INTRODUCTION

Robert Cherry and William M. Rodgers III

Between 1982 and 1989, the United States unemployment rate fell from 10.8 percent to 5.5 percent, with over 21 million new jobs created. Despite structural changes—the shift away from government and manufacturing employment, for example—major metropolitan areas, disproportionately home to African Americans, fared reasonably well. Unemployment rates in large cities fell just as much as they did in smaller cities and nonurban areas.

There were, however, limitations to the 1980s expansion. Official unemployment rates for men aged twenty to sixty-four years old did not, for instance, reach the low levels that they had at the previous business cycle's peak in 1979. Moreover, the African American unemployment rate remained more than double the white rate. By contrast, however, unemployment rates for both white and African American women in this same age group declined to a level lower than that of 1979. For African American women, the decline was from 10.8 percent to 9.8 percent, while for white women the drop was from 5.0 percent to 4.0 percent (Browne 1999).

Although African American employment rates improved over the 1980s business cycle, the ratio of black-to-white female earnings among full-time year-round workers fell from 0.98 to 0.91. This deterioration remains after adjusting for potential experience and education (Bound and Dresser 1999). African American female earnings did increase, however, with respect to those of both African American and white men. Movement in the wages of African American and white men over the business cycle was more complicated. Among full-time year-round workers, the unadjusted racial annual-earnings ratio improved, but the black-to-white hourly-earnings ratio for all male workers with positive income declined. This suggests that among African American men, earnings and employment varied depending upon strength of attachment to the labor market. Moreover, a number of studies including William M. Rodgers III (1997) and John Bound and Richard B. Freeman (1992), found that after controlling for levels of education, the unexplained racial earnings gap among men increased substantially during the 1980s in the Midwest and among workers with college degrees.

The economic expansion of the 1990s provides analysts and policy makers with another opportunity to assess the ability of economic booms to solve a variety of social concerns. The current economic expansion, which began in March 1991, is the longest peacetime economic boom on record. By many measures, the current boom might even be more beneficial than the 1980s boom, for unlike in the 1980s expansion, African American–male unemployment rates have in this cycle declined to levels substantially below where they were in the previous economic expansion—from 10.3 percent in 1988 to 8.5 percent by 1997. This current expansion's lower unemployment rates and extremely long period of continuously low unemployment rates distinguishes it from the 1980s boom.

Understanding the impact of tight labor markets on the economic and social experiences of African Americans is particularly important today. Given the movement away from targeted programs to aid low-wage workers, the weakening of affirmative action to aid minorities and women during the 1980s, and a toughening of sanctions for participation in criminal activity, it is of paramount importance to know how much the boom of the 1990s has benefited African Americans. Has the prosperity disproportionately benefited the most vulnerable Americans, benefited all Americans equally, or left some groups behind? To answer these questions, a conference was held at the Russell Sage Foundation in October 1998, just over ninety months into the boom. *Prosperity for All?* contains revised versions of the papers presented at that conference.

Contributors to this volume note that assessments of the 1990s boom's effect on minorities depend much upon the measures used and the time frame observed. While overall unemployment rates declined substantially, labor-force participation rates for twenty- to sixty-four-year-old African American men declined from 82.7 percent to 79.4 percent between 1988 and 1997. This reinforced a growing concern that there exists a significant share of African American men who have decreasing attachment to the labor market. To address this issue, Chinhui Juhn analyzed the nonemployment rate of young men.

Another concern is the degree to which African American workers face employment problems as a result of employers favoring newer groups of disadvantaged workers, such as immigrants from Asia or Latin America. In a widely quoted 1991 paper, Joleen Kirschenman and Kathryn Neckerman found that employers favor

Hispanic over African American workers in the low-wage-labor sector, which further suggests that young black men with low educational attainment might have employment difficulties relative to similarly educated Hispanic workers. Cordelia W. Reimers explores this issue. In addition, Richard B. Freeman and William M. Rodgers III focus on young, noncollege-educated African American men, the group most likely to be detached from the labor market.

