

The Labor Market Status of Black Americans: 1939–1985

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After substantial economic gains near the time of World War I, black Americans experienced little progress during the interwar period, 1918–1939. When Gunnar Myrdal (1944) made his famous argument that the contradiction between Americans' espoused commitment to equal opportunity and whites' actual discrimination against blacks would pose an "American Dilemma" for the coming era of democracy, serious students of race relations seldom disagreed about the dismal economic position of black Americans. But since Myrdal's prediction, there have been great changes in race relations and in blacks' economic status. In this paper, I document some of these changes and I discuss some arguments that have been offered as explanations of the changes in blacks' economic status.

Among the empirical changes since 1939, three stand out: 1) three decades of rapid progress followed by two decades of relative stagnation in many aggregate measures of relative black earnings and incomes; 2) declining employment of black males; and 3) heightened inequality within the black population.

Students of the economics of race relations must address a fundamental question: Why has relative black employment fallen when blacks' wages and their access to occupations and to institutions of higher education have improved so much? This question leads to a consideration of the extent to which these changes may be interpreted as changes in discrimination and its consequences; changes and differences in skills; and changes in the relative wages of workers of different skills.

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Many of these issues remain important open questions. But we can conclude that changes in the economy during the past two decades have had particularly adverse effects on the demand for low-skilled workers. In particular, lower-skilled black males, who are disproportionately among those with the least educational achievements and attainments, appear to be in very low demand and may have responded to this low demand by withdrawing from the regular labor market.

Blacks in the 1940s

The economic status of black men and women in the 1940s can be summarized in six statements.

First, a majority of white Americans openly approved of employment discrimination against blacks.

Second, median years of educational attainment for blacks were well below those of whites.

Third, black men and women were concentrated in the lowest occupational categories of the labor market, with agriculture their industry of greatest employment.

Fourth, the weekly wage of black men was less than one-half the mean wage paid to white men and three-quarters that paid white women, while black women earned a mean wage one-fourth of white men's and less than one-half that paid white women.

Fifth, black men were slightly more likely to be employed than white men, and black women were significantly more likely to be employed than were white women.

Sixth, a large majority of black families were headed by a wife and husband and most were in poverty.

During the 1940s, the typical black competed in the labor market against whites under very adverse conditions. In a 1944 national survey, the National Opinion Research Center asked Americans, "Do you think Negroes should have as good a chance as white people to get any kind of job, or do you think white people should have the first chance at any kind of job?" A majority of those surveyed, 55 percent of all white Americans and 80 percent of those living in the South, responded "white people first" (Schuman, Steeh, and Bobo, 1985, p. 91). In addition, largely because of government discrimination in the provision of public education, the median schooling completed by black females and males in 1940 were just 6.2 and 5.4 years compared to white female and male medians of 8.8 and 8.7 years respectively.

The major industry of employment for blacks was southern agriculture. One-third of black men worked in agriculture, mostly as sharecroppers, renters and day laborers, and 50 percent of the black population lived on farms or in farm areas of the South.

Despite these obstacles, blacks were more likely than whites to be working, and they did so for far lower wages. In the 1940 census, the employment to population ratio of black males was 76 percent while that of whites was 2 percent lower. In the same census, 34 percent of black women and 23 percent of white women were employed.¹ These low levels of education for blacks, their prevalence in Southern agriculture, and the pervasive public sanction of discrimination ensured that black workers would be concentrated at the lowest occupational and earnings levels.

Consider a ranking of occupations based on the median earnings paid to men (or women) within an occupation. Call an occupation high-paying if its median earnings equal or exceed the median earnings of the median occupation. Otherwise, call the occupation low-paying. One would not expect precisely half of workers to be in low or high-paying occupations, since it may be that certain well-populated occupations have medians above or below the median occupation; still, one might expect roughly 50 percent of workers to be in low or high pay occupations.

This expectation was satisfied for working white males in 1940. Approximately 53 percent of employed white males worked in low pay occupations, and thus 47 percent were in high pay occupations. The comparable figures for black males were 91 percent in low and 9 percent in high pay occupations. When the same classification is carried out for women, nearly 9 of 10 black women, compared to 1 of 3 white, were in low-pay occupations paying median wages to women that were below those paid in the median pay occupation for women. Few women, white or black, were in occupations that paid women above the male median.

