

The Labor Market and Young Black Men:

Updating Moynihan's Perspective

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I. Introduction

In his 1965 report on the status of black families in America, Daniel Patrick Moynihan referred to the employment situation of young black men as an “unconcealable crisis...the problem will now become steadily more serious.” He also identified this situation as a primary cause of the instability of black families that he documented in the report, and as a priority for any public policies that might seek to stabilize black families.

How accurate was Moynihan’s prognosis of a steadily growing crisis in the employment of young black men? Was his analysis of the problem accurate, both in the mid-1960s and in subsequent decades? What additional factors that he did not foresee affect the employment outcomes of young black men? And what does all of this imply for public policy?

In this paper I review Moynihan’s perspective on the employment problems of young black men in 1965, and what we have learned from empirical research on this topic since then. I begin in the next section by documenting Moynihan’s perspective, and then in subsequent parts of the paper I review more recent trends and empirical evidence on their causes. I conclude with some thoughts on what all of this implies for public policy.

I argue that Moynihan’s views in 1965 were stunningly prescient, as the employment situation of young black men has steadily deteriorated since then. He correctly identified many of the causes of this problem, though some economic and social forces and trends were impossible to foresee at that time. The appropriate policy prescriptions today are thus somewhat broader than what he argued for at the time, though still fairly consistent with his overall views.

II. Moynihan’s Perspective on Employment of Young Black Men

Chapter III of the Moynihan report focuses on “The Roots of the Problem,” and in a subsection entitled “Unemployment and Poverty” he focuses on employment issues involving young black men. He continues this focus in Chapter IV (entitled “The Tangle of Pathology.”)

Moynihan first documents the growing rate of black male unemployment (especially relative to white males) over the period 1930-1963. He notes that, despite the overall prosperity of the economy during the year 1963, “...29.2 percent of all Negro men in the labor force were unemployed at some time during the year. Almost half of these men were out of work 15 weeks or more.” While he focuses primarily on *unemployment* throughout the report, Moynihan later notes an additional trend of rising *nonparticipation* in the labor force among these men – an the emergence of a small gap in the participation rate of black men relative to white men (75.8 percent v. 78 percent in 1964).

Moynihan documents the extent to which black men were falling behind black women in the 1960s (and earlier) in educational attainment and occupational status. He notes that young black men were more likely to drop out of high school, less likely to attend college, and less likely to enter white-collar occupations than young black women as of the 1960s.¹ He also notes (though without much empirical documentation) a deteriorating knowledge of the world of work and of informal connections to the labor market, and especially to jobs in and training for the skilled crafts and other well-paying blue-collar jobs, among young men growing up in fatherless families. A rising trend in crime and “delinquency” among these young men receives a fair amount of attention as well. And, of course, he emphasizes a strong empirical correlation between trends in joblessness and other social indicators for black men, on the one hand, and the growth of female-headed families in the black community, on the other, throughout the report.

Moynihan notes, of course, that educational attainment and occupational status were rising for the black community overall in the aftermath of the “Negro American Revolution” that culminated in the passage of the Civil Rights Act of 1964. But to what does he attribute the growing employment problems of young black men in America, especially among those who are not growing up in middle-class families?

At various places in the report, Moynihan argues that “...jobs became more and more difficult to find...” (Chapter 3), and further that “discouragement about finding a job” have driven the downward trends in labor force participation among young black men (Chapter 4). But, in the middle of a great post-war boom, why should their abilities to find work have declined?

At various places in the report Moynihan attributes employment problems to a “...lack of training and opportunity,” which he also argues grow more serious over time as the occupational structure of the economy changes over time and jobs require more education. He also repeatedly acknowledges the importance of discrimination, and various ills associated with growing up in segregated urban environments. And he notes a growing “alienation” among young men, along with a set of set of psychological and emotional issues (such as a lack of a “minimal sense of competence,” “low tolerance for frustration,” and the like). Thus, Moynihan notes the effects of both employer behavior in the broader labor market as well as the characteristics and behaviors of the young men themselves in accounting for employment trends over time.

Also, Moynihan clearly regards the deterioration of the black family as a very serious force leading to less opportunity for young black men. In his view, fatherless families in the black community are initially rooted in the experience of slavery and then Northern urbanization in 20th century America. Over time, the absence of fathers in so many households leads to weaker skill attainment, growing participation in crime, and growing “alienation” among young black men. These forces, along with the persistence

¹ For example, Moynihan notes that the dropout rates of nonwhite (mostly black) males and females in 1963 were 66.3 and 55.0 percent respectively. He also notes that the percentages of women among those aged 25 and over with a college degree were 39 percent and 53 percent among whites and nonwhites respectively.

of discrimination and racism, lead to a further deterioration of the position of black men in the labor market and the family, thus creating a continuing downward cycle of pathology. In this view, fatherless families are both an effect and a major cause of the growing deterioration of employment opportunities among low-income urban young black men in the U.S.

III. The Trends Since 1965 and their Causes

How have the trends in employment outcomes among young black men evolved since 1965? And what have been the major causes of these trends? To what extent was Moynihan's prognosis of growing employment problems accurate, as well as his diagnosis of their origins? I address these questions below.

A. Employment Trends and Other Outcomes

Unfortunately, it is clear that Moynihan's prognosis of steadily deteriorating employment outcomes among young black men was stunningly accurate – and perhaps to an even greater extent than he realized at the time.

Table 1 documents the decline of employment and rise of unemployment for black men in various age groups between 1964 and 1981.² The table indicates very clearly that employment rates are declining and unemployment rising among black men throughout this period, and to some extent regardless of the state of the aggregate U.S. economy.³ While labor force outcomes of prime-age black men improve with the economy between 1964 and 1969, they deteriorate afterwards to a greater extent than do those of white men. All of this is occurring despite the general improvement in relative earnings for blacks that has been well-documented for this time period, at least for the decade after 1964.⁴

But the declines are greatest among young black men, especially relative to those of young white men. Though school enrollment is rising for young men of both racial groups in this period, employment rates are holding steady or improving somewhat for young white men, while they deteriorate dramatically for their black counterparts. The data also imply that labor force participation, both in absolute and relative terms, is declining for young black men throughout this period.⁵

² I have adapted this table from Freeman and Holzer (1986).

