

## IV. Labor Markets

Earnings from the labor market are the primary source of income for the majority of families. Labor market earnings are determined by labor force participation, the unemployment rate among labor force participants, the number of hours worked per year, and hourly wage rates.

In general, labor force participation rates are higher for men than women, although over the past 30 years female participation rates have greatly increased, while those of men have declined (Labor Markets 1). Historically, black women had higher participation rates than white women, but since 1990, these rates have been roughly equal. Hispanic women's participation rates are lower than those of black or white women. Hispanic men's participation rates are higher than those of black men and approach those of white men.

Unemployment rates—the percentage of the labor force without jobs but actively seeking work—of blacks have been roughly twice those of whites for many years (Labor Markets 2). Black average annual unemployment rates have been over 10 percent for more than 20 years. (However, the black unemployment rate fell below 10 percent in mid-1997 and was below 9 percent in mid-1998.) Unemployment rates for Hispanics are generally between those of blacks and whites. Black and Hispanic unemployment rates also rise more in recessions and fall more in recoveries than do white rates.

Investment in labor market skills—either through schooling, training, or experience on the job—tends to be most intensive at young ages. One reason is that investing in these skills early in life allows workers to reap the “returns” to their investments over a greater number of years. When young people are neither in school nor employed, there is concern about their current activities as well as about their future employment and earnings prospects.

About 20 percent of young black men are neither in school nor working, compared with 14 percent of young Hispanic men and 9 percent of young white men (Labor Markets 3). The percentage of young men who are in this situation has not fallen substantially over the past 10 years. The percentage of young women neither enrolled in school nor employed has fallen over the 1990s, however, particularly among young black women. Much of this decline is the result of increased school enrollment. However, the interpretation of these numbers is less clear cut for young women than for young men, as many young women who are neither employed nor in school are taking care of children.

Wages of white men continue to exceed those of all other groups of workers (Labor Markets 4, 5, and 6). Studies indicate that black men's wages rose relative to white men's between the early 1960s and the mid-1970s, especially in the South.<sup>1</sup> But this trend reversed sometime in the mid- to late 1970s, and black men's relative pay declined for at least 10 years.<sup>2</sup> The evidence of the last 10 years is mixed, with one data series showing continued deterioration or little change in relative pay for black men, and another showing improvement.<sup>3</sup> Pay of Hispanic men has fallen relative to both white and black men's pay, at least in part as a result of falling relative educational attainment among Hispanics, combined with increased demand for more highly educated workers. Wage levels for all groups have risen in recent years.

After reaching near parity in the mid-1970s, black women's wages have fallen relative to those of white women. (White women have gained considerably relative to white men in this period.) Young, college-educated black women reached pay parity with their white counterparts in the early 1970s but have seen their relative wages fall about 10 percentage points since then (Labor Markets 5 and 7).

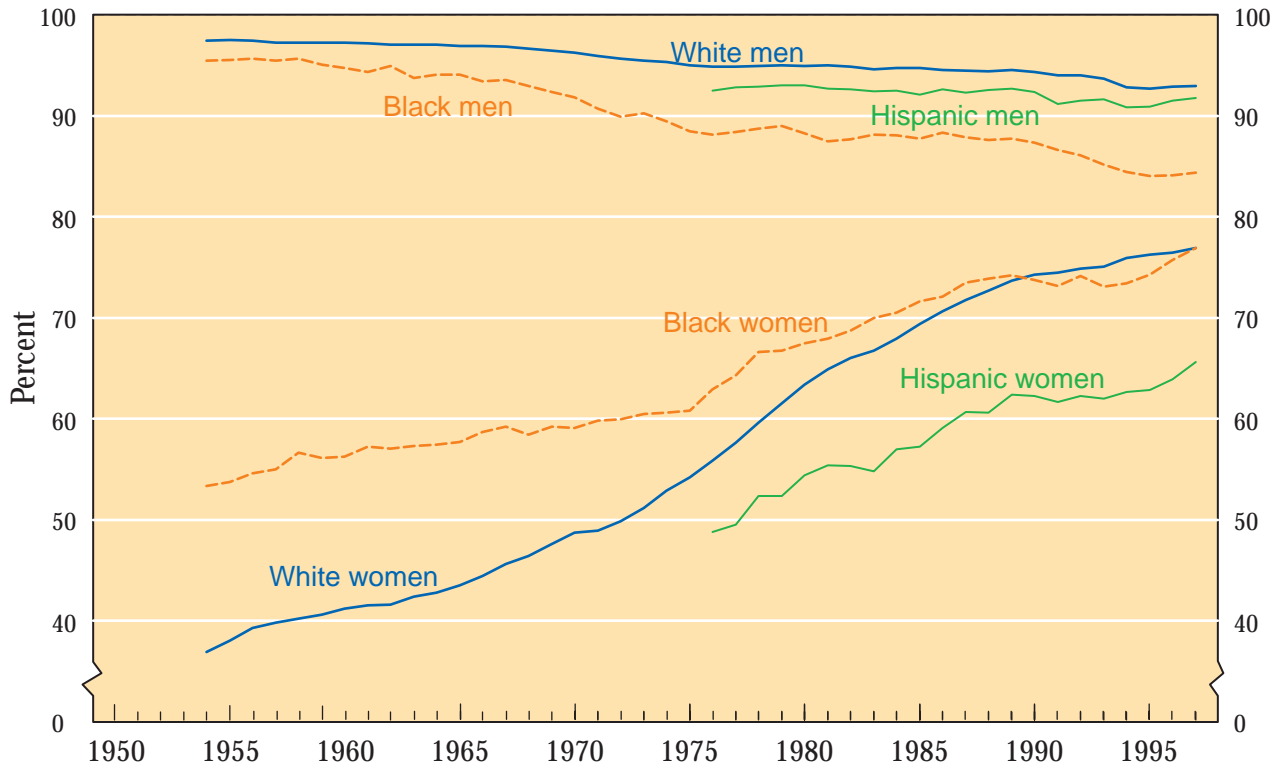
The median wages of Hispanic men and women are lower than those of their black and white counterparts. (For each group, half of workers have wages below and half have wages above the median.) Hispanics' relative wages have also fallen since 1979. The median wage of college-educated Hispanic women, however, is about 90 percent of that of white women and is slightly higher than that of black women. The median wage of college-educated Hispanic men is about 80 percent of that of college-educated white males and is about 10 percent higher than the wages of equivalent black males. For males, differences in educational attainment explain a much larger portion of the wage differences between Hispanics and whites than between blacks and whites.