Low-paying occupations translated into low earnings. As calculated from 1940 census data, the mean weekly earnings of black males was 47 percent of the mean weekly earnings of white males, and 72 percent of the mean white female wage. Mean earnings for black females were 41 percent of white women's and 27 percent of white men's. Differentials in educational attainment can explain part of the earnings gaps. However, striking evidence of the prevalence of labor market discrimination against blacks is the fact that the mean weekly earnings of black men and women college graduates (\$201 and \$159 in 1984 dollars) were far less than the earnings of white men and women high school graduates (\$393 and \$270).

Poverty was common in the United States at the beginning of the 1940s, but it was far more prevalent among blacks. As a consequence of discrimination in education and in the labor market, black men and women worked long and arduous hours for very little income. Four of five black families were headed by two parents; still, 81 percent of black compared to 48 percent of white families

¹These numbers underestimate the relative participation rate of black to white women because seasonal agricultural workers not employed during the week of the census enumerator's visit were not counted as being in the 1940 labor force.

were in poverty by today's standards adjusted back for inflation (Smith, 1986, p. 4).

A Modern Dilemma

By the mid-1980s, black economic status had evolved in accordance with two very different trends. The positive and encouraging trends can be summarized by four points.

First, virtually all white Americans publicly espoused the principle of equal employment opportunities for blacks.

Second, median years of educational attainment had nearly converged for whites and blacks.

Third, the percent of employed black men and women in low pay occupations had declined considerably, and agriculture was an insignificant employer of blacks.

Fourth, mean weekly wages for blacks relative to whites had increased by 26 percentage points for males and 56 points for females between 1940 and 1984.

On the other side of the ledger, the opposing and less encouraging trends can be summarized in three points:

First, great numbers of black males worked very little or did not work in the regular labor market at all, and black women were less likely to be employed than white women.

Second, income inequality among black males had risen, and a large segment of very low-income men coexisted with a sizeable group of high-income men.

Third, black families headed by one female parent had become nearly as prevalent as two-parent black families. A third of black families were in poverty, and the frequency was much higher for female-headed families.

By the 1980s, the adverse conditions blacks had historically faced in the competition for jobs and earnings appeared to be greatly reduced. By the early 1970s, the proportion of whites agreeing with the labor market discrimination statement in the National Opinion Research Center survey had grown so low (3 percent) that the question was discontinued (Schuman et al., 1985, p. 193). An edifice of laws, procedures, and institutions designed to protect and enhance the labor market opportunities of minorities had arisen in both the public and private sector. By 1980, these factors had led the median educational attainment for young black adults to reach 12.6 years, with no real sex differences. Educational attainment was 13.0 years for whites, again with no real differences between sexes.

Less than 3 percent of black workers were employed in agriculture. In 1980, slightly more than one in five black men and nearly one in four black women were employed in high-pay male and female occupations, respectively.

Among white men and women, the proportions in high pay jobs had fallen to just over 2 in 5 and 1 in 4 respectively. Overall, black men earned mean weekly wages that had risen to 67 percent of white men's, while mean weekly wages for black women had reached 97 percent of white women's.

But despite this very tangible evidence of substantial improvement in the labor market conditions confronting black men and women, the employment to population ratio of black men (at 55 percent) was 15 points less than that of white men in 1985, while the employment rate of black women (at 47 percent) was 3 points below that of white women. In concurrence with their low employment rate, nearly 1 in 6 black men aged 25-54 reported no labor market earnings for the year 1984. Income inequality among black men had risen between 1960 and 1984 and was substantially higher than inequality among white men. Poverty among black families with children had become highly feminized, with 1 in 3 of such families in households headed by women with no adult males reported present.

Changes in two important variables summarize these stylized facts describing the economic experience of blacks in the United States' economy since World War II, according to the findings of the National Research Council's report on the status of black Americans (Jaynes and Williams, 1989, p. 6):

While blacks' relative weekly wages have increased significantly, their relative employment rate has fallen. Therefore, the product of these two indices of labor market status, per capita earnings (by far the bulk of per capita income), has not grown nearly as significantly as might be suggested by improvements in black wages and occupational status.