The Freeman and Rodgers paper is also valuable because in it the authors extend their analysis through the first half of 1999, enabling them to judge the particular importance of very tight labor markets, or those in which the national unemployment rate remained below 5 percent. From 1992 to 1996, real hourly wages remained constant, but in the tight market of 1999, they had increased by 4 percent. Freeman and Rodgers assess the extent to which young, noncollege-educated black men benefited during each of these subperiods of the expansion.

At the beginning of this decade, employment audit studies, together with some of the other evidence discussed in the preceding paragraphs, led many policy analysts to fear that discriminatory labor-market practices, including exclusion from high occupations as well as other forms of racial queuing, were ineradicably rooted in American business. With this in mind, William Spriggs and Rhonda Williams explore the inability of the current expansion to reduce the black-to-white unemployment-rate ratio. Philip Moss and Chris Tilly, meanwhile, assess to what degree the tightening of labor markets weakens the racial profiling that so adversely affects the employment possibilities of African American job applicants.

Earnings data from the current expansion seem to support those who believe that significant discriminatory labor-market practices remain. Between 1991 and 1998, for instance, there was only a slight decrease in the racial earnings gap among full-time year-round workers. Through 1996, however, there is some evidence that the earnings of African American workers fell behind those of white workers, which suggests that only when labor markets are extremely tight and remain so for an extended period of time is it possible to substantially undermine the aversion of employers to hire African Americans.

A further concern has been the declining economic base of many Midwestern urban areas and expanding economic base of many Southern urban areas. Both continue to be populated by disproportionately large numbers of African Americans. Heather Boushey and Robert Cherry assess the expansion's effect the Midwest and South Atlantic regions, focusing on how occupational changes have influenced regional racial earnings ratios. Boushey and Cherry also evaluate the expansion's impact on occupational barriers and the glass-ceiling effect. Under certain conditions, economic expansions make it costlier for employers to discriminate, resulting in the opening of occupations and providing opportunities for promotion that had previously not been available to minorities and women. In another paper, Joyce Jacobsen and Laurence Levin detail the glass-ceiling effect as experienced by black, Hispanic, and white women through the early 1990s.

At the same time that the Midwestern and Southern urban economic bases have been shifting, the current economic expansion has also come at a time of dramatic change in national welfare policies. During the 1980s expansion, welfare caseloads did not fall, but starting in 1994, the number of caseloads fell from over 5 million to below 4 million by the middle of 1997. Sandra Danziger and her colleagues at the University of Michigan assess the factors that help predict the employability of former welfare recipients during this period of economic expansion.

In addition to changing workforce dynamics, welfare reform may also have had a systematic impact on racial earnings ratios. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 led to the mandatory participation of welfare recipients in the labor market. Because former welfare recipients often serve as substitutes for noncollege-educated and low-skilled men, their increased numbers in the workforce put downward pressure on wages and employment. As a result, wages and employment levels during the current boom may actually be lower than they would have been in the absence of the PRWORA. The fact that PRWORA disproportionately affected African American welfare recipients might explain why racial earnings ratios did not rise substantially throughout the expansion. Boushey and Cherry explore this possibility.

Yet another factor related to employment levels and the economy is crime. The current expansion spanning 1992 to 1997 has seen a dramatic 13.9 percent drop in crime rates, whereas from 1983 to 1989 crime rates increased by 11.2 percent. Over both periods, incarceration rates increased, with a marked acceleration during the 1990s. Blacks of both sexes are about twice as likely as Hispanics and nearly eight times more likely than whites to be in state or federal prison. At the end of 1996, there were 1,571 African Americans serving time per 100,000 African Americans in the general population, compared with 688 Hispanic inmates per 100,000 Hispanics and 193 white inmates per 100,000 whites. Young African American men have the highest rates of incarceration of any American demographic group. Changes in federal, state, and local policies toward criminal activity contribute to the pattern of change. William Darity Jr. and Samuel L. Myers Jr. look more closely at the linkages among unemployment rates, crime rates, and incarceration rates.