Some of the differences in wages across racial and ethnic groups are linked to occupational differences (Labor Markets 8). Occupation is an alternative indicator of socioeconomic status that may capture aspects of status that are not reflected in employment or wages. Asian and white employees are far more likely than black, Hispanic, and American Indian employees to work in professional and managerial occupations and are less likely to work in "blue collar" occupations. Within blue collar occupations, black, Hispanic, and American Indian employees are more likely to be found in the lower-paying, "lower-skilled" occupations of operators, fabricators, and laborers rather than the higher-paying precision production and craft occupations. Black, Hispanic, and American Indian women are more likely than their non-Hispanic white counterparts to be employed in service occupations.

1. Donohue, John J. III and James Heckman. 1991. "Continuous Versus Episodic Change: The Impact of Civil Rights Policy on the Economic Status of Blacks." *Journal of Economic Literature* 29 (December):1603–43.
2. Bound, John and Richard Freeman. 1992. "What went wrong? The Erosion of Relative Earnings and Employment Among Young Black Men in the 1980s" *Quarterly Journal of Economics* 107 (1): 201–232
3. According to the series for median annual earnings of full-time, year-round workers, black men's earnings have risen relative to white men's earnings in the 1990s, and the black-white ratio of median wages for men reached a new high in 1996 at about 0.80. However, the black-white ratio of median usual weekly earnings of full-time workers fell between 1990 and 1996 and in 1997 returned to its 1990 level.