While the economic status of black Americans relative to whites improved during the period 1940-1970, since the early 1970s, the average economic status of blacks relative to whites has stagnated or deteriorated. For example, the ratios of real per capita income or family income for blacks relative to whites (about .58) were approximately the same in the 1980s as in the late 1960s.

The Distribution of Gains and Losses

Changes in the mean annual earnings of men and women and in the relative earnings of blacks to whites by educational status are displayed in Table 1. Each race-sex group enjoyed substantial increases in their real earnings from 1939 into the early 1970s. Recently, however, real annual earnings have declined for each group. The rising black-white ratios from 1939 through 1979 indicate that mean earnings for blacks were rising faster than for whites over this time, while the decline in the 1984 ratios indicate that those forces

Table 1
Mean Yearly Earnings by Educational Attainment, 1939–1984

<i>Males</i>									
<i>Educational Attainment</i>	<i>Mean Yearly Earnings</i>								
	<i>1939</i>			<i>1949</i>			<i>1959</i>		
	<i>B</i>	<i>W</i>	<i>B / W</i>	<i>B</i>	<i>W</i>	<i>B / W</i>	<i>B</i>	<i>W</i>	<i>B / W</i>
8 or less	3539	7376	(48)	5974	10711	(56)	8290	13866	(60)
9–11	4459	8325	(53)	7582	11987	(63)	9788	15452	(63)
12	5480	9603	(57)	8715	14487	(60)	11450	18636	(61)
13–15	6032	11944	(50)	8665	16219	(53)	13073	21201	(62)
16 +	8496	16516	(51)	13129	25329	(52)	17484	32139	(54)

<i>Females</i>									
<i>Educational Attainment</i>	<i>Mean Yearly Earnings</i>								
	<i>1939</i>			<i>1949</i>			<i>1959</i>		
	<i>B</i>	<i>W</i>	<i>B / W</i>	<i>B</i>	<i>W</i>	<i>B / W</i>	<i>B</i>	<i>W</i>	<i>B / W</i>
8 or less	1758	4028	(43)	2947	5421	(54)	3430	6380	(54)
9–11	2262	4490	(50)	3712	5460	(68)	4283	6340	(67)
12	2862	5421	(53)	5006	7240	(69)	5994	8209	(73)
13–15	3818	6760	(56)	5570	7698	(72)	7745	9128	(85)
16 +	6144	9626	(64)	9635	10351	(93)	12417	13236	(94)

Sources: U.S. Census, 1940–1980; CPS 1985; Neidert and Farley, 1987.

leading to reductions in the real annual earnings of American women and men must have affected labor market opportunities for blacks more severely than for whites.

All levels of education experienced the long upward trend in earnings followed by the decline after the early 1970s, as shown in Table 1. Among women, the mean yearly earnings of black high school graduates more than tripled between 1939 and 1984 while the earnings of whites with 12 years education rose by a factor of 2.37. The mean annual earnings of black and white women showed parity for every educational class in 1984. Among men, black-white ratios of mean annual earnings varied considerably according to educational attainment and all groups of black men were well below parity with comparably educated white men.

Table 1 also reveals that reductions in real earnings after the early 1970s were generally greatest for those men and women with the least education. The earnings of white men with 12 years education remained just below 60 percent of that of white male college graduates throughout the period, while the

Table 1 (continued)

<i>Males</i>									
<i>Educational Attainment</i>	<i>1969</i>			<i>Mean Yearly Earnings 1979</i>			<i>1984</i>		
	<i>B</i>	<i>W</i>	<i>B / W</i>	<i>B</i>	<i>W</i>	<i>B / W</i>	<i>B</i>	<i>W</i>	<i>B / W</i>
	8 or less	11900	17045	(70)	13017	16752	(78)	9957	11615
9-11	12809	17506	(73)	11998	14619	(82)	9127	10960	(83)
12	15950	22573	(71)	15313	21541	(71)	12382	18671	(66)
13-15	17067	22787	(75)	16648	22291	(75)	14960	19332	(77)
16 +	26977	39480	(68)	25187	35689	(70)	24175	32637	(74)

