,000 | 35,000 | 42,000 | Vice-President and above |

process. Craft workers, operatives, and unskilled laborers represent 38 percent of the workers in this segment of the internal labor market. At first glance, one would be tempted to place many of these jobs, especially the unskilled ones, in the secondary sector of the internal labor market. However, because of the historic stability of production jobs, the benefit package available to the workers, the wage rates along with the general work environment at the company, it is difficult to categorically assign a majority of these jobs to the secondary sector. A number of factors can be offered in support of this general observation.

First, the company has only experienced one lay-off in its entire twenty-five year history. And, according to the plant manager, this lay-off, which occurred in 1976, represented an efficiency move by the company. "We simply had just too many workers for our space and type of production."³⁶ Consequently, about thirty-five workers were released. Even the lowest paid production worker, therefore, realizes considerable job security. This is evident by the fact that the average seniority on the production floor is estimated to be about seven years and most of the workers are relatively young.³⁷

A second factor which adds to the difficulty of trying to place production jobs in the secondary sector centers around the average wages received by workers manning these positions.

Unskilled, entry-level production workers earn a base pay of between \$4.07 and \$4.44 per hour while a maintenance mechanic's wages begin at \$7.46 and can go as high as \$8.02 per hour. A majority of the unskilled and semi-skilled production workers, however, earn between \$9,235 and \$10,400 annually.³⁸ According to the plant manager, approximately 60 percent of all of the production jobs fall in this pay range. For a complete disclosure of the job grades for production workers and the associated salary range see Table XX.

All workers at Johnson Products participate in a profit-sharing program. Each year an amount equal to between 10 and 15 percent of each employee's annual earnings is contributed to the plan. The program is completely supported by the company. Employees become partially vested after three years and are completely vested after ten years of service with the company. This means that if an employee decides to leave the company after three years of service, he/she would be entitled to 30 percent of the funds placed in his/her profit-sharing trust by the company. At the end of ten years, the employee would be entitled to 100 percent of all of the funds in his/her profit-sharing account. To date, the company's profit-sharing account contains nearly \$3.0 million.

In addition to the profit-sharing plan, a company-subsidized cafeteria, where employees can purchase a

Table XX. Pay Ranges and Job Titles for Production Workers at
Johnson Products Company

| Position Class | Salary Range | | | Associated Job Titles |
|-------------------|--------------|----------|----------|---|
| | Base | 6 Months | Maximum | |
| I | \$ 8,465 | \$ 8,611 | \$ 9,235 | Packer B; Housekeeper |
| II | 9,027 | 9,339 | 9,714 | Coder; Packer A; Material Handler B; Custodian; Machine Operator B |
| III | 9,589 | 9,984 | 10,400 | Checker, Shipping; Return Goods Inspector; Machine Op- erator A; Utility; Finish Goods Checker; Inventory Control Checker; Order Filler A; Material Handler A |
| IV | 10,296 | 10,691 | 11,128 | Maintenance Helper; Warehouse Clerk; Lead Custodian; Inventory Control Order Filler; Dockman; Production Line Leader Trainee |
| V | 11,003 | 11,440 | 11,898 | Tool Crib Attendant; Stores Clerk; Compounder Trainee; Order Picker; Console Operator; Production Line Leader; Fork Lift Driver |
| VI | 11,253 | 12,168 | 12,646 | Dock Leadman; Receiving Leadman; Shipping Leadman; Maintenance Mechanic B |
| VII | 13,125 | 13,582 | 13,957 | Maintenance Mechanic A; Compounder |
| VIII | 14,581 | 14,851 | 15,288 | Senior Compounder; Maintenance Mechanic; Assistant Supervisor |
| IX | 15,517 | 15,995 | 16,681 | Maintenance Mechanic Specialist |

Source: Personnel Department, Johnson Products Company, March 1979

complete meal for \$1.50, is also provided. Most importantly, workers are provided with a comprehensive health maintenance program which offers a wide mix of dental, preventive health, and hospitalization services. When all of the foregoing factors are considered, the difficulty of categorizing unskilled production jobs as secondary labor market jobs should be evident. In the context of the analytical framework of this project, Johnson Products behaves much like a center firm, yet when one is reminded of its overall status in the larger cosmetics industry, the accuracy of such association is perhaps questionable.

Clerical workers represent the final group of job holders at Johnson Products. While, on the basis of wages, it would again be possible to place some of the clerical positions in the secondary sector, most of them are more accurately characterized as lower-level primary type positions. For, although an office clerk's entrance pay is only \$5,720 annually, this same employee can earn as much as \$8,840 (Table XXI) and is entitled to the same benefit package as all the employees of the company. On the other hand, however, the director of personnel, Mr. Henry Torrance, noted that most of the company's turnover is associated with these lower-level clerical positions.³⁹ Thus, the dilemma in trying to group such jobs in the context of the primary-secondary job typology is evident.

Regardless of how one allocates jobs between the

Table XXI. Pay Ranges and Job Titles for Clerical Workers at
Johnson Products Company

| Position Class | Salary Range | | | Associated Job Titles |
|-------------------|--------------|----------|----------|--|
| | Minimum | Median | Maximum | |
| I | \$ 5,720 | \$ 7,280 | \$ 8,840 | Office Clerk; Clerk Typist B; Order Entry Clerk B |
| II | 6,500 | 7,956 | 9,412 | Clerk Typist A; Switchboard Operator; Material Handler B; Office Clerk A; Order Entry Clerk A; Customer Service Representative B |
| III | 7,228 | 9,256 | 11,284 | Personnel Records Clerk; Sales Administrative Clerk; Material Handler A; Customer Service Representative A; Accounts Payable, Clerk; Accounting Clerk; Cost Clerk; Lead Key punch Operator |
| IV | 8,164 | 10,166 | 12,168 | Receptionist; Secretary B; Multilith Operator; Lines Inspector; Correspondence Clerk |
| V | 8,372 | 10,634 | 12,896 | Secretary A; Senior Credit Correspondent; Payroll Clerk; Order Coordinator; Junior Accountant B; Sales Administrative Coordinator |

Source: Personnel Department, Johnson Products Company, March 1979

primary and secondary sectors, it is clear that a majority of the jobs are primary on the basis of the characteristics they exhibit. On the other hand, there are also many jobs that do not fit very neatly into the primary-secondary job classification scheme.

LABOR ALLOCATION PROCESSES WITHIN JOHNSON PRODUCTS

Johnson Products, like most of the companies interviewed during the course of this research, maintains an explicit set of rules which govern the allocation of workers and their behavior while on the job. Work rules are set forth in the company's general policy manual. Covered in the manual are such items as working hours, provision for personal leaves, recruitment of workers, probationary periods for new or promoted employees, involuntary terminations, educational refund policies, etc.