³ 1969 and 1977 were relatively strong years, with aggregate unemployment rates of 4.5 and 5.5 percent respectively. In contrast, 1981 was the beginning of a major economic downturn, in which the unemployment rate averaged 7.6 percent.

⁴ See Freeman (1981) for an early analysis of the impact of the Civil Rights Act on relative earnings of blacks, and also Heckman and Payner (1989) for further analysis. The end of the relative improvements in earnings for blacks, and the deterioration for young blacks that occurred afterwards, was documented in Bound and Freeman (1992).

⁵ Given the changes in unemployment rates, along with the magnitudes of labor force participation rates, the declines in employment observed for black men in this table are generally too large to be explained only by the observed changes in unemployment within the labor force alone. The employment changes therefore imply that labor force activity must have declined as well.

Trends in employment and labor force activity for young black and white men (as well as Hispanics) between approximately 1980 and 2005 are further documented in Figure 1. The samples here are limited to those in the civilian noninstitutional population, aged 16 through 24, who are not enrolled in school and have attained only a high school diploma or less.⁶ Part A presents trends in employment/population rates, while those in part B present trends in labor force participation.

The results show that both the employment and labor force activity of young black men have deteriorated since 1980. While employment rates show some sensitivity to the business cycle (with downturns in the early 1980s, early 1990s, and early 2000s that correspond to periods of recession), there is clearly a secular decline in employment for young blacks, and a widening gap between their employment rates and those of less-educated whites and Hispanics. The trends are even more noticeable when considering labor force participation, which is a less cyclical outcome for young men.

If anything, the downward trends in employment and labor force activity are even stronger in the 1990s than in the 1980s – despite the very strong economy of the latter period.⁷ Furthermore, the 1990s was a decade of dramatic improvement in labor force activity of young black women, due to welfare reform and the growth of work supports like the Earned Income Tax Credit (Blank, 2002). These trends were most dramatic for the least-educated black women, especially single mothers. So, while these women were pouring into the labor market, their male counterparts continued to pour out.⁸

And, if anything, the trends in Figure 1 understate the deterioration of employment among young black men, as they are limited to the civilian noninstitutional population. This sample omits the growing fraction of the black male population that was incarcerated during this time period; had they been included in the denominators of the measured outcomes, the observed downward trends would have no doubt been worse.

Before moving on to consider the causes of these developments, we briefly review some other developments. Table 2 presents data on educational and behavioral outcomes among youth born between 1980 and 1984. These data are drawn from the 1997 cohort of the National Longitudinal Survey of Youth (NLSY97). All outcomes are presented separately by race and gender.⁹ The outcomes considered include: the

⁶ These data have been tabulated from the outgoing rotation groups of the Current Population Survey (CPS). They essentially update the tabulations first presented in Holzer and Offner (2006). While the quality of those who are high school graduates or less has likely changed (and perhaps deteriorated) as enrollment rates grow, this is likely less true for young black men than for others, as their enrollment rates have grown by less over time. Our analysis of data across states and metro areas show little effect of relative enrollment rates on the trends we document.

⁷ Holzer and Offner (*op. cit.*) report that the coefficient on a time trend in a regression equation for employment for the 1990s is more negative than one for the 1980s, during the period 1979-2000.

⁸ There is very little evidence that the growth of the black female labor force in these areas caused employers to shift employment away from black men. See Blank and Gelbach (2006).

⁹ These data are drawn from Hill *et al.* (2007). The outcomes are measured in Round 8 of the survey, administered in 2004-05.

likelihood of dropping out of high school, enrolling in a 4-year college, or attaining a 4-year college degree; grade point averages and AFQT (percentile) scores; the likelihood of having children outside of marriage, and rates of incarceration.¹⁰

The data in Table 2 indicate, not surprisingly, that educational outcomes among minority youth lag behind those of whites. Interestingly, these outcomes for young women are better than those of young men in each age group – indicating a growing “gender gap” in education in favor of females (Jacob, 2003). Minority youth are also more likely to have children outside of marriage and to become incarcerated.

But the data also indicate that, *for virtually each outcome considered, young black men now lag behind every other race and gender group in the U.S.*¹¹ Indeed, young black men are the group most likely to drop out of high school, and least likely to attend (and graduate from college); their achievement, as measured by grades and test scores, are the lowest, and they are most likely to become incarcerated for criminal activity.

These facts are striking, especially given that the Hispanic population is now heavily populated by first-generation immigrants with fairly little formal schooling, at least some of whom are captured in the NLSY97. The growing gaps in many outcomes between young black men and women are also quite striking. And, of course, the tendency of young black men to become incarcerated is not even fully captured here, as data from the Bureau of Justice Statistics (BJS) now indicate that over a third of all young black men are now incarcerated, or on parole or probation, at any point in time (Raphael, 2007a). At least some comparisons with data from the earlier cohorts of the NLSY (i.e., from 1979) indicate a greater relative deterioration in outcomes among young black men than for any other group (Hill *et al.*, 2007).

The NLSY97 data also indicate that, by the end of the 20th Century, only about 20 percent of all black youth are growing up in two-parent families (compared to over half of young whites and Hispanics).¹² And the outcomes observed among those growing up without both parents, and especially those with never-married mothers, clearly lag behind those observed for those growing up in two-parent families. Table 3 presents the estimated effects of growing up without both biological parents on the observed outcomes of youth blacks, from regressions that include a variety of control variables, estimated both without and with controls for family income. In other words, these results

¹⁰ The measured rate of incarceration includes those who report an episode of incarceration as well as those interviewed in jail or prison. Other self-reported measures of criminal activity in the NLSY are notoriously underreported, especially among blacks (Hindelang *et al.*, 1981).

¹¹ The one exception to this statement is in the area of youth having children out of wedlock, which are reported more frequently by young black women than their male counterparts. The higher tendency of young women to report having children might simply reflect a greater tendency on their part to report the presence of a given child, or that some number of children among these young women have been fathered by somewhat older men.

