African Americans and Disadvantage in the U.S. Labor Market

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Historically, African Americans have made important contributions to the American economy. During slavery, Blacks were forcibly transported to America for their labor power. This free labor was a vital component of the work force and helped fuel national economic growth. In the 1990s, however, many people now view the labor power of Black workers as redundant and superfluous. African Americans experience extreme under-utilization of their skills and abilities, and they continue to lag behind whites and other groups in terms of their standing in the labor market.

Ironically, the under-utilization of African AmericansÕ skills and abilities has come at a time when the racial gap in skills has begun to close. In the past five decades, for example, African Americans have steadily increased their levels of educational attainment. The educational attainment gap between whites and African Americans dwindled to less than half a year by 1990. Still, in 1990, Black males had earnings that were only 69% of those of white males. The bulk of these earnings differences persist even after one takes educational attainment into consideration, as the earnings gaps occur for each educational attainment level. Even Black males with college degrees earned only 70 cents to every dollar that their white counterparts received.

Several theories have been offered to explain BlacksÕ disadvantage in the labor market. In this essay, I will review and critique some of the more prominent explanations. After reviewing these theoretical frameworks, I will provide a sketch of some of my own thinking on the topic of African AmericansÕ disadvantage in the U.S. labor market.

Theories of African American Disadvantage in the Labor Market

Cultural Deficiency Theories

Deficiency theories of inequality suggest that African Americans occupy inferior social and economic positions in the U.S. because of some type of shortcoming or deficiency among African Americans as a group. ÒCulture of povertyÓ theories as put forth by Banfield (1970) and others (e.g., Auletta, 1982; Murray, 1984) provide a model which argues that African Americans (and other disadvantaged minority groups) often live in cultural contexts that devalue work. According to this perspective, the attitudes and outlooks of people from areas of high poverty and unemployment act as impediments to their successful movement into the world of work. The claim is that African Americans fail to internalize proper work values, concern themselves only with short-range pleasures, and lack acceptable work habits or satisfactory orientations toward work.

An additional component that culture of poverty theories emphasize is the aversion to honest work, per se, among those who are members of the Òunderclass.Ó Murray (1984), for example, suggests that welfare generosity contributes substantially to joblessness (in addition to a whole host of other social pathologies). He argues that because social welfare benefits are so bountiful, many people can literally improve their financial situations by withdrawing (or not entering) the labor market. These people, especially if they would prefer not to work, can subsist on welfare payments. Similarly, when employed, they will not be overly concerned about being fired, and thus, will not hesitate to be physically or verbally abusive whenever they become upset. They are more prone to abuse controlled substances, despite the risks to their jobs, and so they are more at risk to be fired if they are ever employed. So, he argues, in a curious fashion perverse welfare incentives lead to higher unemployment and other social ills.

On most occasions, the claims of these explanations remain on the level of ideology, rhetoric and polemics. They are, in fact, little more than thinly veiled racism, negative stereotypes, and bigoted caricatures of Blacks. In one of the few direct tests of the claims of the culture of poverty theory, Johnson and Herring (1989) found no empirical support for such claims, and found ample evidence that this line of argumentation is misguided.

Human Capital Theory

Human capital theory has become the explanation of labor market and earnings inequality put forth by economists. While not a theory of racial inequality in the labor market, per se, this line of reasoning has major implications for African American disadvantage in the labor market.

Human capital theory posits a rational model of humans in which people (workers and employers) try to maximize their earnings. As put forth by such proponents as Jacob Mincer (1962) and Gary Becker (1964), it argues that inequality exists, in part, because some workers are more productive than others. Productive workers are more productive, in part, because they have invested more in themselves in human capitalÑi.e., schooling, job training, health care, information, and other activities that potentially increase future monetary income. If everyone invested the same amount of resources in human capital, the distribution of earnings would be exactly the same as the distribution of ability (talent). There is, however, a tendency for more talented people to invest more in themselves. Moreover, with the same level of investments in human capital, more talented people can be more productive than their less talented counterparts.