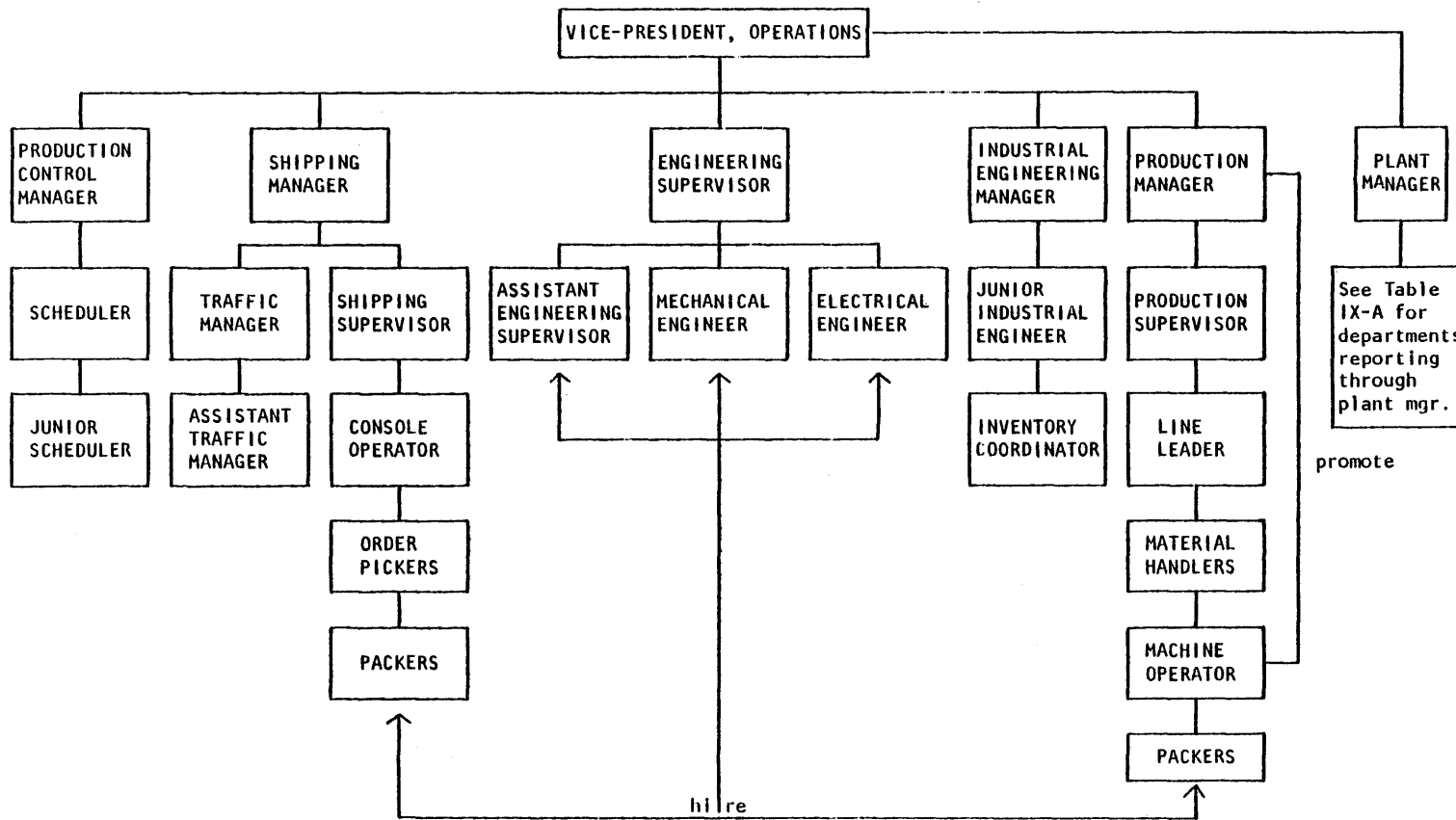
Earlier in this discussion we made mention of the high degree of openness which characterizes internal labor markets at Johnson Products. At this juncture, it is instructive to note that while the foregoing observation may be accurate, some ports of entry to the internal market are more active than others, so much so that they merit additional discussion. For example, virtually all of the workers in the operations division were first hired in the production or shipping departments. Most of the entry-level jobs in operations are connected with these two

departments.⁴⁰ The company utilizes these entry-level positions to generate a pool of labor to satisfy many of its internal labor requirements.

To focus more sharply on the internal allocation of workers, it is useful to refer to Figure X which reflects the operations division. Operations is organized around functional areas. Within each of these areas, however, jobs are structured so as to provide opportunities for vertical and horizontal mobility. The only general exception to the latter would be engineering and related positions, which require pre-employment training and work experience. Both interdepartmental as well as intradepartmental mobilities are practiced by the company. Consequently, workers are free to bid on any job opening for which they feel qualified. To illustrate, the plant manager referred to several instances where workers, initially hired as housekeepers, later successfully competed for jobs as compounders and plant-based clerical positions.

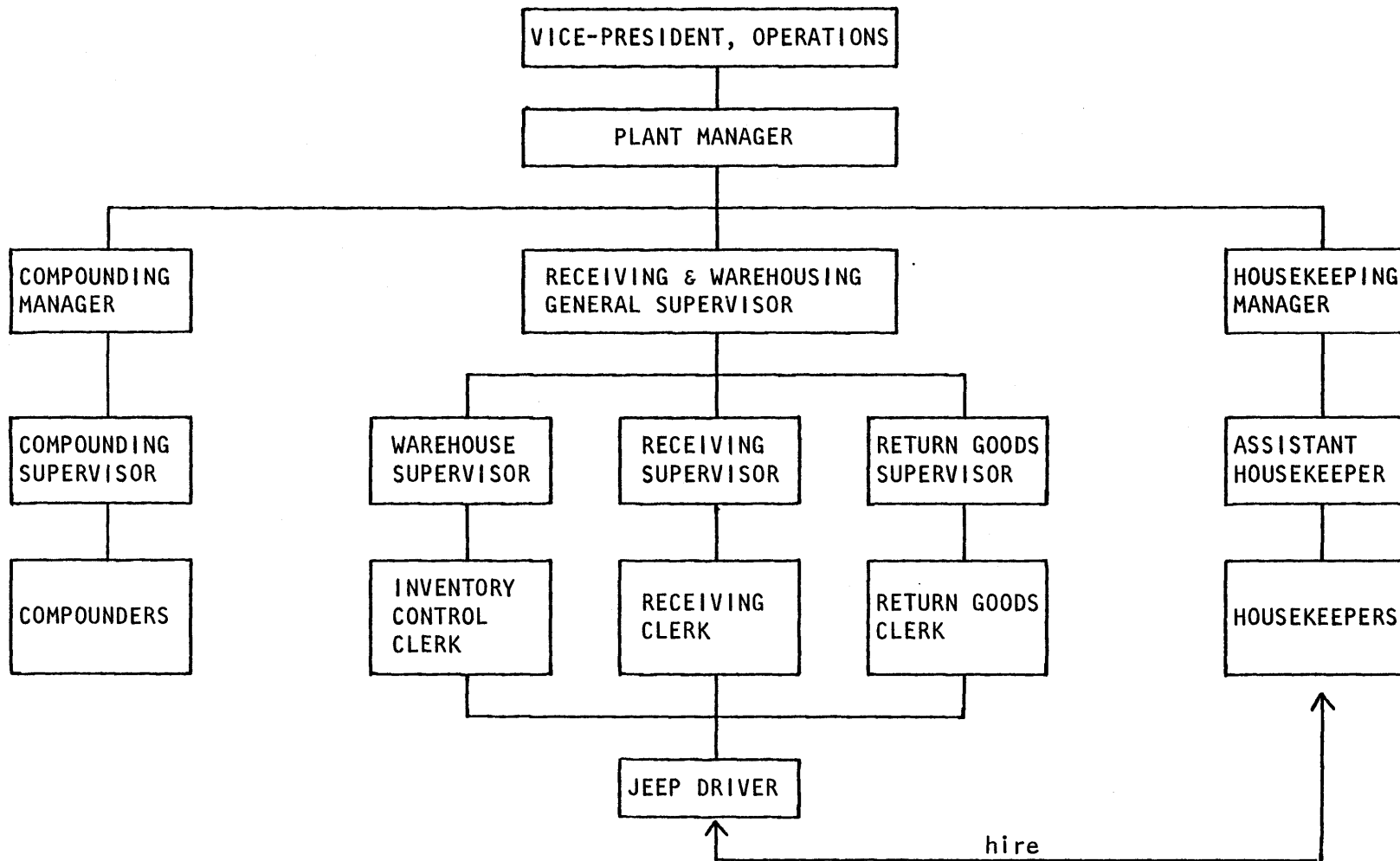
Within operations, jeep drivers, packers, and housekeepers represent the major ports of entry to the internal labor market. These jobs are linked to the manufacturing, storing, and shipping of products sold by the company. Although these can certainly be identified as entry-level jobs, they are by no means dead-ends as many workers transfer in and out of the various departments for more attractive jobs.