¹² See Hill *et al.*, Chapter 3. These data represent a snapshot of living arrangements at age 12 for these youth, though they correlate very highly with those observed at earlier ages.

show the estimated effect of youth growing up in some type of single-parent family at age 12 on the probability of achieving a certain outcome.¹³

The results indicate that those growing up without both biological parents have less education, less achievement, greater likelihood of parenting out of marriage, and greater likelihood of becoming incarcerated than those growing up with both parents. The observed outcomes are generally worst among those with never-married mothers. Adjusting for family income accounts for some, though by no means all, of these results.¹⁴ Given the very large fraction of young blacks growing up in these families – for reasons that are discussed below - these results suggest that changing family structure contributes somewhat to negative employment, educational and behavioral outcomes in the black community overall.¹⁵

Of course, the extent to which the observed effects of family structure on these outcomes are causal remains very controversial. In my own view, some parts of the observed estimates are clearly causal and some are not (Hill *et al.*, 2007).¹⁶ Furthermore, young black girls and women are growing up in the same families as are young boys and men, though their outcomes are showing some relative improvement. We have some evidence that any negative effects of household structure on black young males may be more serious than those for black young females.¹⁷

In sum, the data indicate that employment outcomes of young black men continue to deteriorate over time, while their educational and behavioral outcomes lag behind those of all other demographic groups in the U.S. Outcomes for those growing up in single-parent families are worst of all, and the rising fraction of young blacks growing up in such families likely contributes somewhat to these outcomes. Moynihan certainly foresaw many of these trends and developments, though even he was likely surprised and dismayed by their extent at the close of the 20th Century.

¹³ The regressions also include controls for age, mother's education and hours worked per year, number of children in the house, mother's age at time of first child's birth, immigrant status, and year.

¹⁴ These results are fully consistent with those of McLanahan and Sandefur (1994), among many other authors.

¹⁵ The estimated effects on probabilities presented in Table 3, when multiplied by the changes in the fractions of young blacks growing up in the different kinds of single-parent families, suggest that family structure changes over the past four decades have reduced high school graduation and college enrollment, and raised incarceration, by several percentage points each. See Hill *et al.*, *op. cit.*

¹⁶ Our results show that those in single-parent families have many disadvantages – like low parental education and lack of enrichment materials in the home – that are likely not caused by single parenthood *per se*. On the other hand, some differences in family income and in parenting behaviors that help predict youth outcomes and are correlated strongly with household structure (such as degree of parental supervision and various measures of household organization) are likely more causally related to household structure. Also, some individual and sibling fixed effects models that we estimated suggest at least some causal effects of household structure on these outcomes. See Hill *et al.*, *op. cit.*

¹⁷ We have estimated these regressions separately for young black males and females using the NLSY data, and coefficients for the males tend to be larger than for females – though small sample sizes generate fairly large standard errors in most cases.

B. What Explains These Trends?

If Moynihan was disconcertingly prescient in his prediction that employment outcomes of young black men would steadily worsen over time, especially for those in fatherless families, how do his explanations of these trends hold up over time, in light of several decades of subsequent empirical analysis by social scientists?

Implicit in Moynihan's entire discussion is the notion that, broadly speaking, two sets of forces affect employment opportunities and outcomes for young black men: 1) *Labor Demand* factors, including employer attitudes and hiring behaviors towards black men; and 2) *Labor Supply* factors, including family formation and skill development, which themselves can be responsive to characteristics of and/or changes in the demand side of the labor market.

My own view of how these factors interact, and their resulting effects on employment outcomes, appears in Figure 2. The chart denotes an inward shift in labor demand for a set of workers along a labor supply curve that is quite "elastic" – i.e., responsive to available wages. The inward shift in demand can reflect a gap in employer demand across groups of workers (such as whites and blacks) at a point in time, or a downward shift in demand for a particular group (such as less-educated black men) over time.

Either way, black men respond to their (increasingly) weak employment opportunities by withdrawing from the labor market altogether – and perhaps before they even enter the market. Furthermore, a range of additional behaviors might characterize these young men as they withdraw – such as growing participation in illegal activities, a declining tendency to marry, and even a tendency to "disconnect" from school and other mainstream behaviors at a relatively early age (Edelman *et al.*, 2006). The tendency of the labor supply curve to be highly elastic heightens the tendency of these young men to withdraw from the labor market (and perhaps other mainstream institutions) as the labor market opportunities they face lag behind those of other groups or further deteriorate.

Moynihan's report clearly notes some factors that cause employer demand for blacks to lag behind that for whites, some of which are worsening over time. These factors include:

- Employer demand for skills, which are growing over time (through an evolving occupational structure);
- Employer discrimination against black men;
- The effects of urban segregation on employer demand; and
- Employer reliance on informal networks to generate job applicants and trainees.

On all of these issues, empirical research has borne out Moynihan's analysis. For example, my own earlier cross-sectional analysis of employers (Holzer, 1996; 2001) documents that employers are generally more averse to hiring black male applicants than those from any other racial/gender group, especially in jobs requiring social/verbal skills

and in service (relative to blue-collar) occupations; that the tendency of employers to locate further away from the central city generates a “spatial mismatch” for those blacks who continue to reside in segregated, central-city neighborhoods and who lack transportation to and information about suburban opportunities; and that employers frequently use informal methods, especially employee referrals, to fill jobs that require relatively little formal education, often to the detriment of young blacks. The work of many other authors in this body of literature tends to corroborate these findings.¹⁸

But Moynihan clearly did not foresee – nor did anyone else, for that matter – the dramatic changes in the structure of labor demand that would further curtail labor market opportunities for less-educated black men, especially in the 1970s and beyond. William Julius Wilson (1987) and John Kasarda (1985) were among the first to note that rapidly declining employment in manufacturing was disproportionately hurting employment of less-educated urban black men, though this was much more true in the Midwest than elsewhere (Bound and Holzer, 1993).