# 1. Labor Force Participation Rates of Persons Aged 25 to 54

Source: Bureau of Labor Statistics

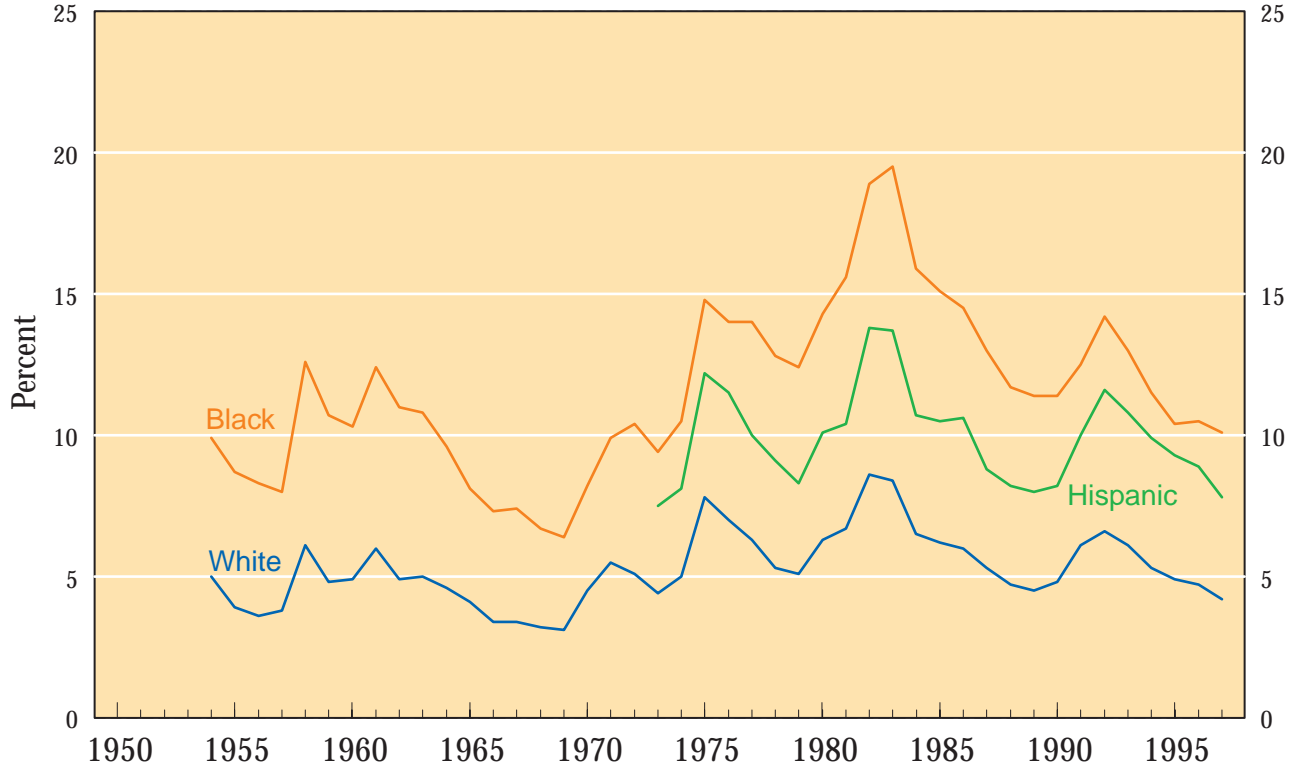


- The labor force participation rate is the percentage of the population that is either employed or actively seeking work. Participation in the labor force has long been the norm for men aged 25 to 54. Participation among women is often seen as an indicator of women's economic independence or, alternatively, as a response to family financial stress resulting from low male wages or unemployment.
- Over the second half of the 20th century, labor force participation rates have risen sharply for all groups of women and have fallen for men.
- Participation rates of black women historically exceeded those of white women, but participation rates for white women surpassed those of black women in the late 1980s. In the mid-1990s, the increase in the rate for white women has slowed, whereas the rate for black women has continued to increase. Participation rates of Hispanic women are lower than those of black and white women.
- Participation rates for white men exceed those of black and Hispanic men. Participation rates have fallen more rapidly among black men than among white and Hispanic men. The decline in male labor force participation has been concentrated among men with lower levels of educational attainment.