FIGURE X. INTERNAL LABOR MARKET, JOHNSON PRODUCTS COMPANY--OPERATIONS DIVISION
DEPARTMENTS REPORTING DIRECTLY TO VICE-PRESIDENT, OPERATIONS



Source: Discussions with Roland West, Plant Manager

FIGURE X-A. INTERNAL LABOR MARKET, JOHNSON PRODUCTS COMPANY--OPERATIONS DIVISION
DEPARTMENTS REPORTING THROUGH PLANT MANAGER



Job mobility within Johnson Products is facilitated by the existence of job clusters. It is very common to find job tasks structured in such a way as to facilitate skill building among workers so as to fill positions with more senior people. To illustrate, compounder trainees spend nearly a full year as an apprentice before they are considered sufficiently trained. Similarly, the training track for a plant maintenance mechanic often begins with this person working as a line labor-operator. The worker might then proceed to a job as a machine operator or some comparable position before entering a mechanic trainee position where he would remain for a period of up to one year.

Access to these entry-level production and shipping jobs is not subject to any rigorous educational or training requirements. The company enters the labor market in search of people who show potential and who are without serious physical or mental deficiencies. Most workers are able to master their job task requirements in a matter of a few days.⁴¹ Workers not able to perform satisfactorily within the ninety-day probationary period, the company may be assigned to another job.

Promotion to another job within the internal labor market is influenced by the worker's demonstrated ability to perform a variety of associated work tasks, length of service with the company, and the immediate supervisor's assessment

of his/her suitability for the job. Johnson Products has developed a specific policy which governs promotions within the internal labor market (see Exhibit L). All job vacancies for hourly positions are posted and while the company does not post vacancies for supervisory, professional, and management positions, its promote-from-within policy results in many of these jobs being filled by existing employees. Still, however, the non-posting of the upper-echelon jobs does have some major shortcomings. Primary in this regard is that the company effectively closes primary labor market jobs to some of its workers. Formally, there is no opportunity for the worker to bid for these higher paying jobs without being asked to do so by the company. By posting the supervisory and other mid-management positions, Johnson Products could further increase opportunities for employee mobility.

Conditions for involuntary dismissal of workers from the internal labor market are also worthy of brief discussion. Employees participating in any of the following acts will be fired by the company:

1. Willful or repeated violations of company rules and regulations.
2. Stealing, damaging, or defacing property belonging to the Company or your co-worker.
3. Gambling on company premises.
4. Using, possessing, distributing, selling, or offering to sell any

narcotics or other illegal drugs (including marijuana), fire-arms, or any other unlawful materials on company property.

5. Entering company facilities in an intoxicated or drugged condition or bringing in liquor or non-medical drugs.
6. Making false statements on an employment application.
7. Remaining absent from work for four (4) consecutive working days without notifying the company.
8. Working elsewhere, during a leave of absence.⁴²

While these conditions may appear somewhat rigid, workers are provided a grievance process and dismissal is only considered as a final alternative. According to Mr. Roland West, most of the involuntary movement of workers out of the company develops because of poor attendance. In Mr. West's two and one-half years with the firm, however, only two workers have been fired and in both instances this resulted from poor attendance.⁴³ In the past, a couple of workers with alcohol problems were advised by the company to seek professional help rather than being dismissed from their jobs. In sum, involuntary exiting of workers from Johnson Products is a rather rare phenomenon. Moreover, according to Mr. West, the principal owner--Mr. George E. Johnson--insists on being informed of each and every individual dismissed from the company and the reason for such action.

In closing out this assessment of the allocative

structure of the labor market within Johnson Products, a few summary comments are in order. First, the allocative mechanism facilitates extensive opportunities for labor mobility. Job clusters make it possible for workers to develop skills on the job and the company, through its educational refund policy encourages them to acquire job-specific training outside of the work environment as well. Secondly, mobility is fostered through the plant-wide job posting policy for all non-management positions. This entire process is further supported by the promote-from-within policy. Finally, the allocative process provides security to employees which has the net effect of increasing their interest in the operation and image of the Johnson Products Company.

WAGE DETERMINATION

Johnson Products Company conducts an annual wage survey. The central thrust of this effort is to identify what other companies within the industry and the City of Chicago are paying for similar work. Information obtained from the survey provides the basis for establishing wage and salary ranges for the various jobs throughout the internal labor market.

Although attempts to obtain copies of past wage surveys conducted by Johnson Products proved fruitless, a review of a recent U.S. Department of Labor (DOL)

"Occupational Earnings and Wage Trends in Metropolitan Areas, 1978"⁴⁴ suggests that Johnson Products' pay ranges for clerical workers are competitive with those provided by other companies in the Chicago metropolitan area. According to the DOL wage survey, for example, secretaries in the Chicago labor market receive an average annual pay of \$11,700. At Johnson Products, the range for this group of workers is between \$8,164 and \$12,896. Similarly, pay for payroll clerks averaged \$10,582 for the metropolitan area compared with a range of \$8,372 and \$12,866 at Johnson Products. In those areas where it is possible to make comparison among production jobs, Johnson Products' wages are somewhat lower than those received by workers in the metropolitan area. Here, for example, fork lift operators at Johnson Products receive annual wages of between \$11,003 and \$11,898 as compared to a \$13,000 average for the metropolitan area. Similarly, material handlers in the larger labor market receive an average wage of about \$14,600 as compared to a \$9,027-\$10,400 range established at Johnson Products. Although no attempt has been made here to determine the reasons behind the differential in wages for material handlers and fork lift operators, such is probably attributed to the unionization in the larger labor market. The two occupations are closely allied with port and shipping activities which are extremely active in the Chicago area.

Wage competition is of great importance to the

Johnson Products firm. As noted earlier, workers are not represented by a union and it appears that the company takes every precaution to make sure that it will not have to deal with collective bargaining in the near future. Profit sharing, a fringe benefit package which amounts to about 35 percent of the employee's annual salary, excellent working conditions, education refund policies, a credit union, and the like, all discourage workers from considering union representation. As one worker pointed out, "We have no need for a union."

Wage and salary ranges for each job are established by the company. Within each job grade, workers can look forward to at least two wage increases. Customarily, a new employee or a newly promoted employee will receive a salary adjustment, assuming satisfactory job performance, after six months on the job (see Tables XX and XXI). There is no time limit governing when an employee might receive the maximum salary established for a particular job.

Each employee's job performance is assessed annually. And, while the performance review is not supposed to be related to the salary review, the fact remains that the two usually occur together.⁴⁵ Thus, wages and salaries are adjusted annually with the result being a function of the outcome of the performance review.