But the wages of less-educated men in all race/gender groups were falling in that period, even within manufacturing and other industries, for reasons (such as technological change, globalization, and changing institutions) that have been widely analyzed in the past two decades (e.g., Levy and Murnane, 1992; Danziger and Gottschalk, 1995).¹⁹ Juhn (1992) has shown that declining wages of less-educated men in the 1970s and 1980s have led to significant labor market withdrawals for all of these groups.

Were these wage effects larger for black men than for those in other racial groups? In a labor market that increasingly rewards cognitive skills, even a modestly declining but still substantial achievement gap between blacks and other groups might generate a growing wage gap between them and other groups – as Derek Neal has argued (Neal and Johnson, 1996). Most analyses show that wages for less-educated black men fell no more than did wages of other less-educated groups in that time period; and Juhn documents a much greater decline in labor force activity among black men than among others in response to a given wage decline. But it is also likely that wage data understate the relative deterioration for black men, given the growing truncation of the bottom of the wage distribution for this group (Chandra, 2003); once we account for this truncation, the deterioration of opportunities for young black men were likely larger than those that occurred for other groups. And any deterioration of wage opportunities for black men

¹⁸ For instance, see Neal and Johnson (1996) on the importance of cognitive skills in determining the relative earnings of blacks; Kirschenman and Neckerman (1991) and Fix and Struyk (1993) on employer attitudes and discrimination; Kain (1992) and Ihlanfeldt and Sjoquist (1998) on “spatial mismatch”; and Ionides and Loury (2004) on informal networks. For a broad assessment of demand-side factors based on small samples and in-depth interviews with employers see Moss and Tilly (2001).

¹⁹ Whether the real wages of less-educated men actually fell during that period in absolute terms, or simply relative to those of more-educated and/or female workers, depends on how we adjust for inflation over time. Since the Consumer Price Index (CPI) has a tendency to overstate inflation, by nearly a percentage point a year, we tend to understate real wage growth when we use it. At best, the real wages of less-educated young men have been stagnant over a period of roughly three decades, and have certainly fallen in relative terms.

occurred on top of a lengthy list of continuing disadvantages in the labor market that are noted above, implying perhaps that the demand shifts pushed many young black men beyond a threshold below which many were simply unwilling to continue working in regular jobs.

The tendency of less-educated young men, and especially black men, to withdraw from the workforce in response to declining wages is another area where Moynihan's analysis falls somewhat short. Indeed, Moynihan clearly notes that labor force withdrawals occur due to "discouragement" about finding employment. But labor market withdrawal might occur not only in response to declining job opportunities in general, but especially those at wages considered minimally acceptable to the potential jobseeker. As wage opportunities decline relative to the "reservation wages" of those seeking work, labor market withdrawal becomes more likely – and perhaps before labor market entrance even occurs.

Further, it is likely that reservation wages of young black men also rose over time (Holzer, 1986) – especially during the 1960s, as their own expectations rose;²⁰ and then in the 1980s, as alternative means of generating income for young men became relatively more lucrative and also more acceptable.²¹ In particular, Freeman (1991) first noted that, as the wages to legal work for less-educated men were declining in the 1970s and 1980s, those to illegal work were rising – particularly during the boom in the crack trade. Consistent with Becker (1968), most economists would expect that, all else equal, more men would choose "employment" in the illegal relative to the legal sector under these circumstances. And this is exactly what occurred during the 1980s.²²

In Moynihan's view, growing crime and delinquency represented a "tangle of pathology" and some deterioration in the psychological well-being of many young men. More recently, others (e.g., Ferguson, 2001; Patterson, 2006; Mead, 2007) have noted the growth of an "oppositional culture" among young black boys and adolescents that precedes or precludes their entrance in the labor market and correspondingly leads them to engage in crime, out-of-wedlock fatherhood, and other non-mainstream behaviors. The fact that so many more of these young men are growing up in families and neighborhoods in which fathers are absent might further contribute to the development of these behaviors, in this view.

Indeed, such a deterioration in attitudes, values, and "culture" has probably occurred among young black men - though the few attempts I know of to directly

²⁰ The declining employment of black men that Moynihan documented well before the 1960s might be associated with the disappearance of low-wage jobs in Southern agriculture on which so many relied in earlier decades, and their replacement by Northern jobs that paid more but were somewhat fewer in number. See Cogan (1982).

²¹ Rising expectations and alternative income sources might be viewed either as factors that shift the supply of labor inward or that make it more elastic at the low end of the wage distribution. The effects on employment of less-educated black men are the same either way.

²² Fryer *et al.* (2005) have also noted the negative impact of the crack trade not only on employment, but on an entire range of outcomes observed among urban blacks during that period.

measure these characteristics have generated mixed evidence.²³ But, if it has occurred, it also seems quite likely that this development is not completely exogenous to labor market developments. In other words, *as the relative rewards to mainstream legal work of less-educated young black men have declined, so have their own attachment to the mainstream worlds of school and work and to mainstream behaviors and values more broadly* (Wilson, 1987; 1996).

This view implies that behavioral and cultural trends among urban black men are fueled by the perception that legitimate economic opportunities are disappearing. These perceptions, in turn, then encourage young black boys and adolescents to disengage from mainstream institutions very early in life, and to engage in behaviors that ultimately foreclose their future options. These behaviors are thus not necessarily economically rational for any given individual over the long run, or for the community as a whole. But declining marriage rates over time and rising rates of births outside marriage, as well as rising crime and incarceration, might be at least partly explained within this context.²⁴

Of course, as the rewards to educational attainment grow, so do their incentives to gain *more* education – which has occurred, to some extent, among young blacks as well as other demographic groups. But for those who become skeptical, at an early age, of their ability to attain labor market success at any level of education – perhaps because of the poor and segregated schools that they attend, and the complete absence of successful male role models in their families and neighborhoods – the social and economic inducements to withdraw might outweigh those to remain attached to school and work (Edelman *et al.*, 2006). Under these circumstances, an “oppositional culture” is especially likely to develop, which then generates self-defeating behaviors and a self-fulfilling prophecy of failure in the mainstream world, thus reinforcing the economic factors leading to disengagement in the first place.