Labor market discrimination plays only a minor role in such formulations, as the rational employer tries to hire the most productive person at the lowest price available. If employers by-pass productive workers, their competitors will hire them (at a lower-than market price) and thereby be able to offer their goods and services at lower prices and eventually undercut the discriminatory employer. Still, some employers behave non-rationally because they have a Òtaste for discrimination.Ó But more important to this formulation is the idea that certain workers have preferences for ÒpsychicÓ income over ÒmonetaryÓ income, and thus, will turn down higher paying jobs because they prefer to do other kinds of work. In short, inequality occurs because (1) some people have more talent than others, (2) are willing to invest more in their human capital, (3) choose to work in jobs that pay higher monetary incomes, and (4) some employers have a taste for discrimination.

Such explanations offer a convenient rationale for those who would want to attribute BlacksÕ disadvantage in the labor market to skill deficiency or bad career choices. Indeed, this has become a very fashionable explanation among those who propose job training schemes as the cure for high rates of African American joblessness and poverty-wage jobs. There are, nevertheless, a number of unanswered questions associated with such formulations. For instance, what determines how much a person can invest? What role do such ascribed characteristics as race and gender play? How do we know, independent of outcomes, who the ÒtalentedÓ people are? If people are rational, why do Òtastes for discriminationÓ persist? Why do African Americans systematically choose to work in lower-paying, less prestigious jobs? And most importantly, why do such substantial differences in earnings and employment persist even after one has taken into account differences in human capital investments (e.g., education), occupational preferences, and putative indicators of talent? These are among the questions such a perspective needs to address before it can be considered a satisfying explanation of racial differences in labor market outcomes.

Labor Market Segmentation

Labor market segmentation theory suggests that the U.ÊS. labor market is divided into two fundamentally different sectors: (1) the primary and (2) the secondary sector (Doeringer and Piore, 1971; Gordon, 1972; Bonacich, 1976; and Dalto, 1987). The primary sector is composed of jobs that tend to be part of a labor market governance structure that provides job security, upward mobility, and higher incomes and earnings. Primary sector jobs are posited to be more likely to be full-time and to offer mechanisms that allow their incumbents to accumulate skills that lead to progressively more responsibility and higher pay. In contrast, secondary sector jobs are more likely to be part-time, low-paying, and to have reward structures that are not related to job tenure. Also, because rewards in this sector are not strongly related to experience and performance, workers have less motivation to develop attachments to their firms or to perform their jobs well. Thus, it is usually only those workers who cannot gain employment in the primary sector who are likely to work in the secondary sector. Because race discrimination (not necessarily by employers but at times by restrictive unions and professional associations) plays a role in determining who gets access to jobs in the primary sector, African Americans tend to be crowded into the secondary sector. Moreover, labor market segregation is reinforced by normative ideas Òwhite jobsÓ and ÒBlack jobs.Ó So this framework suggests that underemployment of African Americans is a likely consequence of being employed in the secondary sector where returns to human capital investments are substantially lower than those in the primary sector.

While offering an explanation for lower returns for investments in human capital, labor market segmentation theory does not adequately account for the fact that African Americans are excluded from the primary labor market. Nor does this theory explain why there is so little mobility between the labor market segments. But perhaps most problematic is the fact that this explanation does not account for the great deal of racial inequality in earnings and occupations that occur within the same labor market segments. In fact, studies by Baron and Bielby (1980) have shown that such differences are greater within labor market segments than they are between labor market segments.