OVERVIEW OF THE VOLUME

The papers in this volume are organized around four broad topics. The first describes the boom's impact on employment, unemployment, and wages, using the beginning of the boom as the point of reference. The second places the boom into an historical context by comparing it to earlier expansions, and the third offers explanations of why race continues to play a major role even in today's tight labor market. The fourth uses the 1990s expansion as a laboratory to examine the effects of recent changes in U.S. social policy, the success of which depends heavily on the availability of jobs. Collectively, these studies provide a comprehensive description and analysis of the economic and social benefits of the 1990s boom for African Americans.

The chapters in part I by Richard B. Freeman and William M. Rodgers III, Cordelia W. Reimers, and Chinhui Juhn set the stage for the others by using the March Annual Demographic and Outgoing Rotation Groups of the Current Population Survey to measure the boom's impact on the employment, unemployment, and earnings of African Americans. Freeman and Rodgers and Reimers present relatively optimistic assessments. Freeman and Rodgers find that as a response to the boom, the employment of young men experienced a larger boost than the employment of older men. Within the young-male labor market, blacks' gains exceeded the gains of young whites. Meanwhile, the boom increased the hourly wages of young men but not the hourly wages of older men. From 1991 to 1996, the hourly-wage increase was substantially greater for young white men than it was for young black men, but since 1996, the reverse is true.

Freeman and Rodgers's findings reflect the fact that young African American men are disproportionately located in higher unemployment areas. In these areas, wage gains came only after 1996 when the boom finally lowered unemployment rates sufficiently for wage pressures to materialize. Since the wages of older men appear to be much less sensitive to economic conditions unique to the 1990s boom, very tight labor markets might improve the earnings of young noncollege-educated workers without creating overall wage inflation. Finally, young African American men living in areas that did not have a deep 1990 to 1991 recession experienced stronger employment gains.

Cordelia W. Reimers describes the boom's impact on an individual's probability of unemployment. Reimers shows that African Americans have benefited disproportionately from the expansion, even within industry, occupation, education, and age-level cohorts. During the boom, black unemployment rates fell more than those of any other group, while Hispanic men and women also experienced greater benefits than whites. Hispanic unemployment rates fell, but the drop was not as large as the decline for African American workers. This should not be surprising, as at the beginning of the boom Hispanic unemployment rates stood at lower levels than the rates of African Americans.

Reimers then assesses whether racial differences in local labor-market unemployment rates can explain the overall black-white unemployment gap. She finds that the local labor markets in which African Americans and whites live have similar unemployment rates. Consequently, she reasons, almost none of the gap in individual unemployment rates can be explained by differences in labor-market tightness. However, just over one-third of the male Hispanic–white unemployment gap and one-fifth of the female gap are attributable to differences in the unemployment rates of areas where Hispanics and whites reside.

Chinhui Juhn's contribution to *Prosperity for All?* tells us that the work of analysts and policy-makers is not finished. Even though black employment and unemployment rates are at historically low levels, African American nonemployment rates (the percentage of the civilian population that is either out of the labor force or unemployed) and the duration of nonemployment are both at higher levels than during the peaks of earlier booms. This sobering finding suggests the continued existence and growth of a "core" group of African Americans who appear to be permanently unattached to the labor market. Juhn asks whether relative decline in attachment can be attributed to a larger erosion in the inflation-adjusted wages of African Americans, and she finds little support for this explanation.

A common theme running through the Freeman and Rodgers, Reimers, and Juhn papers states that dramatic gains have been achieved in African American employment. Yet even during the 1990s boom, race remains a key factor in determining labor-market outcomes. So, why does race and ethnicity continue to matter even in tight labor markets? Aren't competitive forces supposed to raise the costs of discrimination to employers, leading to its erosion? William E. Spriggs and Rhonda M. Williams, Joyce P. Jacobsen and

Laurence M. Levin, and Heather Boushey and Robert Cherry's papers offer answers to these questions in part II and part III of the volume. They argue that racial queuing, in the form of continued exclusion of blacks from higher-wage occupations and the glass-ceiling effect within occupations, explains the persistence of race as a key factor in labor-market dynamics.

In developing their argument, Spriggs and Williams shift the focus from the relationship between tight labor markets and the level of African American joblessness to why even in the presence of tight labor markets the ratio of black to white unemployment rates remains two to one. Historically, this ratio has not been sensitive to economic booms, and Spriggs and Williams show that the experience of the 1990s is no different. Yes, unemployment levels are lower, but the two-to-one ratio holds steady.