To the extent that workers are involved in the performance review, they participate in wage determination

processes. There is considerable variation, however, throughout the company as some supervisors and managers seek to actively involve their subordinates in the annual review while others do not. Some supervisors will have their employees conduct a self-appraisal with the outcome serving as a basis for the annual performance report. The evaluation represents an attempt by the company to assess employees relative to their accuracy, alertness, creativity, quantity of work, as well as job knowledge. For an example of the company's evaluation form the reader is referred to Exhibit M.

To assist managers in conducting fair and accurate evaluations, the company has developed a "standard operating procedure" which defines performance, as well as key concepts found in the evaluation form (see Exhibit N). More significantly, the procedure adds an important element of uniformity and objectivity to this dimension of the wage determination process. The overall wage structure generates a competitive internal labor market where workers anxiously bid for higher-level jobs as they become vacant, and few workers ever leave the company in search of higher paying jobs.

SUMMARY

The internal labor market at Johnson Products has emerged in truly classic form. Clearly definable job

clusters and employee mobility opportunities dominate this internal labor market. In addition, the firm has formulated a comprehensive set of administrative rules and regulations to keep its internal system in check.

Unlike most of the companies examined during the development of this dissertation, nearly one-half of all jobs can be placed in the primary sector of the internal labor market. And, even among the lower paying jobs, job mobility, and employee benefits make working for the company an attractive proposition.

Over a period of time, employees of the Johnson Products Company have come to know it as a work place where unskilled, semi-skilled, skilled, professional, and technical workers have coordinated their efforts to produce the nation's largest Black-owned manufacturing enterprise. The openness of the internal labor market along with the competitive wage structure and fringe benefit package adds to the stability of the work force and broadens employee interest in the overall health of the company.

Finally, while in the context of the national economic scene, Johnson Products is a small firm with little market power, in the Black industrial economy it behaves much like a center firm, as it provides excellent working conditions and other direct and indirect benefits to its more than four hundred employees. Inasmuch as it is the largest and most successful Black manufacturing facility in the

country, it has to be considered a model for Black enterprise.

Notes

Chapter VII

¹"Black-Owned Banks, 1977," Black Enterprise 8, No. 11 (June 1978):125-127.

²U.S. Department of Commerce, Bureau of the Census, 1972 Survey of Minority-Owned Business Enterprises--Black, Table 1; and 1972 Census of Manufacturers--General Summary, Volume 1 (Washington, D.C.: U.S. Government Printing Office, 1975), Table 3.

³Ibid.

⁴"Battle of the Rouge," Black Enterprise 9, No. 1 (August 1978):25.

⁵Robert Averitt, The Dual Economy (New York: W.W. Norton and Company, Inc., 1968).

⁶Interview with Mr. Brinkley Blackwell, Director of Operations, Progress Products Company, June 1978.

⁷Progress Investment Associates, "New Dimensions in Manufacturing Excellence" (1977).

⁸Interview with Mr. Brinkley Blackwell, June 1978.

⁹Progress Products Company, Agreement Between Local no. 929 Affiliated with International Brotherhood of Teamsters, Chauffers, Warehousemen and Helpers of America and Progress Products Company, Article XV (July 31, 1976).

¹⁰Ibid.

¹¹Ibid.

¹²Ibid.

¹³Ibid.

¹⁴Progress Aerospace Enterprises, Inc., Agreement Between Local No. 929 Affiliated with International Brotherhood of Teamsters, Chauffers, Warehousemen and Helpers of America and Progress Aerospace Enterprises, Inc., Article IX (July 31, 1976).

¹⁵Progress Investment Associates, Inc., "Personnel Manual" (April 1, 1977), Policy 4.9.

¹⁶Interview with Mr. Robert Strothers, Personnel Manager, Progress Investment Associates, June 1978.

¹⁷U.S. Department of Labor, Employment and Training Report of the President (Washington, D.C.: U.S. Government Printing Office, 1978), Table C-10 and p. 275.

¹⁸Progress Investment Associates, Inc., "Personnel Manual" (1974), Policy 4.10.

¹⁹Ibid.

²⁰Progress Aerospace Enterprises, Agreement . . . , p. 18.

²¹Ibid.

²²"Three Giant Acquirers Still Seek That Exclusive Sweet Smell of Success," New York Times, February 12, 1979, Sec. 3, p. F1.

²³Ibid.

²⁴"Battle of the Rouge," Black Enterprise (August 1978):26.

²⁵Calculations are based on industry statistics as reported in "Three Giant Acquirers . . . ," New York Times, February 12, 1979, and "Battle of the Rouge," Black Enterprise (August 1978).

²⁶Interview with Ms. Dorothy McConner, Vice-President for Administration, Johnson Products Company, Inc., February 1979.

- ²⁷ Interview with Ms. Dorothy McConner, February 1979.
- ²⁸ Interview with Ms. Dorothy McConner, February 1979.
- ²⁹ "Battle of the Rouge," Black Enterprise (August 1978).
- ³⁰ Ibid.
- ³¹ Johnson Products Company, Inc., "Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934" (August 31, 1978).
- ³² Interview with Mr. Roland West, Plant Manager, Johnson Products Company, Inc., February 1979.
- ³³ Interview with Mr. Roland West, February 1979.
- ³⁴ Interview with Ms. Dorothy McConner, February 1979.
- ³⁵ Johnson Products Company, Inc., "Equal Employment Opportunity Employer Information Report EEO-1" (1977). Although the company has not compiled a 1978 report, according to Mr. Henry Torrance, Personnel Director, the basic occupational distribution has not changed significantly since the filing of the 1977 report.
- ³⁶ Interview with Mr. Roland West, February 1979.
- ³⁷ Interview with Mr. Roland West, February 1979.
- ³⁸ Interview with Mr. Roland West, February 1979.
- ³⁹ Interview with Mr. Henry Torrance, February 1979.
- ⁴⁰ Interview with Mr. Roland West, February 1979.
- ⁴¹ Interview with Mr. Roland West, February 1979.
- ⁴² Johnson Products Company, Inc., "Employee Handbook."
- ⁴³ Interview with Mr. Roland West, February 1979.

⁴⁴U.S. Department of Labor, Bureau of Labor Statistics, Occupational Earnings and Wage Trends in Metropolitan Areas, 1978 (U.S. Government Printing Office, February 1979).

⁴⁵Interview with Ms. Dorothy McConner, February 1979.

Exhibit K

Administrative Requirements Regarding
Termination of Employees

from

"Personnel Manual"

Progress Investment Associates, Inc.

| SUBJECT | CLASSIFICATION | ISSUE DATE | POLICY |
|--|----------------|-------------|--------|
| Termination Resignation Dismissal Lay-off | Personnel | Apr 1, 1974 | |

I. PURPOSE

To establish the administrative requirements pertaining to terminations in order to assure the accomplishment of these personnel actions in a uniform and equitable manner with due regard for the needs of PIA Investment Associates and the welfare of the individual employee.

II. DEFINITIONS

PIA and its affiliates recognize the following forms of termination:

- A. Resignation: As a voluntary termination by the employee in which the employee leaves his activity in good standing.
- B. Dismissal: As a termination of employment requested by the employer.
- C. Lay-off (Furlough): As a termination of employment due to a lack of work situation usually for a temporary period but in some cases for an indefinite period.