Spatial/Skill Mismatch

The spatial/skill mismatch hypothesis emphasizes the spatial distribution of employment opportunities as being the key to underemployment among African American workers (e.g., Kasarda, 1983, 1989; Blackley, 1990). The basic idea of the spatial/skill mismatch hypothesis is that the economic position of urban African American workers has taken a decided turn for the worse over the past two decades because of (1) changes in the kinds of skills required for jobs and (2) changes in where jobs are located. In particular, given the high cost of land and doing business in many Òsnow beltÓ and Òrust beltÓ central cities, many manufacturing plants have relocated to the Òsun beltÓ or to suburban communities. These companies which once hired blue-collar employees with low and moderate skills, have been replaced by high technology and information-processing firms that require a more educated, white-collar work force. Still, many of the people who once worked for the manufacturing plants are located in the inner cities. Because many of them face housing discrimination in the suburban housing market and because others of them have incomes that are too low to secure suburban housing, they are stranded in the inner city. Even when jobs exist in the suburbs, the job-search time and transportation costs for African American populations are prohibitive for the kinds of jobs for which they would qualify. Thus, central cities have become the places of employment for skilled, highly paid workers, but at the same time, the communities surrounding these new companies are filled with unskilled workers whose labor power is now superfluous.

There is some disagreement about how central the spatial/skill mismatch is to explaining racial inequality (Vroom and Greenfield, 1980). Vroom and Greenfield (1980), for example, found that direct racial discrimination in the labor market accounted for five times more of the gap in earnings between white men and Black men than did residential segregation. There is also evidence that African Americans with comparable skill levels have higher levels of underemployment than whites, irrespective of where they live (Vroom and Greenfield, 1980; Lichter, 1988).

Structural Discrimination

An alternative explanation of African American disadvantage in the U.S. labor market is what can be referred to as Òstructural discrimination.Ó I submit that structural discrimination exists when African Americans and other unempowered groups are disproportionately denied access to good jobs and other social rewards by social forces and policies that systematically operate to their detriment and have negative effects on their life chances. While I believe that individual prejudice and discrimination play roles in the unequal outcomes that African Americans experience in the labor market, I believe that even those policies and actions that appear to be race-neutral in theory can be biased against African Americans. Examples of such seemingly race-neutral practices would include seniority rules, employersÕ plant location decisions, policy makersÕ public transit decisions, funding of public education, economic recessions, and immigration and trade policies. In each of these examples, it can be demonstrated that, while such decisions do not appear to be based on racial prejudice or attempts to be discriminatory on the part of decision makers, they have the same kind of detrimental effects on African AmericansÕ prospects for parity as would decisions made by blatant racists.

LetÕs take the seniority rules example: If Blacks are hired later than whites because they are later in the employersÕ employment queue (for whatever reason), operating strictly by traditional seniority rules will ensure greater job security and higher pay to whites than to African Americans. Such rules in and of themselves will virtually guarantee that Blacks, who were the last hired, will be the Òfirst firedÓ and the worst paid. The more general point is that employers do not have to be prejudiced in implementing their seniority rules for them to have the effects of structural discrimination on African Americans. Unequal outcomes are built in to the ability to make the rules.

These same dynamics apply (1) when companies decide to locate away from urban areas that have high concentrations of Black residents; (2) when policy makers decide to build public transit that provides easy access from the suburbs to central city job sites but not from the inner city to central city job sites nor from the inner city to suburban job sites; (3) when public education is funded through local property tax revenues which may be lower in inner city communities where property values are depressed and higher in suburban areas where property values are higher and where tax revenues are supplemented by corporations that have fled the inner city; (4) when policy makers attempt to blunt the effects of inflation and high interest rates by allowing unemployment rates to climb, especially when they climb at a more rapid pace in the African American community; and (5) when policy makers negotiate immigration and trade agreements that may lead to lower producer costs but may lead to a reduction in the number of jobs available to African Americans in the industries affected by such agreements. Again, in none of these cases do decision makers need to be racially prejudiced for their decisions to have disproportionately negative effects on the job prospects or life chances of African Americans.

Research applying this kind of framework is in its infancy. The challenge will be to come up with appropriate and suitable indicators of structural discrimination that can be used to assess the impact of such occurrences on the labor market prospects of African Americans. I believe, however, developing such indicators will be well worth the effort, and will take us a long way toward understanding African AmericansÕ disadvantage in the U.S. labor market.

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