C. The 1990s and Beyond

The list of labor market demand shifts and supply responses noted above seem broadly consistent with labor market trends of young black men over time, and fairly consistent with Moynihan’s original (though somewhat incomplete) formulation. But these explanations alone have some difficulty fully explaining the most recent trends in employment among young black men – especially during the 1990s.

For one thing, the 1990s – and especially the latter half of this decade – generated the strongest and tightest labor markets in thirty years. Real wage growth resumed for all

²³ For instance, the notion that mainstream academic or labor market success is viewed as “acting white” among young urban black males was rejected by Cook and Ludwig (1998) but more recently supported by Fryer and Torelli (2005).

²⁴ See Ellwood and Jencks (2004) for a review of evidence on why marriage rates and childbearing behavior have evolved differently over time for more- and less-educated women. See also Edin and Kefalas (2005) for evidence on how low-income women see their prospects for stable marriage. Evidence on the responsiveness of marriage rates to employment outcomes of men also appears in Blau *et al.* (2000) and Moffitt (2001). Strong evidence on the responsiveness of criminal activity of young black men to market wages appears in Grogger (1998).

workers, and particularly those at the bottom of the earnings distribution (Autor *et al.*, 2005). Furthermore, crime rates dropped precipitously, and other measures of black disadvantage (like residential segregation and associated spatial mismatch in the labor market) showed some modest improvement as well. All else equal, this should certainly have produced rising employment and labor market activity among young blacks – not only relative to that observed in the slack labor markets of the early 1990s (Freeman and Rodgers, 2000), but also relative to the 1970s and 1980s.

But, despite some cyclical improvement in employment rates, the long-term secular decline in employment and labor force activity among less-educated young black men continued, and perhaps even accelerated (Holzer and Offner, *op. cit.*). So what else might have accounted for these trends? My coauthors and I (Holzer *et al.*, 2005) largely attribute these continuing secular trends to two new forces that became much more salient in the 1990s than earlier: 1) The growing percentage of young black men with criminal records; and 2) Work disincentives associated with the child support system.

The rising tendency of young black men to become involved in illegal activities, along with changes in criminal justice policy, have generated a dramatic rise in incarceration rates for this population. These developments have also generated a new phenomenon: a dramatic rise in the prevalence of ex-offenders in the black male population. Absent strong data on this phenomenon, Freeman (2003) has estimated that over 20 percent of the black male population might have criminal records at this point. The rates might well be considerably higher among young men in their thirties and forties, who are most likely to have been incarcerated by the mid-1990s. And, while many of these men recidivate and become reincarcerated after their initial release, ultimately most are released again and eventually age out of serious crime (Travis, 2005).

Regarding men with criminal records, employers are extremely reluctant to hire them – especially into any jobs that require contact with customers, handling cash, or other skills requiring employer trust (Holzer *et al.*, 2004; Pager, 2003). Employer fear of legal liabilities no doubt reinforces this behavior, as do a variety of state laws that prohibit employers from hiring those with criminal records into particular sectors of the economy. Employers increasingly can check criminal records over the internet at little cost, though questions remain about the accuracy of these checks.

And, for employers who do not check backgrounds and have more difficulty distinguishing offenders from non-offenders, there is some tendency to avoid hiring young black men more broadly, in a form of “statistical discrimination” based on a lack of individual-specific information (Holzer *et al.*, 2006). Indeed, such an aversion might well account for Pager’s finding that young black male applicants who do not directly report having criminal records and young white men who do report them are treated similarly by employers. And, though it is not always clear that such employer aversion and discrimination actually reduce observed employment outcomes for the affected

groups, most recent empirical analysis on this subject suggests that it does for young black men.²⁵

Of course, these demand-side factors only reinforce the many supply-side factors that also tend to drive these men out of the labor market – such as their very poor skills, substance abuse problems, lack of informal networks and supports, and personal feelings of discouragement and alienation. With some assistance, many or even most of these men can find some employment – but usually at very low wages and with little hope of advancement. Under these circumstances, rates of job retention are very low and ultimate labor market withdrawal is frequent.

As for the child support system, recent estimates suggest that up to half of all young black men have become non-custodial fathers by their early thirties (Holzer *et al.*, 2005). Of course, the much more strenuous enforcement of child support laws over the past two decades might certainly incent many noncustodial fathers to participate more frequently in the labor market, rather than less; and much depends on the effectiveness of enforcement activities at the state level.

On the other hand, for low-income young men who have fallen into “arrears” on their payments, the “tax rate” on their legitimate earnings is enormous – in fact, up to 50% of their gross earnings. And if some or all of these payments are not “passed through” to their families, the analogy of child support orders to taxes become even more accurate. In these cases, the incentives might be for low-income men to avoid work – especially if they can escape detection and enforcement activities – if their labor supply is responsive to net wages, which it appears to be (as I noted above).

Of course, these explanations seem most convincing for men in their thirties and beyond, and might have little direct relevance to the teens and youth whose behavior has been captured in the NLSY. On the other hand, as these very young men develop expectations of their future labor market prospects, based in part on what they observe among their fathers, uncles, older brothers, and neighbors, their expectations of future success probably become very low; and, if so, their tendency to withdraw from the mainstream world, and to generate a reality of failure, is reinforced.

IV. Conclusion and Policy Implications

²⁵ See Becker (1971) and Heckman (1998) for a discussion of how job applicants of a particular race can avoid discriminating employers and perhaps find sufficient employment opportunities among non-discriminators – assuming that there are sufficient numbers of the latter relative to the former, and that there is sufficient information available to the jobseekers about who they are, and no other barriers limiting their employment options. Of course, each of these conditions is unlikely to hold for ex-offenders, especially among low-income black men. See Holzer (2007) for a review of these arguments and the empirical evidence on this issue. Analysis of data from the NLSY uniformly leads to the conclusion that criminal records impede subsequent labor market success. Analysis of various state-level datasets in which Unemployment Insurance earnings data are merged with incarceration data generate more mixed results, though these efforts are somewhat less convincing than those based on the NLSY.