*Note: Prior to 1972, data for blacks include all non-whites.*

## 2. Unemployment Rates of Persons Aged 16 and Over

Source: Bureau of Labor Statistics

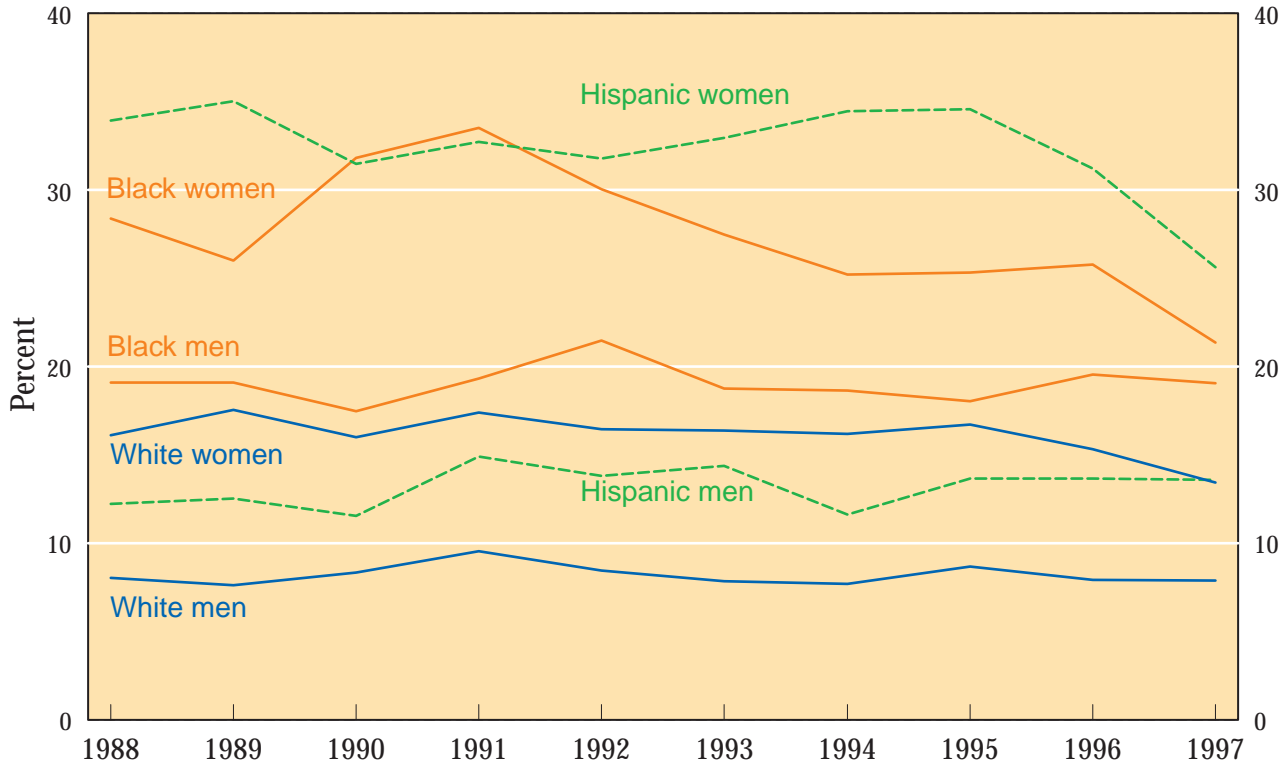


- The unemployment rate is a widely reported indicator of labor market distress. It is defined as the percentage of the labor force without a job but actively seeking work. (Persons who are not employed but not seeking a job are not included in the labor force and are therefore classified as neither employed nor unemployed.)
- Unemployment rates for Hispanics and blacks are higher than those for whites; they also tend to rise more in economic recessions and fall more in expansions.
- The unemployment rate for blacks has been twice that of whites for more than 20 years. It was above 10 percent from 1974 to 1997 (but below 9 percent by mid-1998). In part, this disparity reflects differences in educational attainment. However, substantial differentials persist even among blacks, whites, and Hispanics with similar levels of education, which may reflect discrimination.

*Note: Data are annual averages of monthly unemployment rates. Prior to 1972, data for blacks include all non-whites.*

