RISING BLACK UNEMPLOYMENT: CHANGES IN JOB STABILITY OR IN EMPLOYABILITY?

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This article analyzes the effects of changes in flows into and out of unemployment on the growing gap between black and white unemployment rates in the 1970s and 1980s. Current Population Survey data show that black workers' unemployment inflows increased, suggesting that job instability increased. Declining employment opportunities were also implicated, as black workers left unemployment for a job less often in 1987 than in 1971. White women's situation improved considerably, with lower inflows and higher employment probabilities. Although the effects of declining federal equal employment opportunity (EEO) pressure cannot be detected, these findings are consistent with increasing racial discrimination.

INTRODUCTION

Current political debates over affirmative action policies in the United States raise the question of whether black workers have made economic progress at the expense of white workers. Economists' research on racial differences in wages and incomes has shown that the period of rising relative black incomes ended sometime in the 1970s and fell far short of equality.1 For black men, the 1970s and 1980s were a time of falling labor force participation and employment.2 This article focuses on another labor market measure of blacks' economic situation that also shows a pessimistic pattern: black workers' official unemployment rate increased relative to white workers' rate throughout the 1970s, and blacks' relative position failed to improve despite the long business cycle upswing of the 1980s (Figures 1a and 1b). Through the 1970s and 1980s, then, evidence
is mixed as to the improvement of black workers' position relative to white workers and as to the sources of any improvement or regression. The analysis here attempts to sort out factors influencing racial differences in unemployment, including antidiscrimination policies, skill mismatches, and job instability.

While the influence of micro-level effects on the unemployment rate cannot be easily or directly measured given available data, such pressures can be translated into macro-level measurements. If these forces—skill mismatches, affirmative action policy, or job instability—have had a major effect on unemployment differentials, then the effects should be evident in the time series and cross-section patterns of the relative probabilities of entering and leaving unemployment. While the analysis of the time series patterns does not constitute a formal statistical test of each specific hypothesis—some of which obviously interact—the analysis does provide a plausibility check as well as identification of changes that need explaining. In this paper, time series measures are constructed for these two components of the unemployment rate in the 1970s and 1980s, as are more detailed cross-sectional measures for 1971 and 1987. In addition to looking for broad changes in the flows in and out of unemployment, the relative contribution of changes in the two flows to the growing unemployment gap can be assessed.

POSSIBLE EXPLANATIONS

Little recent work focusing on racial unemployment differences exists. This paper's approach of using labor market transitions to look at race and gender differences in unemployment is not a new method. But most past studies focus on cross-section results that make longer term changes in labor market forces difficult to detect, or the studies were conducted before the deterioration in black worker's labor force experience was apparent. Older studies often concluded that black workers' higher unemployment rates were due to greater job turnover, largely as a result of holding unstable jobs or jobs that have high quit rates regardless of race. This pattern depends on the reference points, however, especially with regard to gender. For instance, Marston finds that racial differences in women's unemployment rates result from black women's lower probability of moving into employment from either unemployment or from being out of the labor force. Juhn's more recent comparison of black and white men shows that the same pattern was true for black men relative to white men over the 1970s and 1980s, but he does not calculate this pattern's effect on unemployment rate differences.