<i>Females</i>									
<i>Educational Attainment</i>	<i>1969</i>			<i>Mean Yearly Earnings 1979</i>			<i>1984</i>		
	<i>B</i>	<i>W</i>	<i>B / W</i>	<i>B</i>	<i>W</i>	<i>B / W</i>	<i>B</i>	<i>W</i>	<i>B / W</i>
	8 or less	5440	8042	(67)	7209	7549	(95)	6283	5828
9-11	6694	7617	(88)	7782	6634	1.173	6135	5818	1.054
12	9307	10063	(92)	10401	10115	1.028	9521	9551	(99)
13-15	11296	9786	1.154	11566	10636	1.087	11094	10498	1.057
16 +	19090	16823	1.135	17805	15636	1.139	18592	16697	1.113

Note: Figures in B (black) and W (white) columns are in dollars. B/W column is a percentage when in parentheses, otherwise a ratio.

earnings of black high school graduates fell from two-thirds black college male graduates throughout the period 1939-1969, to one-half in 1984.

The deteriorating employment position of blacks has been a major factor in their economic status. Declining employment of black men has been especially severe. Virtually all of the decline occurred after 1970, and it was largely confined to men with high school educations or less. Black men with college training had employment levels in the 1980s that were equivalent to the levels of the 1940s. To illustrate this point, Table 2 shows the 45-year trends in labor force participation and employment rates of white and black men ages 25-34, divided by level of education. An important point to note is that general patterns have been identical for black and white men, although the magnitude of the effects has been more pronounced among blacks.

Table 2 shows that the significant reductions in labor force participation and employment occurred between 1970 and 1980. The heralded recovery of the mid-1980s apparently improved the position of white low-skilled men but

Table 2
Labor Force Participation and Employment by Education, ages 25–34

<i>Black Males</i>										
<i>Education</i>	<i>1940</i>		<i>1960</i>		<i>1970</i>		<i>1980</i>		<i>1985</i>	
	<i>LFP</i>	<i>EMP</i>	<i>LFP</i>	<i>EMP</i>	<i>LFP</i>	<i>EMP</i>	<i>LFP</i>	<i>EMP</i>	<i>LFP</i>	<i>EMP</i>
≤ 8	95	.86	92	.84	85	.81	66	.54	61	.53
9–11	95	.81	94	.85	91	.86	75	.62	75	.62
12	97	.87	95	.89	94	.90	86	.77	85	.69
13–15	93	.84	91	.87	92	.89	89	.81	86	.75
16 +	98	.91	96	.95	92	.90	93	.89	86	.80

<i>White Males</i>										
<i>Education</i>	<i>1940</i>		<i>1960</i>		<i>1970</i>		<i>1980</i>		<i>1985</i>	
	<i>LFP</i>	<i>EMP</i>	<i>LFP</i>	<i>EMP</i>	<i>LFP</i>	<i>EMP</i>	<i>LFP</i>	<i>EMP</i>	<i>LFP</i>	<i>EMP</i>
≤ 8	95	.87	91	.84	87	.83	76	.66	85	.76
9–11	97	.89	96	.92	94	.90	90	.81	93	.80
12	98	.92	98	.95	97	.94	95	.89	94	.86
13–15	95	.90	94	.92	94	.92	94	.89	93	.89
16 +	96	.92	96	.95	95	.94	96	.94	94	.92

Sources: U.S. Census, 1940–1980; Neidert and Farley, 1987.

not black. Why? We do not know. Thus, although there was no difference in 1970 between the employment rates of black high school graduates and college graduates, by 1985 high school graduates had an employment rate 12 percentage points lower. The employment rate of high school dropouts was nearly 30 points lower.

The differential incidence of employment losses has had severe consequences on equality of earnings. For example, in 1959, the lowest-earning two quintiles of black men brought home about 8 percent of the total earnings of black men while the highest-earning quintile collected about 50 percent of total earnings. A quarter century later the share of the lowest two quintiles had fallen to 5 percent while the share of the top quintile of earners had increased to 60 percent.² Much of this increase was due to the increase in the numbers of black men who reported zero earnings during an entire year.

²Measuring inequality with Gini coefficients, inequality in earnings among white adult men (aged 20–64) has been flat since 1959; the Gini coefficient rose .02 (.37 to .39) between 1959 and 1984. Among black men the increase in inequality was considerably greater, rising from .50 to .59.