### 3. Persons Aged 16 to 24 Who Are Not in School and Not Employed

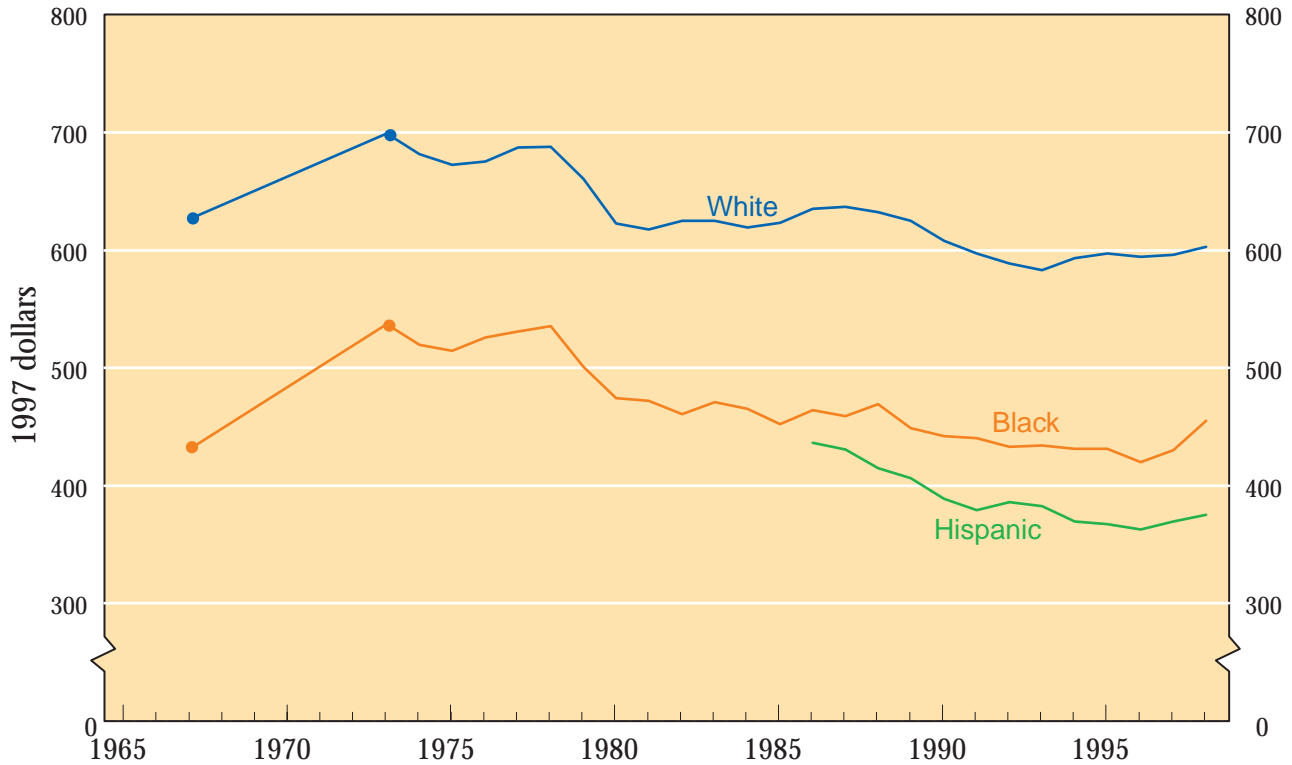
Source: Bureau of Labor Statistics



- When young adults are neither employed nor in school, there is concern about their current status and activities as well as about their future earnings prospects. Women in this situation may be raising children.
- The percentage of black and Hispanic young adults who are neither employed nor in school exceeds that of white young adults. For young men of all groups, the percentage that is neither enrolled in school nor employed has been relatively flat since 1988.
- The percentage of young women who are neither employed nor in school has fallen substantially in the 1990s, especially since 1995. For black and Hispanic women, much of the decrease over the 1990s can be accounted for by increases in school enrollment.

## 4. Median Usual Weekly Earnings of Male Full-Time Workers

Source: Bureau of Labor Statistics

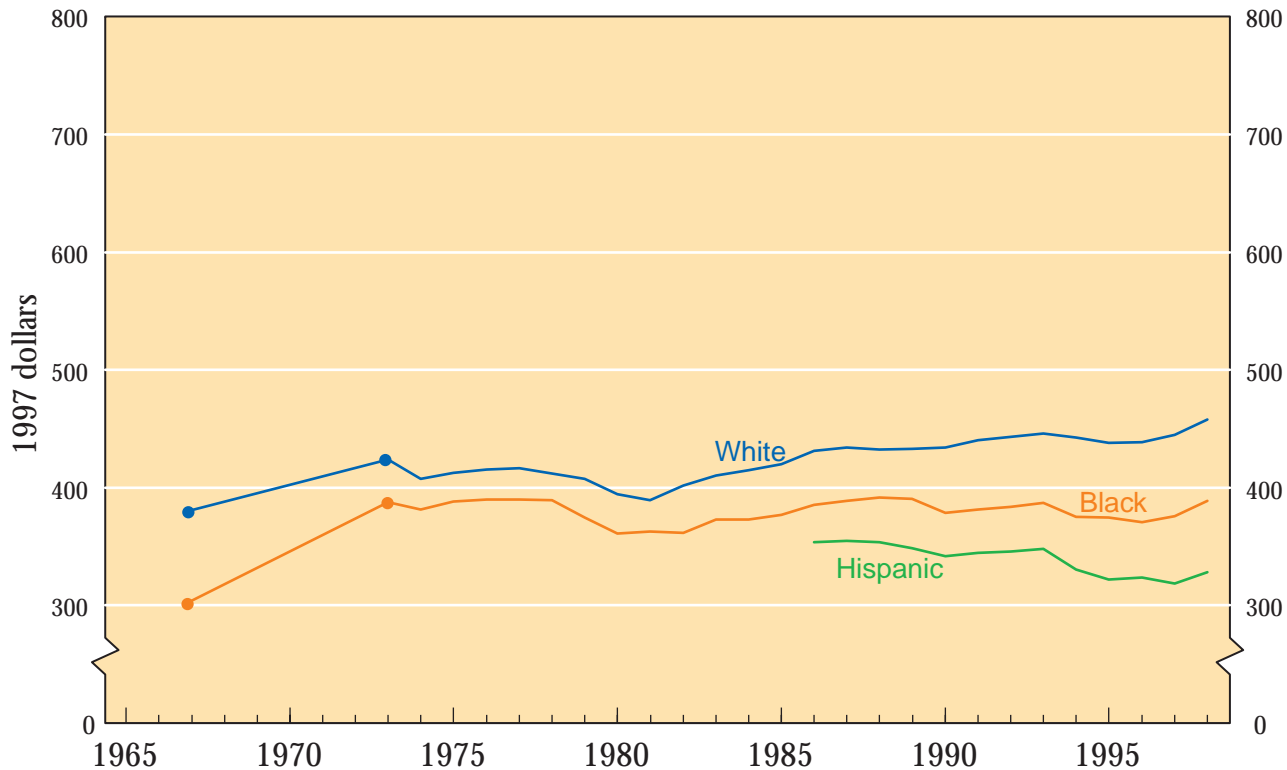


- Male labor market earnings are the largest source of household income.
- Median wages of black and Hispanic men are substantially lower than those of white men.
- Adjusted for inflation, median wages of men generally declined from 1970 to 1990, but have risen in more recent years. The gap in pay between whites and blacks has changed little over this period. The gap between whites and Hispanics has widened, however, in part due to the widening gap in educational attainment between these two groups.