III. POLICY (RESIGNATION)

- A. It is the policy of PIA, Inc. and its affiliates that in order to resign from an activity in good standing an employee must:
 1. Inform his or her supervisor at least one (1) week before his or her effective termination date. (See Vacation Policy 4.6).
 2. The supervisor will immediately notify Personnel of the resignation and request the employee to submit a letter of resignation to Personnel.
 3. Failure of the employee to comply with the

rules of notification will be made a matter of record in his personnel file and may be cause for denying future employment with PIA, Inc.

IV. POLICY (DISMISSAL)

A. It is the policy of PIA and its affiliates:
(See Discipline Policy 4.16).

1. That dismissal will be considered only as a last resort.
2. An action for dismissal will not occur without prior knowledge of the Personnel Department.
3. Except for "cause" an action for dismissal shall be preceded by a verbal and a written warning.
4. A notice must be given to the employee by management or supervision stating the specific reasons for the action taken and a summary of supporting facts.

B. Dismissal Procedure: (See Discipline Policy)

1. Supervisor shall recommend an action to dismiss an employee to Personnel in writing stating reasons for the action.
2. A hearing will be held with the employee, the supervisor recommending the action, and the Personnel Manager at which time a written statement defining the reason for the dismissal will be presented to the employee by the Personnel Manager. The employee may appeal the decision at this time. If the decision remains firm, the employee will then be processed out by his supervisor and the Security Officer.

An exit interview shall be conducted by the Personnel Manager at which time the employee will be paid all monies due.

Bargaining Unit employees shall be dismissed subject to the Union Agreement.

V. POLICY (LAY-OFF)A. It is the policy of PIA, Inc. and its affiliates that:

1. Every effort will be made to offset unnecessary lay-offs.
2. If it becomes necessary to lay off an employee, individual qualifications of the employee to perform the work in question and practicality shall be factors to be equally considered with length of service.
3. Hourly employees shall be laid off according to the Union Agreement.
4. Advance notice of one (1) week will be given in connection with all lay-offs.
5. In cases where proper notice cannot be given the employee will be paid one week's pay in lieu of notice.
6. Employees who are laid off with more than three years of service shall receive one week's severance pay for each full year of service greater than three years.

B. Procedure

1. Employees affected will be appraised of such action by their immediate supervisor.
2. Communication will be sent out to the employee by the Personnel Department one week prior to the termination date.
3. Employees affected by a lay-off will be given consideration when other vacancies occur for which they are qualified.

The termination of the employee will be in accordance with personnel policy as stated in this manual.

Exhibit L

Promotion Policy

Johnson Products Company, Inc.

ADMINISTRATIVE POLICIES

33. PROMOTION POLICY

- a. It is company policy to promote those employees who have demonstrated, by their good performance or by their demonstrated ability, that they deserve consideration for promotion.
- b. It is understood that an employee considered for promotion must possess required skills and is capable of performing the duties as set forth in the job description.
- c. Recommendation, in the form of an evaluation, for promotion of an employee must be submitted in writing by his/her immediate supervisor and be approved by the department head as well as the division head. In this manner, the employee's supervisors are on record that, to their best knowledge, the employee considered for promotion is either eligible or ineligible for the promotion.
- d. When the contemplated promotion is to a different department, the written evaluation must be presented in advance of the move to the hiring department head. Both the leaving and receiving department heads share equal responsibility for obtaining this evaluation.

Job Posting / Training

44-A

May 9, 1973

MEMORANDUM

TO: All Johnson Products Company Personnel

FROM: The President

RE: Promotion Policy of Johnson Products Co., Inc.
and the Posting of Job Openings

I invite your attention to the promotion policy of this company as stated on page 44 of your policy manual. The following policy is now added thereto:

POSTING OF JOBS

It has long been a procedure, but not a company policy, to post the job openings for hourly workers in all sections of Johnson Products Company. I wish now to state, categorically, as follows:

- From this point forward, it shall be the policy of Johnson Products Company to post all openings with job descriptions for all hourly positions below the supervisory level.
- Supervisory, professional and management positions will not be posted. However, we will continue our policy of promoting from within the ranks of our own employees whenever such is possible.

* * * * *

Once again, I advise all employees to constantly strive to improve themselves through study and dedicated application to learn more and more about this company and its needs. I also remind all of our program for tuition assistance which is intended to help and encourage our employees to gain further training which will offer preparation for promotion.

This statement is numbered, page 44-A, and should be immediately inserted between pages 44 and 45 of your personal copy of the Johnson Products Company policy manual.

dls
(Rev. 5-9-73)

Exhibit M

Employee Evaluation Form

Johnson Products Company, Inc.

EMPLOYEE EVALUATION FORM

NAME: _____ DATE: _____

DEPARTMENT: _____ JOB TITLE: _____

Purposes of this Employee Evaluation:

To take a personal inventory, to pin-point weaknesses and strengths and to outline and agree upon a practical improvement program. Periodically conducted, these Evaluations will provide a history of development and progress.

Instructions:

Listed below are a number of traits, abilities and characteristics that are important for success in business. Place an "X" mark on each rating scale, over the descriptive phrase which most nearly describes the person being rated. (If this form is being used for self-evaluation, you will be describing yourself.)

Carefully evaluate each of the qualities separately.

Two common mistakes in rating are: (1) A tendency to rate nearly everyone as "average" on every trait instead of being more critical in judgment. The rater should use the ends of the scale as well as the middle, and (2) The "Halo Effect," i.e., a tendency to rate the same individual "excellent" on every trait or "poor" on every trait based on the overall picture one has of the person being rated. However, each person has strong points and weak points and these should be indicated on the rating scale.

ACCURACY is the correctness of work duties performed.

Makes frequent errors.

Careless; makes recurrent errors.

Usually accurate; makes only average number of mistakes.

Requires little supervision; is exact and precise most of the time.

Requires absolute minimum of supervision; is almost always accurate.

ALERTNESS is the ability to grasp instructions, to meet changing conditions and to solve novel or problem situations.

Slow to "catch on."

Requires more than average instructions and explanations.

Grasps instructions with average ability.

Usually quick to understand and learn.

Exceptionally keen and alert.

CREATIVITY is talent for having new ideas, for finding new and better ways of doing things and for being imaginative.

Rarely has a new idea; is unimaginative.

Occasionally comes up with a new idea.

Has average imagination; has reasonable number of new ideas.

Frequently suggests new ways of doing things; is very imaginative.

Continually seeks new and better ways of doing things; is extremely imaginative.

DEPENDABILITY is the ability to do required jobs well with a minimum of supervision.

Requires close supervision; is unreliable.

Sometimes requires prompting.

Usually takes care of necessary tasks and completes with reasonable promptness.

Requires little supervision; is reliable.

Requires absolute minimum of supervision.

DRIVE is the desire to attain goals, to achieve.

Has poorly defined goals and acts without purpose; puts forth practically no effort.

Sets goals too low; puts forth little effort to achieve.

Has average goals and usually puts forth effort to reach these.

Strives hard; has high desire to achieve.

Sets high goals and strives incessantly to reach these.

JOB KNOWLEDGE is the information concerning work duties which an individual should know for a satisfactory job performance.

Poorly informed about work duties.

Lacks knowledge of some phases of work.

Moderately informed; can answer most common questions.

Understands all phases of work.

Has complete mastery of all phases of job.

QUANTITY OF WORK is the amount of work an individual does in a work day.

Does not meet minimum requirements.

Does just enough to get by.

Volume of work is satisfactory.

Very industrious; does more than is required.

Superior work production record.

STABILITY is the ability to withstand pressure and to remain calm in crisis situations.