The analysis above suggests that Daniel Patrick Moynihan was extremely prescient about trends in the employment of young black men beyond 1965. His view at the time was quite pessimistic – he perceived a crisis in employment for this group, and one that would only worsen with time. Subsequent trends have certainly borne out his pessimism, despite the huge gains associated with the Civil Rights movement in the period 1965-75.

Moynihan also understood, and implicitly acknowledged in his report, that observed employment outcomes of young blacks represent a range of factors and their trends on the demand side of the labor market – i.e., those involving employers and their hiring patterns. They also reflect those on the supply side, involving the skills and behaviors of the young men themselves and they responded to these demand trends. He correctly noted the effects of growing employer skill needs (and continuing racial gaps in skills), persisting discrimination, urban segregation, and informal networks on black male employment. And he correctly foresaw growing participation in crime and noncustodial fatherhood in this population, as well as a tendency for young black men to withdraw from the labor market altogether.

On the other hand, neither Moynihan nor anyone else of that time could foresee the extent to which legitimate labor markets would deteriorate for all less-educated young men, and especially black men, in the 1970s and beyond. He also did not foresee the booming of the market for illegal activities, especially the “crack” trade, in the 1980s – and the distortion of incentives to work that would be generated by these developments. Though he predicted growing joblessness and crime over time, the magnitudes of these developments – and the ultimate entanglement of a third of all young black men in the criminal justice system, as well as up to one-half of them in the child support system – no doubt surprised (and depressed) him as well. The “tangle of pathology” that he described for a minority of these young men ultimately became a much broader phenomenon, involving economic rewards and behaviors, and associated attitudes and values, for entire communities.

What does all of this imply for public policy? In the 1960s, Moynihan argued for public jobs programs for less-educated men on a large scale – a recommendation which President Lyndon Baines Johnson largely rejected in formulating his War on Poverty programs.²⁶ Ultimately, he argued for a program of guaranteed annual incomes through a Negative Income Tax, though welfare reform took a very different path in the 1990s. Even job training programs, and especially their public employment components, shrank in scale and scope after the 1970s and have not recovered to date (Spence and Kiel, 2003).

What is now needed, in my view, is a more comprehensive set of policies designed to counter the negative trends in labor force opportunities and behaviors that have come to pass since that time (Edelman *et al*, 2006). The goal of these policies would be to enhance both the perceptions and the reality of greater opportunity for young

²⁶ See, for instance, Rainwater and Yancey (1967).

people, through a variety of pathways to success, which would then encourage more responsible behavior on their part.

This set of policies would begin very early in the life cycle of young black children, and initially seek to counter the “achievement gaps” that develop so early in life for them (Fryer and Levitt, 2004; Ludwig and Sawhill, 2007). These efforts would focus on early childhood interventions and reforms in the K-8 years of school.

But, by the time these young people reach their adolescence and teen years, these policies must seek to enhance their educational and labor market opportunities in ways that the young people themselves can clearly perceive and believe. Such a set of policies would emphasize three goals: 1) Improving their education and early links to the labor market, while helping them avoid early “disconnection”; 2) Improving the incentives of less-educated young men to take available jobs; and 3) Addressing the specific barriers and disincentives faced by ex-offenders and low-income non-custodial fathers.

Improving education and early links to the labor market would require a broad set of community-based youth development and mentoring efforts targeted at adolescents,²⁷ and then a range of options in high school that lead more young people either to higher education, or directly to the labor market, or both. Combining better financial aid policies with other supports might improve the enrollment and completion of college by young blacks (Dynarski and Clayton-Scott, 2007), while expansion of high-quality Career and Technical Education options (like Career Academies and apprenticeships) would generate earlier labor market attachment, especially to firms and jobs that pay better wages and provide careers (Lerman, 2007).²⁸ Greater support for a variety of labor market intermediaries that connect out-of-school youth to training and jobs in higher-paying firms and sectors would help as well, and can be useful for countering employer skepticism about these youth.²⁹ And, of course, school- and neighborhood-based interventions that emphasize personal responsibility would also fit into this package, and would likely be more powerful when young people can clearly perceive some chances of mainstream success if they do not disengage.

No doubt, some young people will continue to withdraw from the labor market and run afoul of the law. For them, improving their incentives to accept low-wage

²⁷ The Harlem Children’s Zone is one fairly large attempt to create a comprehensive set of developmental, educational and employment-oriented efforts for low-income youth. The Youth Opportunities program of the U.S. Department of Labor was another attempt to generate comprehensive policies at the neighborhood level, though this effort was discontinued in 2003.

²⁸ Evaluations of the Career Academies (Kemple, 2004) show that those enrolled ultimately obtained postsecondary education at the same rate as those in the control group, while also having higher employment rates and earnings. The latter gains were especially impressive for at-risk young men.

²⁹ Intermediaries that work with employers to help them meet their labor needs can often provide information about job candidates that might overcome the “statistical discrimination” against black men in which they might otherwise engage; they can also help overcome the weak informal networks and spatial mismatch that limit worker access to these jobs. These activities can be considered complements to more traditional EEO law enforcement. The latter alone is unlikely to successfully counter the growing tendency of young black males to fail to attach to employers in the labor market at all, and to generate the necessary early work experience for successful earnings growth in the first place.

employment – perhaps before but especially after one or more spells of incarceration - would primarily involve an extension of the Earned Income Tax Credit to low-income workers without custody of children, and perhaps other efforts (such as higher minimum wages or more collective bargaining) to raise the wages available for these workers.³⁰

Finally, the kinds of efforts needed to help ex-offenders and non-custodial fathers include greater funding for programs that seek to overcome the many personal barriers that they face, such as “prisoner reentry” and “fatherhood” programs. They also include efforts by states to review and adjust many of their policies on incarceration, legal barriers to employment of those with criminal records, enforcement of antidiscrimination laws for those with records, and child support orders and arrearages among low-income non-custodial fathers.³¹ Generating better incentives for participation for those with huge arrears is particularly important, as the current set of disincentives likely drive underground many non-custodial fathers who are otherwise ready to begin to play more positive roles in the lives of their children.