*Note: Straight line between dots indicates data are not available for intervening years. Prior to 1979, data for blacks include all non-whites. Data for 1998 are from the first two quarters.*

## 5. Median Usual Weekly Earnings of Female Full-Time Workers

Source: Bureau of Labor Statistics

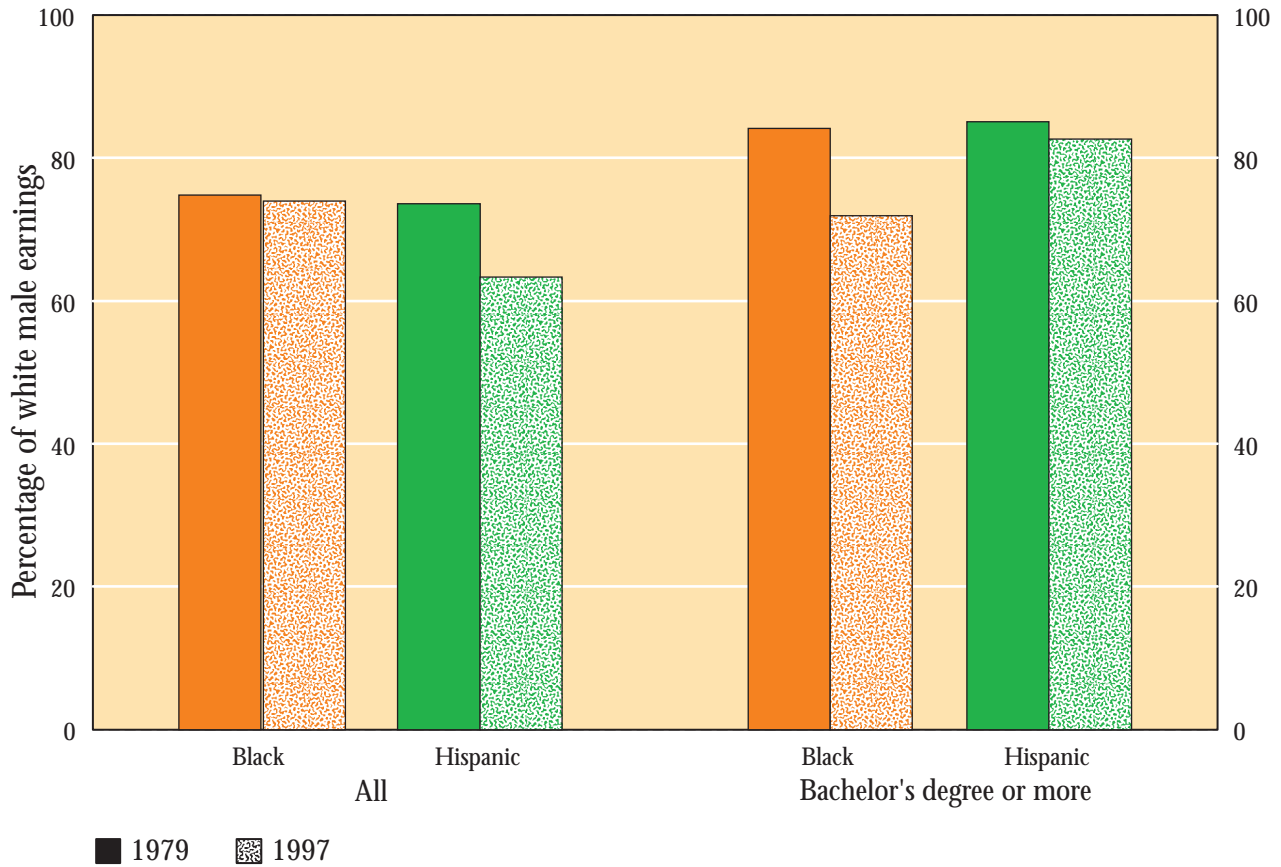


- Women's earnings constitute a rising share of household income. Earnings of women are particularly important for understanding differences between the economic status of black families and those of other racial and ethnic groups. Black married-couple families have typically relied more heavily on women's earnings than other families, and the fraction of single-parent, female-maintained families is highest among black families.
- After adjusting for inflation, weekly earnings of black and white women were higher in 1997 than in 1967. The black-white gap in pay narrowed in the 1960s and early 1970s but has widened since the early 1980s.
- Hispanic women's full-time earnings have fallen in real terms over the past decade.
- Although, on average, male earnings (chart 4) are higher than female earnings, white female median weekly earnings have risen relative to men's and surpassed Hispanic male earnings in 1989 and black male earnings in 1992.