Spriggs and Williams suggest a dynamic model of racial queuing to explain the endurance of the two-to-one ratio. At all times, firms must weigh the benefits and costs of having a diverse workforce, keeping the morale of white workers high, and the efficiency losses from not hiring the "best-qualified" applicants. Spriggs and Williams contend that coming out of a recession and having many qualified white applicants, firms see little risk in showing preference to this group and anticipate substantial benefit by responding "positively" to the anxieties of their white workforce. This results in a more-rapid lowering of white unemployment rates than the African American unemployment rates, thereby explaining the rise in the observed black-white unemployment ratio over the economic expansion.

Two additional explanations for the continuance of discrimination as an important contributor to racial wage inequality during the current boom are exclusionary practices and the glass-ceiling effect. If the competitive forces of the tight labor market are not strong enough, exclusion from high-wage occupations and glass-ceiling effects within occupations could serve as potential sources of the drag on female and African American earnings. These barriers make it difficult for minorities to advance in their careers.

Using the Bureau of the Census's Surveys of Income and Program Participation, Joyce P. Jacobsen and Laurence M. Levin contrast the wage-tenure and wage-experience profiles of college-educated and noncollege-educated women and minorities to the same profiles of white men. The different profiles observed by race and gender are consistent with the existence of exclusionary practices and discrimination. Jacobsen and Levin observe that the relative wage disadvantages that minority college graduates experience can be attributed to lower economic returns to tenure and experience, and these disadvantages accumulate over time. For noncollege-educated minorities, the wage disadvantage starts earlier in their careers and is caused by a glass-ceiling effect.

Heather Boushey and Robert Cherry explore the extent to which the tight labor market of the 1990s eroded exclusionary and glass-ceiling practices. Motivated by the facts that the majority of African Americans live in the South Atlantic and Midwest regions of the United States and that both regions have tremendous historical importance for African Americans, Boushey and Cherry focus on these regions to measure the boom's ability to erode the disadvantages that exclusionary practices and the glass-ceiling effect create for African Americans. They find that racial earnings ratios for both men and women in each region were adversely affected by growing racial wage gaps in occupations requiring college educations and skilled occupations that do not require postsecondary education. Analyzing these racial wage gaps, Boushey and Cherry find that for males, the glass-ceiling effect remains more important in occupations requiring college, while exclusionary practices are more important in noncollege occupations. Their data for women indicate that the glass-ceiling effect is small and did not change during the current boom. However, it does appear that white women have been able to move into higher-paying college-requiring occupations at a faster rate than African American women have, and this is at least somewhat consistent with competitive pressures making it more costly for employers to discriminate. The question is, then, why white women have been able to move into these positions at higher rates.

A cautionary note to Boushey and Cherry's work must be made. Due to the aggregate nature of their data, they were not able to factor out the role that skill differences play in creating the occupational outcomes. Still, they do comment that skill differences have not changed significantly during the boom, implying that their results would not be affected were skill differences taken into account. The economy is quite tight in the regions that Boushey and Cherry examine, but not tight enough to significantly erode exclusionary practices or the glass ceiling.

We now must move to the question of why race remains important in tight labor markets, or, why do hiring queues based on race exist? To answer this question, Philip Moss and Chris Tilly examine both quantitative and qualitative data collected from employer-based surveys and in-depth one-on-one employer interviews in the Multi-City Study of Urban Inequality. The interviews were conducted in Atlanta, Boston, Detroit, and Los Angeles during the first two years of the boom (1992 and 1994). An advantage of these surveys over Current Population Survey–based surveys is that they allow the analyst to document the attitudes of employers toward minority workers. Given the timing of the interviews, Moss and Tilly can assess the impact that the beginning of the boom had on the attitudes of employers and how that affected minorities' employment prospects.

Moss and Tilly present evidence that employers harbor negative stereotypes with respect to African American workers, and these stereotypes place blacks further back in the hiring queue. Labor market tightness appears not to change employer attitudes about African Americans. Moss and Tilly hypothesize that because employers must go deeper into the hiring queue when labor markets tighten, tight labor markets should raise the probability that a firm will hire African American workers. In such a case, labor-market tightness influences employment decisions without changing the attitudes of employers.