Such a set of programs and policies would no doubt go well beyond what Moynihan first envisioned in 1965, but are quite consistent with his vision, and how that vision has played out over the past four decades.

³⁰ Various proposals for expanding the EITC to adults without children appear in Edelman *et al.*, Berlin (2007) and Raphael (2007). The positive effects of earnings supplementation on the work effort of young black men was also demonstrated in the New Hope demonstration project (Duncan *et al.*, 2007).

³¹ See Edelman *et al.*, Chapter 6 as well as Travis, *op. cit.* Many of these ideas are incorporated in “fatherhood” legislation that has recently been proposed by Senators Bayh and Obama.

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Table 1
Employment and Unemployment Rates
among Black and White Male Youths, 1964-81

Age	Blacks and Other Nonwhites				Whites			
	1964	1969	1977	1981	1964	1969	1977	1981
Percentage of the Population Employed								
16-17	27.6	28.4	18.9	17.9	36.5	42.7	44.3	41.2
18-19	51.8	51.1	36.9	34.5	57.7	61.8	65.2	61.4
20-24	78.1	77.3	61.2	58.0	79.3	78.8	80.5	76.9
25-54	87.8	89.7	81.7	78.6	94.4	95.1	91.3	90.5
Percentage of the Labor Force Unemployed								
16-17	25.9	24.7	38.4	40.1	16.1	12.5	17.6	19.9
18-19	23.1	19.0	35.4	36.0	13.4	7.9	13.0	16.4
20-24	12.6	8.4	21.4	24.4	7.4	4.6	9.3	11.6
25-54	6.6	2.8	7.8	10.1	2.8	1.5	3.9	4.8

Source: Freeman and Holzer, 1986.

Table 2**Mean Educational and Behavioral Outcomes of Youth: NLSY97**

	Males			Females		
	White	Black	Hispanic	White	Black	Hispanic
High School GPA	2.47	1.86	2.05	2.66	2.18	2.34
ASVAB (Percentile)	57.34	28.14	39.39	58.20	32.01	38.76
Not Enrolled in School (%):						
High School Dropout/GED	13.37	27.60	20.79	12.03	19.00	20.55
Bachelor's Degree	12.81	5.57	3.63	18.15	6.89	5.52
Enrolled in School:						
Four-Year College	17.17	9.66	10.11	18.97	14.40	13.21
Unmarried, Has Children (%)	9.9	30.8	17.9	17.3	47.5	29.6
Ever Incarcerated (%)	7.6	14.8	9.6	2.7	3.1	2.4

Notes:

Samples include respondents ages 22-24 at the time of the interview. Variables measured in Round 8 of the NLSY97, from October 2004 to July 2005. Enrollment is measured in the month of November.

The percentages of young people enrolled and not enrolled in school, including some categories not listed in the table (like those out of school with high school diplomas or some college and those enrolled in two-year colleges), all sum to one. ASVAB score is measured as a percentile of the overall distribution of scores.

Source: Hill *et al.*, 2007

Table 3

**Effects of Household Structure on Outcomes for Young Blacks:
Coefficients From Estimated Regressions Without and With Controls for Parental
Income**

	High School Dropout/GED		Enrolled in 4-year College or Not Enrolled, Bachelor's Degree or More		High School GPA	
	(1)	(2)	(1)	(2)	(1)	(2)
At age 12, sample member lived with (omitted: Two bio parents):						
Mother, Never Married	0.124*** [0.033]	0.088** [0.034]	-0.153*** [0.030]	-0.109*** [0.032]	-0.291*** [0.066]	-0.204*** [0.069]
Mother, Had Been Married, No Spouse in HH	0.110*** [0.030]	0.078** [0.032]	-0.114*** [0.033]	-0.072** [0.035]	-0.130** [0.062]	-0.060 [0.064]
Mother and Her Spouse	0.039 [0.029]	0.021 [0.029]	-0.099*** [0.033]	-0.077** [0.033]	-0.127** [0.062]	-0.093 [0.062]
Father	0.039 [0.053]	0.026 [0.052]	-0.071 [0.059]	-0.056 [0.058]	-0.362*** [0.105]	-0.341*** [0.102]
Other	0.090** [0.039]	0.061 [0.040]	-0.122*** [0.036]	-0.086** [0.037]	-0.060 [0.077]	0.003 [0.078]
Average Family Income Included	No	Yes	No	Yes	No	Yes
Observations	1,964	1,964	1,964	1,964	1,521	1,521
R-Squared	0.155	0.164	0.139	0.152	0.189	0.203
	ASVAB		Unmarried with a Child		Ever Incarcerated	
	(1)	(2)	(1)	(2)	(1)	(2)
At age 12, sample member lived with (omitted: Two bio parents):						
Mother, Never Married	-8.217*** [1.821]	-4.258** [1.816]	0.089** [0.036]	0.055 [0.037]	0.079*** [0.018]	0.073*** [0.019]
Mother, Had Been Married, No Spouse in HH	-7.456*** [1.933]	-3.502* [1.933]	0.144*** [0.036]	0.109*** [0.037]	0.054*** [0.018]	0.049*** [0.018]
Mother and Her Spouse	-3.461* [1.858]	-1.379 [1.789]	0.065* [0.034]	0.045 [0.035]	0.040** [0.016]	0.037** [0.016]
Father	-3.747 [3.323]	-1.479 [3.056]	0.084 [0.066]	0.062 [0.066]	0.047 [0.037]	0.045 [0.038]
Other	-5.356** [2.210]	-2.108 [2.228]	0.107** [0.044]	0.077* [0.044]	0.073*** [0.024]	0.069*** [0.025]
Average Family Income Included	No	Yes	No	Yes	No	Yes
Observations	1,793	1,793	1,960	1,960	2,028	2,028
R-Squared	0.206	0.240	0.110	0.117	0.367	0.368

Notes:

Robust standard errors clustered by family are shown in parentheses. The outcomes are drawn from the variables listed in Table 2; all are dichotomous except for GPA and ASVAB percentile score. Variables are measured in Round 8 of the NLSY97, from October 2004 to July 2005. Average family income is measured from ages 14 to 15 for the 1982-1984 birth cohorts and 16 to 17 for the 1980-1981 birth cohorts. Control variables include respondent's age at Round 8 interview, mother's age when she had her first child, whether mother is an immigrant, number of siblings in the respondent's household at age 16, mother's educational attainment, mother's hours worked, month of Round 8 interview, and respondent's household structure at age 12. Missing data dummies were included for all explanatory variables except for race/gender. Statistical significance is denoted: * $p < 0.10$, ** $p < 0.05$, and *** $p < 0.01$.