Goes "to pieces" under pressure; is "jumpy" and nervous.

Occasionally "blows up" under pressure; is easily irritated.

Has average tolerance for crises; usually remains calm.

Tolerates most pressure; likes crises more than the average person.

Thrives under pressure; really enjoys solving crises.

COURTESY is the polite attention an individual gives other people.

Blunt; discourteous; antagonistic.

Sometimes tactless.

Agreeable and pleasant.

Always very polite and willing to help.

Inspiring to others in being courteous and very pleasant.

FRIENDLINESS is the sociability and warmth which an individual imparts in his attitude toward customers, other employees, his supervisor and the persons he may supervise.

Very distant
and aloof.

Approachable;
friendly once known
by others.

Warm; friendly;
sociable.

Very sociable
and out-going.

Extremely sociable;
excellent at
establishing
good will.

PERSONALITY is an individual's behavior characteristics or his personal suitability for the job.

Personality
unsatisfactory
for this job.

Personality
questionable
for this job.

Personality
satisfactory
for this job.

Very desirable
personality
for this job.

Outstanding
personality
for this job.

PERSONAL APPEARANCE is the personal impression an individual makes on others. (Consider cleanliness, grooming, neatness and appropriateness of dress on the job.)

Very untidy;
poor taste in
dress.

Sometimes untidy
and careless about
personal
appearance.

Generally neat
and clean;
satisfactory
personal
appearance.

Careful about
personal
appearance;
good taste
in dress.

Unusually well
groomed; very
neat; excellent
taste in dress.

PHYSICAL FITNESS is the ability to work consistently and with only moderate fatigue: (Consider physical alertness and energy.)

Tires easily;
is weak and
frail.

Frequently tires
and is slow.

Meets physical and
energy job
requirements.

Energetic;
seldom tires.

Excellent health;
no fatigue.

ATTENDANCE is faithfulness in coming to work daily and conforming to work hours.

Often absent
without good
excuse and/or
frequently reports
for work late.

Lax in attendance
and/or
reporting for
work on time.

Usually present
and on time.

Very prompt;
regular in
attendance.

Always regular
and prompt;
volunteers for
overtime when
needed.

HOUSEKEEPING is the orderliness and cleanliness in which an individual keeps his work area.

Disorderly or
untidy.

Some tendency
to be careless
and untidy.

Ordinarily keeps
work area
fairly neat.

Quite conscientious
about neatness
and cleanliness.

Unusually neat,
clean and
orderly.

OVERALL EVALUATION in comparison with other employees with the same length of service on this job:

| | | | | |
|-------------------------------|-------------------------------------|--------------------------|------------------------------|--------------|
| _____ | _____ | _____ | _____ | _____ |
| Definitely unsatisfactory. | Substandard but making progress. | Doing an average job. | Definitely above average. | Outstanding. |

COMMENTS

Major weak points are—

1. _____

2. _____

3. _____

and these can be strengthened by doing the following:

Major strong points are—

1. _____

2. _____

3. _____

and these can be used more effectively by doing the following:

Rated by _____ (Name) _____ (Title)

(If not used as a self-evaluation form, the employee should sign below)

A copy of this Report has been given to me and has been discussed with me.

_____ (Employee's Signature) _____ (Date)

Exhibit N

Standard Operating Procedures:
Standards of Performance and Conduct

Johnson Products Company, Inc.



SOP # 01

STANDARD OPERATING PROCEDURES

TO: MANAGEMENT/SUPERVISION
 FROM: DIRECTOR OF PERSONNEL *[Signature]*
 SUBJECT: STANDARDS OF PERFORMANCE AND CONDUCT

The purpose of this Standard Operating Procedure is to provide standards governing employee evaluation and their termination initiated by the company as a result or failure to meet accepted standards of work performance or for various infractions of company rules.

1. STANDARDS OF PERFORMANCE AND CONDUCT

It is the supervisor's responsibility to maintain accepted standards of job performances and personal conduct by insuring that employees know what is expected of them and promptly calling attention to unsatisfactory performance or conduct.

2. CONSTRUCTIVE DISCIPLINE

When an employee's performance or conduct is unsatisfactory, helpful correction of this situation should be the purpose of all disciplinary action short of discharge. Supervisors should allow the employee a reasonable time to meet acceptable standards of performance, and disciplinary measures, when applied shall be fair and equitable in accordance with the nature of the shortcoming or offense.

3. UNSATISFACTORY WORK PERFORMANCE

For unsatisfactory quality or quantity of work or similar substandard performance, the employee should be allowed a period of not less than 30 days nor more than 90 days to correct the unsatisfactory condition before resorting to dismissal. Failure to substantially improve the condition within the time specified will result in discharge. Employees should not be allowed additional probationary periods for recurrences of the same or similar substandard work performance or personal conduct.

4. DISCHARGE WITHOUT NOTICE

An employee may be discharged without notice upon committing such a serious offense that termination for the protection of the company or other employees is necessary. These offenses included but are not limited to, willful violation of company rules; gross negligence; or carelessness; dishonesty; theft; intoxication; gross insubordination; willful destruction of company property; unreported absences; failure to maintain satisfactory attendance record or to properly report absence due to illness; emergency or any other reason; unauthorized absence; failure to be at work station at the scheduled starting time of the shift or work day; leaving work area or company premises during

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working hours without permission of appropriate management (except lunch period); conduct on or off the job which is in conflict with the best interest of the company; immoral or indecent conduct on company property; fighting, practical joking, engaging in horse-play on company property; sleeping or loafing while on the job; use of threatening or abusive language, intimidating, coercing or interfering with fellow employees or business associates of the company; loaning money to fellow employees for profit; gambling, or participation in games of chance on company property; possession of or drinking of liquor or any alcoholic beverage, or illegal possession or use of narcotics, firearms and/or weapons on company premises; theft, unauthorized removal or misappropriation of property from the company or fellow employees; falsification of company records; submission of false statements in connection with an injury, accident or accident investigation; disposing of or concealing defective work; performing work or otherwise acting in a careless or grossly negligent manner; work stoppage or restriction of normal work output; insubordination, or willful refusal or failure to obey instructions from supervisor or appropriate member of management; willful violation of published or posted safety regulation; failure to report immediately to supervisor or member of management an accident involving injury to an employee or damage to company equipment and/or property; failure to observe reasonable standards of personal appearance; failure to wear items of protective clothing or equipment required for protection from physical injury; unauthorized sales and solicitations on company property; or similar breaches or acts reflecting a lack of personal integrity.

5. BEHAVIORAL EVALUATION

Behavioral strengths and deficiencies refer to the individual intellectual abilities, approaches to problems and decisions, emotional maturity, attitudes and motivation, interpersonal skills and managerial behavior per se.

This evaluation is distinguished from an appraisal of the individual's job performance, which is also required. Why the behavioral evaluation? Isn't performance all that really matters anyway? It would be nice if it were that simple, but, unfortunately, it isn't. We need to evaluate an individual's basic strengths and deficiencies in behavioral terms in addition to appraising performance for two main purposes: (1) job placement and promotion; (2) development.

1. Obviously, the first criterion to be considered in evaluating a person's suitability for promotion is the individual's performance on his/her current job. We do not promote mediocre performers no matter what we think about their potential. It is equally clear, however, that performance per se is an insufficient criterion to use for promotion decisions. The job to which the individual is to be promoted by definition is different from their current job and frequently requires different abilities, skills and behavior.