These findings indicate that the probability of an African American applicant being hired increases when the local unemployment rate declines or when the length of the most recent job vacancy lengthens. In contrast, a firm's probability of hiring an African American applicant is inversely related to the length of time taken to complete its most recent hiring. Moss and Tilly suggest that this variable may be a measure of skill requirements desired rather than labor market tightness: if African American applicants are deemed less skilled, then employers may be less apt to hire them for those openings that are considered more skilled. Moss and Tilly's data on the impact that a tightening of the labor market has on employer attitudes suggest no consistent influence on hiring decisions. However, labor-market tightness does influence an employer's willingness to hire individuals with criminal records and those with deficient qualifications.

Our final pair of papers examines several specific social dimensions of the current boom. The first, by Sandra Danziger, Mary Corcoran, Sheldon Danziger, Colleen Heflin, Ariel Kalil, Judith Levine, Daniel Rosen, Kristin Seefeldt, Kristine Siefert, and Richard Tolman, evaluates the impact of welfare-reform policies in an economy where jobs are plentiful. During the first two years after the enactment of 1996 federal welfare-reform bill, welfare caseloads fell by 32 percent nationally. This was accomplished through adoption of government "work first" policies, which focused on immediate employment regardless of the work-related characteristics of welfare recipients. Yet although this strategy might have been appropriate at the time of enactment, it is likely that with declining caseloads, remaining recipients are more likely to possess traits that substantially affect their employability. Danziger and her colleagues identify these traits and examine the links between them and welfare recipients' employability.

In the latter part of 1997, Danziger and her colleagues surveyed over seven hundred individuals who had been on welfare six months earlier. The key to this survey was that the urban Michigan county in which the respondents resided had an unemployment rate at the time of the survey of 4.8 percent. Survey respondents were almost equally divided between black and white mothers, and at the time of the survey, 57 percent were working at least twenty hours per week, and about one-half of the surveyed group no longer was receiving any cash payments. The unique feature of this survey was the construction of fourteen barriers to employment, including skills, work norms, transportation, mental health, and physical-health deficits. Virtually all (85 percent) of those in the survey had at least one deficit; 45 percent had at least three deficits, and 15 percent had at least five deficits.

The Danziger team found that nine of the fourteen barriers have adverse effects on employment, and, in addition, that as the number of barriers increases, the probability of employment falls. These findings imply that government investment in raising educational attainment should be accompanied by counseling and health services. Each could possibly enhance the other's potential to improve employment prospects.

William Darity Jr. and Samuel L. Myers Jr. tackle the perplexing and worrisome issue of crime and incarceration, in the process testing the Rusche and Kirchheimer hypothesis (1939) that prisons serve as labor-market equilibrating devices. When labor surpluses grow, posit Rusche and Kirchheimer, incarceration rates rise to siphon off unwanted workers. Darity and Myers find that a long-term correspondence between higher incarceration rates and higher unemployment rates exists; however, for the current expansion, a marked departure from this long-term pattern occurs. During the 1990s, despite the boom, African American incarceration rates across states have increased measurably over rates observed in the 1970s.

Darity and Myers conclude that changing labor-market conditions cannot be the sole cause of the surge in incarceration, and cite as another cause public policies of the 1990s. Darity and Myers speculate that the privatization of prisons, 1980s drug-enforcement policies that created long sentences, the "three strikes and you're out" legislation of the 1990s, and a "hardening of the social status of black males as a permanent surplus population" are the keys to understanding the surge in incarceration.

From a public policy standpoint, it is incumbent that policy-makers take advantage of the current period of extended prosperity and address the structural barriers that prevent or hinder participating in the labor market, such as weak skills, racism, and spatial mismatch. In particular, we must develop strategies to re-integrate into the labor market not only African Americans, but all Americans that have come into contact with the criminal justice system. Above all, the positive impact that very tight labor markets have on reducing racial labor market disparities should receive greater weight in the development of macroeconomic policies.

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