Sources of Racial Change

The major sources of black gains in earnings and occupations from 1939 to the mid-1960s involved migration from North to South, from rural areas to urban ones, and the concurrent movement from agricultural employment to other industries. These events took place against a backdrop of high rates of employment, job creation, growth of real output, and increases in the schooling of blacks (Gwartney, 1970; Smith and Welch, 1986; O'Neill et al., 1986). Gains made from 1965 to the mid-1970s were due to employment and overall earnings growth in the economy, increases in blacks' relative education, and equal employment and antidiscrimination enforcement (Jaynes and Williams, 1989; Smith and Welch, 1986).

The slowdown in rates of black advancement since then may be largely attributed to the slowdown in general economic growth, a reduction in the labor market attachment of black men, and quite possibly to a renewed resistance to antidiscrimination efforts on the part of white Americans. This last point is speculative, but it is important that a general trend towards improving racial attitudes and strengthening federal government efforts to combat racial discrimination that lasted throughout the 1940 to 1980 period declined during the 1980s (as Leonard explains in this issue).

Interpreting the Labor Market Position of Blacks

In view of the changes that have occurred in American society during the past few decades, it is important to ask why relative black employment has fallen when black wages, access to occupations, jobs, and education appear to have improved so much?

Three answers have been offered to this question; all have focused on men. The first accepts the census data on blacks' relative earnings position at face value and argues that since earnings opportunities for blacks are improved (that is, the relative demand for black labor has increased), relative employment for blacks has fallen because of voluntary reductions in their labor supply (Smith and Welch, 1989; O'Neill et al., 1986).

A second interpretation argues that although the relative earnings status of blacks has improved, census earnings data overstate the gains. This argument posits that falling employment (due to decreases in labor supply in favor of competing activities such as government transfer programs) has truncated the sample of wage observations from below by reducing the number of low-skill people in the labor force. This has had a larger effect on blacks than on whites because blacks are disproportionately lower in skills. The result is that the mean and median wages of those blacks remaining give inflated estimates of the improvement in the market evaluation of black labor (Butler and Heckman, 1978; Heckman, 1987).

Table 3
Ratios of Black to White Earnings For Persons Age 15 and Older

<i>Ratios of Black to White Men's Earnings</i>						
	1939	1949	1959	1969	1979	1984
Weekly	47%	57%	58%	65%	72%	67%
Annual	44%	53%	53%	62%	66%	65%
Per capita ^a	42%	45%	50%	57%	57%	56%
<i>Ratios of Black to White Women's Earnings</i>						
	1939	1949	1959	1969	1979	1984
Weekly	41%	62%	64%	86%	106%	97%
Annual	40%	55%	61%	84%	101%	99%
Per capita ^a	56%	72%	72%	91%	96%	96%

^aFor ages 20–65.

Source: Jaynes and Williams (1989).

A third position also argues that the data overstates the earnings gains made by blacks because of a truncation of the earnings distribution at its lower end. But this interpretation places the explanation for falling employment on a secular decrease in the demand for low-skilled labor, particularly when that labor is also black (Darity and Myers, 1980; Wilson, 1987).

Note that the first hypothesis argues that reductions in their employment rate has had no effect on the wages of blacks; whereas the second two hypotheses argue that changes in blacks' wages and employment must be understood by study of the interactions between the two. I believe that hypotheses two and three should be seen as complementary, which provides an interpretation that deepens our understanding of the recent labor market experiences of blacks.

In the economics profession, the debate over the relative economic status of blacks has largely been carried on in terms of the question: How much have the relative mean or median weekly wages of black males grown over the last few decades? This debate has been misleading in many ways, but before trying to investigate the different questions and answers, let us see what the data are trying to tell us.

Table 3 displays ratios of black and white male and female earnings on a weekly, annual, and per capita basis for the five consecutive decennial census years beginning in 1939 and the Current Population Survey of 1984. Each of these measures of black earnings relative to whites produces a different view of racial change. Using weekly wages leads to the conclusion that relative earnings

of black men rose by 53 percent between 1939 and 1979 and by 24 percent between 1959 and 1979; considering the same periods but looking at per capita earnings shows gains of only 36 and 14 percent during these same periods. While weekly wages show modest gains in black males' relative earnings since 1970, per capita earnings show a decline in black male earnings since then. Calculations based on annual earnings would produce intermediate gains. Similar differences also appear for women, but they are less significant.