Source: Hill *et al.*, 2007

Figure 1
A. Employment Rates of 16-24 Year Olds, 1979-2005

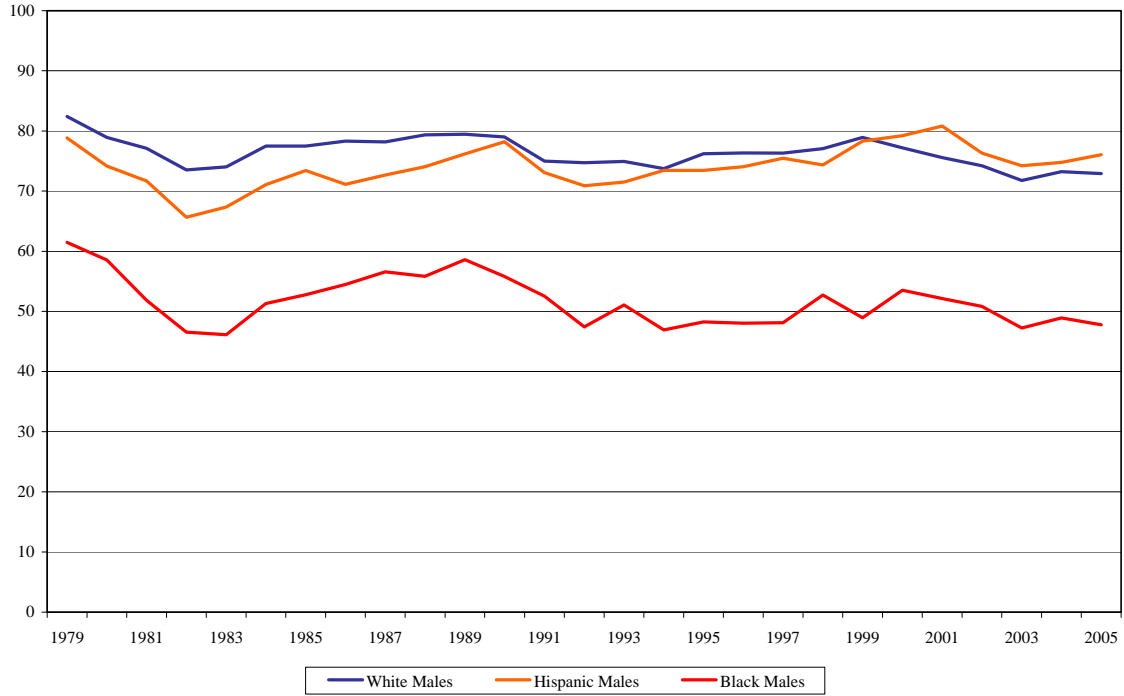
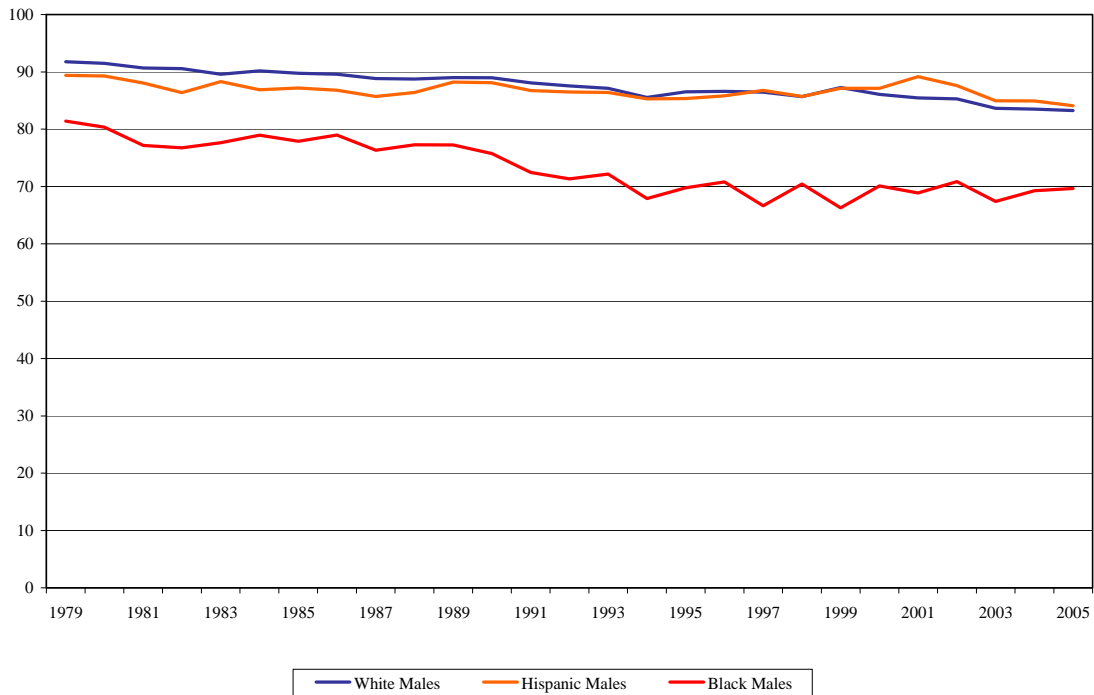


Figure 1
B. Labor Force Participation Rates of 16-24 Year Olds, 1979-2005



Source: Current Population Surveys, Outgoing Rotation Groups, 1979-2005.
 Note: The samples include only those not enrolled in school and with a high school diploma or less.

Figure 2

Labor Demand Shifts and Labor Supply Response