*Note: Straight line between dots indicates data are not available for intervening years. Prior to 1979, data for blacks include all non-whites. Data for 1998 are from the first two quarters.*

## 6. Black and Hispanic Male Earnings as a Percentage of White Male Earnings

Source: Bureau of Labor Statistics



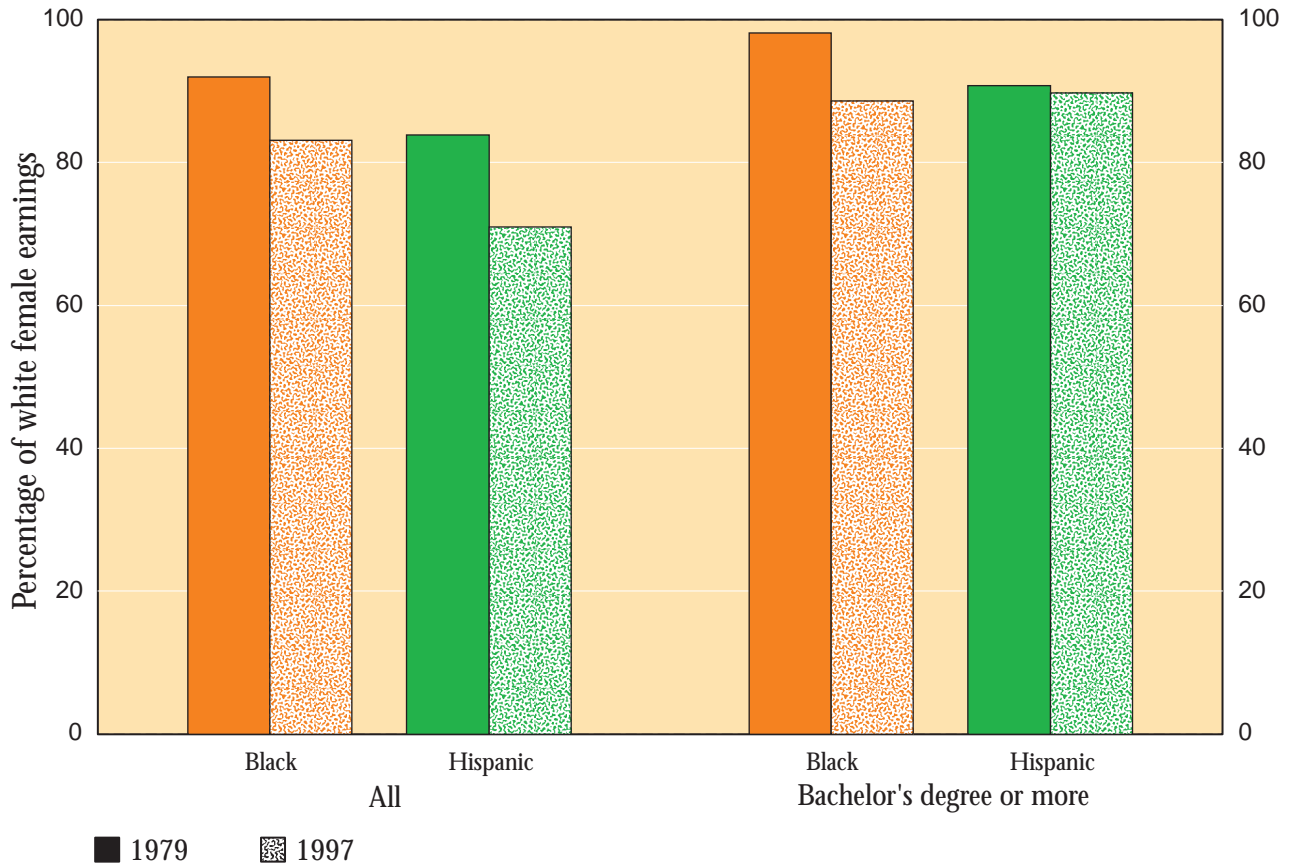
- Disparities in wages paid to workers with similar education may provide information about the extent of pay discrimination, although disparities in pay within education categories can also result from differences in other characteristics such as labor market experience or school quality.
- Differences in pay between whites on the one hand, and blacks and Hispanics on the other, are larger for men than for women (compare charts 6 and 7). The median black male worker earns 74 percent, and the median Hispanic male worker earns 63 percent, of the median for white men.
- The median wage of all black men has changed little relative to that of all white men since 1979. However, the relative pay of college-educated black men has fallen by more than 10 percentage points.
- Since 1979, median wages of Hispanic men have fallen relative to white men, reflecting the growing gap in educational attainment. However, college-educated Hispanic men have lost little ground relative to white men and now earn substantially more than college-educated black men.

*Note: Percentages are for median usual weekly earnings of full-time workers aged 25 and over on their main job. Educational attainment categories for 1979 are based on the number of years of school completed rather than the highest diploma or degree received.*