The reason for these differences are fairly obvious. Comparisons of per capita and annual earnings are influenced much more by differences in employment status than are comparisons of weekly wages. Since black men now have lower rates of labor force participation and higher unemployment, their already lower weekly wage rates are translated into even lower annual and per capita earnings. As a consequence, it is not difficult to see how a selective or nonintegrated analysis of the data could produce divergent interpretations of changes in black relative status. For example, the studies of Darity and Myers (1980) and Pinckney (1985) focused primarily on employment and aggregative income measures, while the studies of O'Neill et al. (1986) and Smith and Welch (1986) mainly used weekly earnings data. As one might expect, these studies come to very different conclusions. The second pair argues that significant economic progress has occurred for blacks relative to whites, while the first pair argues that findings of black progress since the 1960s are a myth.³

The more general issue is that any statistical index used to evaluate the labor market position of a group should be constructed from a random and unbiased sample, and should include all major aspects of the labor market status of the group. Any attempt to answer general questions about group status with a statistical index that fails to satisfy the two criteria listed above is bound to be fraught with insurmountable problems of bias caused by selectivity on an independent variable. This problem is easily illustrated by considering the economic meaning to be gleaned from a comparison of black and white mean or median weekly earnings.

Consider a purely competitive labor market operating under conditions wherein perfect information can be obtained without cost. All workers receive salaries equal to their marginal products, and unemployment is always frictional and very temporary. Under these conditions it is relatively simple to measure the relative market valuation of an individual or group and to trace changes in that valuation. Drop any one of these assumptions and severe problems occur.

For example, since all unemployment is voluntary in a truly perfect market, an individual's decision to enter the labor market can be characterized by a reservation wage which equates the shadow and observed value of his or

³Smith and Welch (1986, 1989) report "yearly earnings" that are actually weekly earnings multiplied by an assumed work year of 50 weeks. Given the differences in black and white male employment conditions, the justification for this procedure is difficult to fathom.

her time. But if unemployment can be involuntary, a weekly wage cannot determine the decision to enter the labor market without some consideration of the likely length of employment if the job is taken, or continued unemployment if the job is refused. Labor supply decisions become more complex and have important ramifications on the ability of economists to estimate market valuations of labor.

It was pointed out above that comparisons of black and white earnings based on data taken from public census surveys leads to an inherent upward bias in the relative earnings of blacks. This selectivity problem results from the fact that such indices are based on the earnings of those workers who have been employed at some time during the period covered by the survey and therefore have positive earnings.

The bias in the measurement occurs because the investigator only has available observable wage offers—those that have been accepted by some person—but not wage offers (market valuations) that have been offered or would be offered but not accepted by some of those individuals not working. Since larger percentages of blacks do not participate in the labor market and since this nonparticipation is negatively correlated with attributes of higher productivity like educational attainment, the published statistics are biased. Brown (1984) estimates that as much as two-thirds of the measured wage gains for black males from the mid-1960s to the mid-1970s would have disappeared if those blacks who did not participate in the labor market were included.

Brown's estimate is probably too high, but lower bound estimates still find that the wage statistics overstate black gains by 25 percent. The potential importance of the issue is illustrated in Table 4, which shows the significant and rising difference in the percentages of black and white males reporting zero earnings.

The increased percentage of women on public assistance programs may also have truncated the earnings distribution of black women more than that of white women, but to my knowledge, this potentially very important question has not been investigated. The very high rate of unemployment among black women has also been neglected.

Race Relations, Falling Real Wages and Employment

I have argued that the most important problem confronting economists doing research in the area of race relations is to explain why, if the market's relative valuation of black labor has increased, black employment has been declining.

One answer to this question is that the market's *relative* valuation of lower and moderately skilled blacks may have been falling during the past two decades. A number of related ideas can help to explain the empirical observation of rising mean black relative wages and falling black relative employment.

Table 4
Percentages of Men with Zero Annual Earnings

<i>Ages:</i>	20–24	25–54	55–64	65 +
1939				
Blacks	32	28	46	72
Whites	27	25	43	74
1949				
Blacks	20	11	19	55
Whites	16	7	16	
1959				
Blacks	14	8	20	63
Whites	8	5	14	61
1969				
Blacks	16	8	22	68
Whites	8	4		65
1979				
Blacks	23	16	35	78
Whites	7	5	22	71
1984				
Blacks	28	16	42	81
Whites	9	5	26	78

Source: Jaynes and Williams (1989, ch. 6).