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Automatically promoting the "best" salesman to sales manager is a trite but effective example. The same characteristics, motives and attitudes which make the "best" salesman so effective as a salesman; i.e.; extreme competitiveness, very practical, expedient orientation, extreme decisiveness, strong financial motivation, flamboyant personality, may preclude his effectiveness as a manager. Sound placement decisions, therefore, require an analysis and evaluation of the individual's basic strengths and deficiencies in addition to his/her job performance per se.

2. The second major reason for evaluating basic strengths and shortcomings is to facilitate the individual's growth and development. If we are to help subordinates to improve their job performance and/or advancement potential, we must know in what ways they need to improve. It would be rather foolish, for example, to encourage a subordinate to become more aggressive "because good managers are aggressive" without first assessing whether he is already too aggressive, too passive, or "just right." Similarly, everyone does not need to become "more considerate of and sensitive to subordinate needs and feelings." Some of us are already too sensitive and considerate. Fred needs to become more deliberate, less impulsive and better organized. Jim, on the other hand, is overly thorough, cautious and rigid. We would clearly do different things in helping Fred and Jim improve their performance and potential. Effective management development therefore also requires an evaluation of basic strengths and shortcomings in behavioral terms.

Common Evaluation Errors

Lack of Objectivity

Far too often we evaluate people more on the basis of our personal feelings about them rather than on an objective analysis of their strengths and shortcomings. We are all biased and prejudiced to some degree. We simply like some people more than others for reasons having little to do with competence. In order to be objective, then, we must recognize our biases and actively work at not allowing them to influence our evaluations.

Halo

A typical error in evaluating people is to allow our evaluation of one aspect of a person's ability or make up to distort our evaluation of his/her other abilities and characteristics and to overly influence our entire evaluation of the person. It is easy, for example, to be so impressed by a high degree of overall intelligence and motivation that we fail to appreciate the fact that the person is so terribly disorganized that he/she gets little done.

Leniency

Most of us want to get along with other people. We want to be helpful and to be thought well of by others. We certainly don't want to hurt people. In addition, due to the egalitarian values of our society, many of us are not particularly comfortable in "judging" other people. For these reasons and others as well, many, if not most, of us tend to evaluate people more favorably and leniently than we should. We tend to see their strengths more readily and more clearly than their shortcomings. We tend to place more emphasis on their strengths than their shortcomings in our overall assessment. These tendencies are particularly strong when we know that our evaluations are going

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to affect the individual's career and when we must communicate them to him/her.

Insufficient Data

Unfortunately, for one reason or another, supervisors simply do not have sufficient data to do an objective and valid evaluation of their subordinate's strengths and shortcomings. Good evaluations usually require the following kinds of data:

- Knowledge of the person's background experience and training.
- Clear understanding of the person's job responsibilities.
- Appreciation for the situational factors affecting the person's performance.
- Observations of performance on a variety of tasks.
- Observation of performance in a range of situations.
- Frequent discussions with the person in order to understand attitudes, motivation, interests, aspirations, etc.

BEHAVIORAL CHARACTERISTICS

The following list of "behavioral characteristics" is a glossary of terms which is designed to be helpful to you in analyzing and evaluating your strengths and deficiencies and those of your subordinates. The list is not intended to be used rigidly or mechanically. Rather, it is intended to stimulate your thinking about yourself and your subordinates and to help make your evaluations more thorough, analytical and objective. It is also intended to be a first step toward achieving consistency in our evaluations of people.

| | |
|-----------------|---|
| Analytical | Thinks logically, isolates the fundamental parts of a complex problem |
| Learns quickly | Readily grasps new ideas and concepts |
| Creative | Thinks originally and imaginatively, conceives new ideas and approaches |
| Decisive | Makes decisions quickly and without "complete" data |
| Detail oriented | Pays careful attention to details |

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| Follows through | Carries activities through to conclusion, ensures that projects are completed |
| Shows foresight | Anticipates the future consequences of actions |
| Intellectually curious | Wants to know "why." Shows a thirst for and a keen interest in acquiring knowledge |
| Good Judgment | Discerns and chooses the correct course of action. Effectively blends intelligence, knowledge and people understanding |
| Open minded | Willingly considers new ideas and an approach not tied to tradition or convention |
| Conceptual | Thinks in abstract and theoretical terms |
| Has perspective | Views things in their relative importance, appreciates the broad picture |
| Critical thinker | Probes beneath the surface. Does not accept things at face value. |
| Plans and organizes | Lays out tasks in a logical and orderly sequence. Establishes and follows through on priorities. |
| Practical | Emphasizes action over abstraction. Thinks realistically, rejects the impractical |
| Resourceful | Improvises, devises ways to solve difficult problems |
| Versatile | Applies a wide range of aptitudes, skills and abilities |
| Tolerates ambiguity | Copes effectively with complex, vague and disordered situations |
| Deliberate | Thoughtful and hesitant in making decisions. Carefully considers alternatives |
| Diligent | Applies steady, earnest effort to task performance |
| Courage of Convictions | Stands up for beliefs and principles |
| Enthusiastic | Communicates positive attitudes in an emotionally expressive and vibrant manner. Approaches problems optimistically |
| Honest | Behaves sincerely and candidly. Avoids deception and artificialities |

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|------------------|---|
| Perseverant | Pursues objectives inspite of obstacles and discouraging events |
| Mature | Does not allow feelings to distort reasoning. Controls the expression of strong feelings. Does not rationalize failures |
| Patient | Maintains composure in the face of delays and barriers |
| Responsible | Reliable and trustworthy, willing to be held accountable |
| Objective | Reaches conclusion on the basis of facts as opposed to personal feelings and prejudices |
| Risk Taker | Acts without assurance of success. Able and willing to risk failure |
| Confident | Approach to new, unfamiliar and difficult situations reveals self-assurance and realistic confidence |
| Self disciplined | Carries out difficult, unpleasant and unrewarding tasks without procrastination |
| Self reliant | Acts without undue guidance and assistance from others |
| Ambitious | Strongly desires advancement to position of increased authority and prestige |
| Competitive | Strongly desires to be first and to win |
| Has Drive | Pursues objectives with a high degree of energy and persistence |
| Energetic | Works vigorously and actively. Does not tire or fatigue easily |
| Sets a fast pace | Works quickly, places a premium on speed of action. Shows a strong sense of urgency |
| Initiative | Moves into new areas without being prodded. Starts a series of events independently |
| Works hard | Expend extra effort "above and beyond the call of duty". Makes personal sacrifices for the sake of the job |
| Results oriented | Is intent upon achieving practical results. Concentrates attention on making things happen |
| Engaging | Stimulating, elicits positive reactions from others |

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| Aggressive | Presents views in a forceful and assertive manner. Does not back down when opposed. Takes charge |
| Communicates well | Speaks clearly, articulately and concisely. Is readily understood by others |
| Credible | Readily gains the trust and confidence of others |
| Friendly | Shows a personal interest in others. Has a pleasing personality |
| Sensitive | Shows appreciation for and understanding of others |
| Outgoing | Sociable, extroverted, enjoys and seeks out contact with people |
| Persuasive | Sells ideas effectively. Overcomes objectives |
| Poised | Maintains composure in embarrassing or upsetting situations |
| Politically astute | Is shrewd in discerning sources of power and ways of dealing with them |
| Sophisticated | Presents an impressive and dignified appearance and demeanor |
| Responsive | Reacts promptly to suggestions and requests |
| Tactful | Rarely offends people. Expresses views without creating defensiveness |
| Tough minded | Unsentimental, able to make decisions detrimental to a few but helpful to most |
| Open and straight-forward | Freely states what's on his mind. Expresses thoughts and feelings directly and candidly |
| Listens well | Pays close attention when others are speaking actively, tries to understand what's being said |
| Selects competent people | Recognizes and appreciates strength and competence. Actively seeks out competent people |
| Terminates incompetent people | Able and willing to fire people when necessary. Terminates people for incompetence, not because of feelings. |