## 7. Black and Hispanic Female Earnings as a Percentage of White Female Earnings

Source: Bureau of Labor Statistics

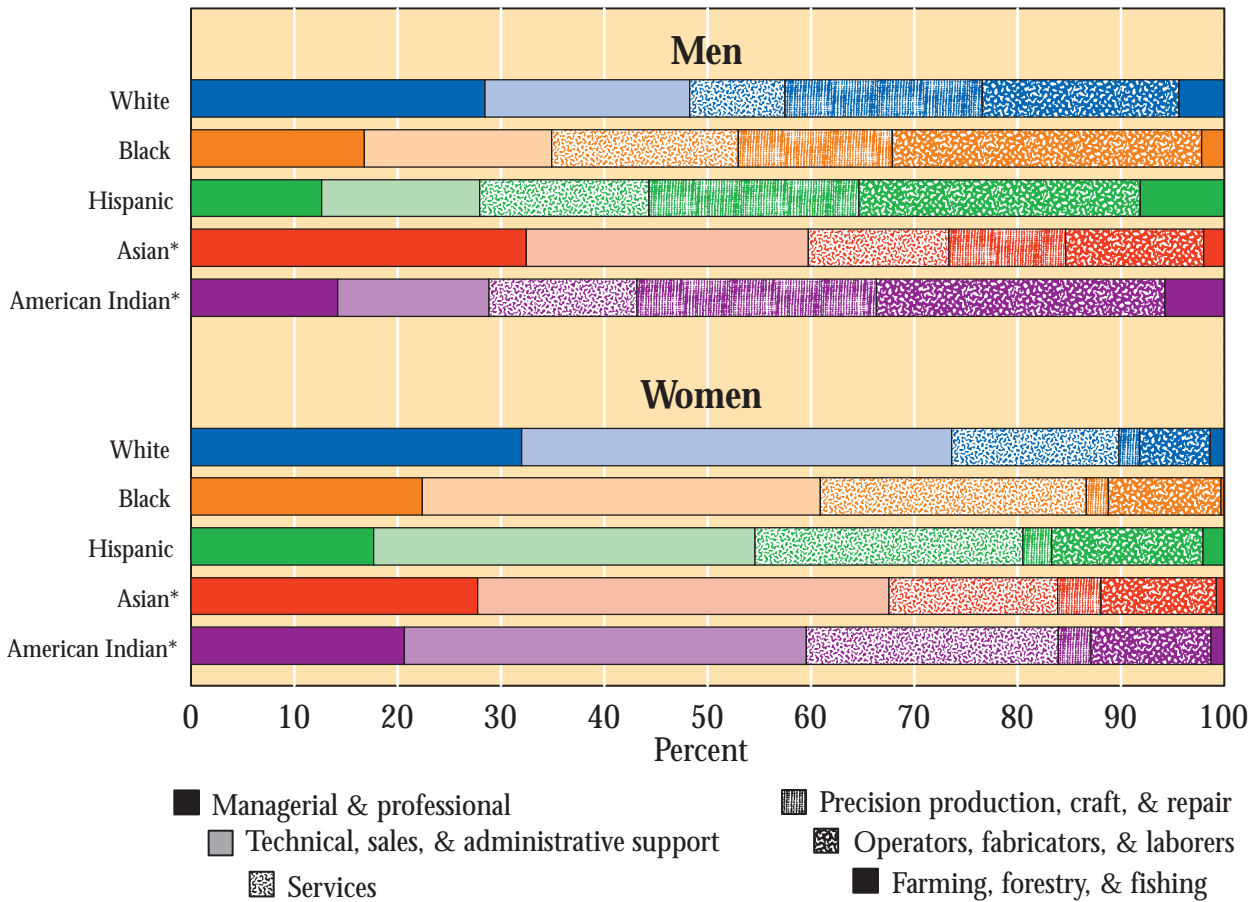


- Between 1979 and 1997, the pay of black women relative to that of white women fell by nearly 10 percentage points. In 1979 the median wage of black women with a college degree was 98 percent of that of college-educated white women, but by 1997 their earnings had fallen to only 89 percent of the earnings of college-educated white women.
- Hispanic women's wages have also fallen relative to white women's wages. However, the decline in Hispanic women's relative pay is much smaller for women with similar education levels. Differences in educational attainment have grown increasingly important for Hispanic-white differences in pay among women.

*Note: Percentages are for median usual weekly earnings of full-time workers aged 25 and over on their main job. Educational attainment categories for 1979 are based on the number of years of school completed rather than the highest diploma or degree received.*

## 8. Occupations of Employed Persons, 1997

Source: Bureau of Labor Statistics and Bureau of the Census



- Occupation is an alternative indicator of socioeconomic status that may capture aspects of status that are not reflected in employment or wages.
- Relatively high percentages of white and Asian men are employed in managerial and professional occupations, whereas black, Hispanic, and American Indian men tend to be concentrated in the “lower-skilled,” lower-paid occupations of operators, fabricators, and laborers.
- Women of all groups are most likely to be employed in technical, sales, and administrative support occupations. A high percentage of white and Asian women are also employed in managerial and professional occupations, and a high percentage of black, Hispanic, and American Indian women are employed in service occupations.
- Between 1980 and 1997, the fraction of women employed in managerial and professional occupations grew considerably, especially among white women. The fraction of black men in these occupations also grew significantly; however, black men are still far less likely than white and Asian men to be employed in these occupations.

\*Data for Asians and American Indians are for 1990.