In this section of the paper I shall sketch a simple model capable of explaining these issues.

Consider a simple model of labor markets where people must search for jobs. Labor is heterogeneous, but productivities are identifiable at no cost. The distribution of jobs and wage offers is known to everyone, but particular offers must be searched out. In a competitive equilibrium, workers who are valued less by employers must accept lower wages to gain employment. In the modern economy, prospective employees may obtain good information about the wage offers made to workers with objective characteristics (like education and age) similar to their own. Job searchers then set their price for supplying labor on the basis of the distribution of offers they observe made to similarly qualified candidates. Conversely, employers base their offers on both the observed distribution of market offers and their valuation of the prospective employee.

In a model like this one, the combination of increased black relative wages and reduced relative black employment may occur for a variety of reasons. One possibility is that while employers' valuation of black labor may have risen over a certain period, that valuation may not have kept pace of changing race relations, especially social and legal requirements that all labor of similar

observed productivity characteristics be remunerated similarly. Thus, employers may decide that certain productivity characteristics of blacks (like education or experience) are not as valuable as when those characteristics are obtained by whites.

Since black employment must be commensurate with employers' valuation of black labor, blacks will receive fewer offers and incur greater unemployment. As employers screen blacks more intensively, rising relative black wages are misleading indicators of the market valuation of black and white labor. Observed wage offers (those accepted) also interact with labor supply decisions. Blacks basing their search strategies on observed offers may set their expectations too high, leading to prolonged unemployment while searching for a job, frustration, and perhaps even leaving the labor force. For a variety of reasons, these problems are exacerbated at the lower skill levels.

A second possible reason for declining unemployment involves levels of real wages. Most of the discussion over the question of declining black male employment has been pursued in debates over the black-white relative wage. But while the relative wage of blacks may play a role in their labor supply decisions, most economists would surely argue that the absolute real wage is a more important factor in determining labor supply.

There is no controversy over the recent trends in real wages for blacks. Blacks' real wages rose with their relative wages from 1939 through the early 1970s. During this period, the employment of blacks and whites held fairly steady for men and rose sharply among women. Significant declines in employment for both black and white men only occurred after their real wages began to fall during the 1970s. These reductions in real wages have been particularly disturbing at the lowest skill levels. Black and white men with less than high school educations actually earned real mean weekly wages in 1984 that were less than their respective wages in 1960.

The effects of these changes in actual wages have not been subjected to systematic study by labor economists. A slowing of economic growth and the shift from heavy manufacturing to service jobs, with a concurrent decline in real wages, should be expected to produce a period of great economic and social distress. Among those workers who were displaced or became educationally or spatially misplaced, the rise in unemployment and the increased competition for moderate to high pay jobs may have led to a rise in the number of discouraged workers, who discontinue active job search for long periods of time. The rise in government transfer programs probably aided their decisions, but there is little theoretical or empirical evidence for believing that transfers were the major factor. Similarly, activity in the underground economy and crime probably serves as a not very attractive safety-valve for those whose market opportunities have declined most (Freeman and Holzer, 1986; Jaynes and Williams, 1989, ch. 6).

The data clearly show that the decline in real wages after the mid-1970s had an earlier and more severe impact on the least educated workers and on blacks. Thus, interactions between declining demand for and supply of lower

skilled labor probably accounts for the recent trends in the labor market experience of black men. Still, I must caution that we do not know precisely why American (and especially black) men's employment fell, but it is probably tied to the whole question of changes in industrial structure and sociological factors relating to success in schools and other relevant matters.

Conclusion

Both empirical and theoretical considerations suggest that the relative market valuation of black labor may not have advanced significantly during the past two decades. This possibility should not be too surprising in light of the major changes in the American economy during the past two decades; especially the reduction in the real earnings of men and women in all racial groups. Changes in the status and the opportunities available to blacks and other minorities have generally moved in a direction consistent with the movement of the entire American society. It is in this sense that the authors of a recent assessment of black-white relations could speak of "A Common Destiny" (Jaynes and Williams, 1989). A number of open questions concerning the labor market status of blacks remain. In the future, economists should expend more effort on understanding the economic status of blacks within the context of the changes experienced by American society during what, for many Americans, have been the harsh economic conditions of the past one and one-half decades.

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