Hiring in Urban Labor Markets

Shifting Labor Demands, Persistent Racial Differences

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INTRODUCTION: FROM THE “UNDERCLASS” TO THE DEMAND FOR LABOR

Ten years ago, the central concern animating research on urban labor markets was the “underclass” — groups of low-income people, disproportionately, people of color, who remained cut off from the labor market. Discussion of urban labor markets, then as now, focused on racial and ethnic minorities, particularly African Americans. No surprises there: Blacks and Latinos are more concentrated in metropolitan areas than non-Latino whites, and far more concentrated in central cities—more than twice as likely as whites to reside in these urban hubs (Harrison and Bennett 1995:Table 4A.1). At that time the social science consensus held that African Americans as a whole continued to make great strides in labor markets, as they had over the course of the century. As blacks moved out of the South into urban areas and achieved higher levels of education, their wages rose apace (Smith and Welch 1989). Civil rights laws and affirmative action seemed to clinch this progress: Black managers and professionals became increasingly common. The wages of black and white male college graduates had become nearly indistinguishable; black women’s wages surpassed those of white women (Freeman 1976, Wilson 1978).
Given this generally rosy picture, attention naturally turned to those left behind by this trend toward racial economic convergence. "Underclass" research focused on concentrated, persistent, indeed, often intergenerational urban poverty—afflicting whites, blacks, and Latinos, but particularly prevalent among black inner-city populations in Northern cities (Wilson 1987). It stressed nonmainstream behavior such as prolonged nonemployment among men, welfare dependence among women, and participation in criminal activities in the underground economy. The central research questions were how concentrated poverty populations had become detached from labor markets, and how they could be reintegrated into these labor markets.

But over the last 10 years, social science research has raised three major challenges to this "underclass" focus. First, and most devastating, racial wage convergence has been replaced by divergence. Since the mid-1970s, it turns out, wage rates have grown apart for black and white young men (Bound and Freeman 1992), for black and white young women (Bound and Dresser 1999; Corcoran and Parrott 1999), for Latino and Anglo men (Carnoy, Daley, and Hinojosa 1990; Melendez 1993), and for Latino and Anglo women (Corcoran, Heflin, and Reyes 1999). Moreover, wages have diverged even though black educational attainment and test scores have continued to catch up with those of whites (though the Latino–Anglo education gap has widened due to the recent influx of Latin American immigrants with limited schooling). Widening racial inequality represents a critical dimension of the overall widening of wage disparities that has by now been thoroughly documented (Danziger and Gottschalk 1995, Levy and Murnane 1992). Thus, although concern about concentrated and persistent poverty continues, it has been displaced to some extent by renewed attention to overall racial wage gaps.

In a second challenge: in-depth historical studies of black economic fortunes have reminded us that the recent economic reversal is not unprecedented (Carnoy 1994; Jaynes and Williams 1989). In fact, African Americans' economic status has waxed and waned repeatedly over the years since Emancipation. They have prospered most, and narrowed the wage gap most rapidly, when concerted government policies for racial equality coincided with overall economic expansion. Since the mid-1970s, we have seen a substantial government retreat from aggressive affirmative action policies, together with a stop-and-start macroeconomy, yield stagnant wages. The new racial wage divergence fits an earlier pattern. It has only been in the last few years that blacks have experienced a rise in real wages, and the gap in real wages between blacks and whites has narrowed, but only slightly, and not for young workers ages 16–24.¹ This relative rise is the result of an exceptionally low rate of unemployment, a reduced rate of inflation, and a rise in the statutory minimum wage—a combination unlikely to persist for a long period of time.

The third challenge is that quite a few social scientists have questioned whether the concept of "underclass" is truly a useful one. The doubts expressed have taken a number of forms. "Underclass" is used to refer to a wide range of overlapping but nonequivalent phenomena: geographic concentration of poverty, persistence of poverty, "deviant" behaviors. What is more, there is little evidence that any of these phenomena mark a group with sufficient internal coherence to be labeled a "class" (Gans, 1992; Hughes, 1989). And many of the behaviors and indicators associated with the "underclass" either have declined recently (crime,