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| Develops people | Actively works at enhancing the competence of subordinates. Stimulates growth and development |
| Motivates subordinates | Enhances subordinate's motivation to perform and achieve results |
| Gives guidance and direction | Lets subordinates know what is expected of them. Suggests appropriate courses of action |
| Shows consideration and sensitivity | Responsive to the needs and feelings of subordinates |
| Demands excellence | Communicates and enforces high performance standards, strict and exacting in judging performance |
| Gives feedback | Freely and generously communicates recognition for accomplishments and criticism for deficient performance |
| Delegates effectively | Assigns work in accordance with subordinate's capabilities and needs to grow and learn. Not reluctant to "let losse of the reins." |

Should you have any questions and/or concerns regarding the Standards of Performance and Conduct, please contact the Personnel Department.

Conclusion

The desire among Black entrepreneurs to convert ideas into successful business ventures is as evident today as it was at the turn of the century. The central theme emerging from this dissertation is that Blacks, while actively pursuing business formation in virtually every major industry, are still over-represented in the retail and personal service sectors of the economy. Few of these firms maintain a paid work force and their services are frequently restricted to the Black community. In spite of incredible odds, however, a few Black-owned businesses have grown beyond the confines of the urban ghetto and provide employment for hundreds of workers. Although some of these larger firms still cater primarily to Black and other minority consumers, others have broken through the segregated ghetto market and are providing goods and services to regional, national, and international markets. The picture emerging from this dissertation is that major Black-owned businesses have developed rather formal systems and procedures for managing their internal labor markets. In this regard (1) jobs are defined, (2) lines of progression can be identified, (3) wages and salaries tend to be linked to employee performance, (4) on-the-job training is the primary vehicle for preparing workers to function in the internal labor

market, and (5) there are explicit rules governing the internal movement and involuntary exiting from the respective enterprises. Thus, the primary ingredients and the resulting internal labor markets are clearly observable.

The firms included in this research display a number of core-firm structural characteristics; however, a closer examination shows that a majority of the jobs they create are grouped in the secondary labor market. The two major industries represented in the case studies--insurance and banking--are dominated by low paying and repetitive clerical jobs, which, in turn, are distinguished by their high turnover rates and general unstable character. Yet, as the data have shown, these characteristics are not restricted to insurance and banking firms in the Black economy but are symptomatic of these industries in general.

Likewise, in only one of the three manufacturing operations covered was there a significant number of primary type jobs below the supervisory level. In the two Progress Companies, for example, only the engineering and managerial positions could be classified as primary jobs. Virtually all of the production jobs in these companies pay low wages and job stability tends to be highly dependent upon the company's relationship with its buyers. In this particular case, an important concern comes to mind. Progress manufacturing companies, like many small businesses, have been built on a subcontracting arrangement with automobile manufacturers and

corporate giants in the electronics and computer industries. The work they perform is highly labor intensive and the resulting wage structure is very low even though it may be industry competitive. In reality, these types of arrangements provide a very effective way for national and multi-national corporations to exploit Black and other minority workers under the aegis of minority economic development. By subcontracting unprofitable low-wage work to smaller firms, especially those of the Progress Products variety, corporate giants are merely contributing to the problems of an expanding class of the working poor. Furthermore, such contractual arrangements do not significantly facilitate the development of the Black labor supply as little skill is required to perform associated job tasks. By subcontracting highly labor-intensive work to these small ghetto-based companies, the large firms are reducing their costs of production significantly, as they are able to reduce overtime and indirect labor costs.

One should not interpret the foregoing commentary to imply that subcontracting does not represent a viable way for Blacks to enter the manufacturing sector of the economy-- quite the contrary. The point is that if this alternative is selected in the future, careful attention must be given to the types of subcontract work that will be brought into the Black community, as all do not have the same social value for the workers involved. Moreover, although subcontracting in

the conventional sense is certainly one way to facilitate the development of a cadre of Black manufacturers, there are other vehicles which may demonstrate even greater effectiveness in this regard. For example, Community Development Corporations (CDC's) are stepping up their activity relative to the acquisition of operating companies. In the few instances where this has already occurred, CDC's have purchased high technology companies. An important outcome of such acquisitions is the expanding number of high paying job opportunities available to Black and other minority workers over the long run. To the extent that the purchasing of more capital intensive manufacturing enterprises continues, the more likely we are to be able to significantly impact the problems of joblessness among minority workers.

A third concluding observation centers around the division of labor within these major enterprises. With the exception of the Johnson Products Company, none of the firms utilized extensive technology in the production of their products. Workers are organized around rather simple job clusters which are under the responsibility of a foreman or general supervisor. The organization of work and workers in these companies follows conventional patterns as laid out by industrial engineers. Each individual production worker in the manufacturing enterprises, for example, contributes only a portion of the labor required to assemble or manufacture

the final product and there is little or no significant evidence of meaningful participation of employees in the organization of the work environment. In the clerical-dominated banking and insurance firms, the organization of work also follows conventional patterns. There was no evidence of any attempt, for example, to reduce boredom and job dissatisfaction by training tellers or clerks in the insurance firms in more than one job and rotating their work assignments.

Labor-intensive, low technology businesses are further limited in terms of the wages they can or are willing to pay their employees. Nearly all of the firms included in this study indicated that they pay competitive wages for like work and job experience. While this in fact may be true, there is one very important factor which cannot be overlooked. Even though all of the firms are not located in the Black community, they recruit the bulk of their labor therefrom. In this context, the firms are purchasing labor from a surplus labor market. Under these conditions, one might question the extent to which wages for unskilled and semiskilled workers are in reality reflective of competitive labor-market conditions.

Labor-market discrimination has historically depressed wages and earnings of Black workers. Moreover, Black ghetto workers are not likely to have a significant number of real employment options. Therefore, while on

balance the enterprises may be paying relatively competitive wages, such is probably being defined in the context of ghetto labor markets rather than that of the larger urban community. To the extent that the foregoing holds, jobs provided by Black firms will have little impact on the relative labor-market status of Black workers.

In closing, attention must also be given to one of the major findings of this research--the fact that Black-owned firms are predominantly staffed with Black workers and that women, though still underrepresented in professional and managerial positions, hold a much larger portion of the primary labor-market jobs in these firms than they do in the economy as a whole. Expansion of these business enterprises with heavy emphasis on the creation of primary labor-market type jobs would expand employment opportunities available to Black and other minority workers.

To be sure, it is possible to transform marginal jobs into more rewarding work experiences by utilizing job enrichment and job restructuring techniques and by giving workers a greater role in defining and organizing their work environments.

Job creation in the urban ghetto must be judged on the basis of the quality of the new employment opportunities. Fostering the expansion of the secondary labor-market under the umbrella of minority business development does little in the way of human resource development and in

providing meaningful employment opportunities for minority workers. Above all, major Black businesses have demonstrated their ability to build successful policies and procedures for governing the allocation of the workers they employ. We must now give attention to the quality of working life within these enterprises as many of their owners have not yet been exposed to the various alternatives for enriching their respective work environments.

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