RECONSIDERING THE DECLINING SIGNIFICANCE OF RACE: RACIAL DIFFERENCES IN EARLY CAREER WAGES*

A. Silvia Cancio
University of Cincinnati

T. David Evans
University of North Carolina at Wilmington

David J. Maume, Jr.
University of Cincinnati

Over a decade ago, Wilson (1980) argued that race was declining in significance as a determinant of economic rewards. In response to his critics, he asserted that young Blacks in the 1970s were closing the earnings gap with their White counterparts; he gave no indication that he thought the trend toward racial parity in earnings would reverse. We tested Wilson's assertion by comparing the net effect of race on hourly wages for two cohorts of young workers. We also decomposed the racial gap in hourly wages into a discrimination component and a nondiscrimination component. Our samples were taken from the Panel Study of Income Dynamics in 1976 and 1985. Contrary to Wilson's proposition, we show that: (1) The effect of race, net of controls, increased during this time, and (2) the proportion of the racial gap in hourly wages due to discrimination (i.e., not explained by racial differences in measured qualifications) increased between 1976 and 1985. We contend that the government's retreat from anti-discrimination initiatives in the 1980s resulted in organizational discrimination against Blacks and contributed to a reversal in the postwar trend toward racial parity in earnings.

"Race relations in America have undergone fundamental changes in recent years, so much so that now the life chances of individual blacks have more to do with their economic class position than with their day-to-day encounters with whites."

—Wilson 1980:1

Perhaps no statement has generated as much controversy among social scientists as Wilson's (above). Wilson claimed that although racial discrimination and segregation inhibited the progress of Blacks in earlier periods, by the 1970s, affirmative action programs had lowered the barriers of racism, enabling skilled Blacks to enjoy enhanced mobility and higher earnings vis-à-vis Whites (Wilson 1980:175–77).

While Wilson (1980) did not deny that aggregate statistics showed an income gap between Blacks and Whites, he claimed that this was primarily due to the "historic effects of racial discrimination by which older Black workers were denied entry into higher-paying white- and blue-collar positions" (p. 176). Among younger Blacks, Wilson (1980:177) insisted that racial barriers to advancement had been largely eliminated, and as better-educated Blacks entered the labor market in competition with Whites, the income disparity between the two groups should diminish.

While Wilson's argument has been subjected to much criticism, empirical analyses of his argument are rare (but see Farley and Allen 1987; Landry 1987). The purpose of this study is to assess temporal changes in the effect of race on earnings among workers in the early stages of their careers. Ac-

* Direct all correspondence to David J. Maume, Department of Sociology, ML 378, University of Cincinnati, Cincinnati, OH 45221-0378 (david.maume@uc.edu). We thank Bill Feinberg, Thomas DiPrete, Sally Kilgore, Steve McNamee, Don Tomaskovic-Devey, the *ASR* Editor, and three *ASR* reviewers for their comments on earlier versions of this paper. [Reviewers acknowledged by the authors include George Farkas and Robert Max Jackson. —*Ed.*]

cording to Wilson, this segment of the labor force should increasingly experience racial parity in labor market outcomes, especially workers with high levels of education.

THEORETICAL ISSUES

Drawing on historical sources, Wilson (1980) argued that the emergence of a Black middle class was a result of the northward migration of Blacks earlier in this century. Before World War II, the expansion of manufacturing industries in the North, combined with increased opportunities for government employment, enabled Black migrants from the South to obtain permanent, high-paying jobs. However, when manufacturing jobs began moving from cities to the suburbs in the 1950s, later Black migrants were deprived of the job opportunities enjoyed by their earlier counterparts. The growth of the service sector in cities failed to make up for the loss of manufacturing jobs, as service jobs were either low-paying jobs in personal service industries or high-skilled jobs in business and professional services. Consequently, the racial gap in unemployment grew during the 1950s, leading to the emergence of the Black "underclass" in the 1970s. Wilson (1980, chap. 7) further argued that while affirmative action and equal employment opportunity legislation opened doors for talented and educated Blacks, these policies did little for Black residents in central cities victimized by the loss of manufacturing jobs. As a result of these dynamics, there are now two groups of Black Americans: A cluster of poorly educated, unemployed, and immobile Blacks living in our nation's inner cities, and a group of better-educated, more suburbanized, and more affluent middle-class Blacks that are rapidly reaching parity with their White counterparts. Wilson concluded that the life chances of individual Blacks, then, are determined more by socioeconomic class than by race.

Because Wilson's thesis is rooted in an analysis of institutional change over time, it is difficult to operationalize and test his argument. Thus, critics have taken varied approaches in finding fault with the notion of a declining significance of race, and Wilson thinks some of the approaches unfairly portray his position.

Some critics have questioned Wilson's narrow focus on the economy. Payne (1989:127–28) asserted that Wilson is an economic determinist who has failed to consider how racism in noneconomic contexts maintains racial inequality in the economy. Other critics sought to measure the subjective consequences of being Black (Austin and Stack 1988; Herring 1989). For example, Thomas and Hughes (1986) found that racial differences in perceptions of the quality of life were unchanged between 1972 and 1985. Farley and Allen (1987) focused directly on racial differences in employment and income and found mixed evidence in support of Wilson (1980). Between 1960 and 1980 the earnings of Black employed workers converged with those for Whites, but joblessness increased much faster among Blacks (Farley and Allen 1987:355–56). Finally, Collins (1983, 1989) challenged Wilson by arguing for an understanding of the precarious position facing the Black middle class. Collins (1983) asserted that because "the black middle class's economic opportunities depend more heavily on political tides than on economic trends, . . . [they are] overly incorporated into racially oriented jobs in positions heavily dependent on federal funds" (p. 369).

In response, Wilson (1989:26–29) denied that he was arguing that race is *unimportant.* Although he fully acknowledged the importance of residential, social, and educational discrimination, which feeds back into the economic sector, he contended that this process is more burdensome for poor Blacks than for privileged Blacks. Similarly, Wilson (1989:36) discounted evidence on racial differences in perceptions of the quality of life, contending that his theory does not attempt to account for these dynamics. For Wilson, the best evidence of a "declining significance of race" is found in the consolidation of the material gains of middle-class Blacks who would be reluctant to trade places with their inner-city counterparts.

When comparing skilled Blacks to skilled Whites, Wilson (1989) remained firm in his conviction that young Blacks would improve their relative situation:

> There is compelling evidence that young black male college graduates now receive roughly the same salaries as young white men with college degrees. Data from the 1970 Census of Popula-

> tion show that in 1969 black male graduates ages twenty-two to twenty-four received a slightly higher average income than comparable whites; and more recent findings from the 1973 Current Population Survey show that black men with college degrees in the twenty-five to twenty-nine age category earned close to $1,000 more than their white counterparts. (P. 28)

Wilson (1989:29) maintained that aggregate Black/White earnings comparisons are invalid because older Blacks presently earn less than Whites because of past discriminatory practices. Thus, we conclude that comparing the salaries of young workers is the most appropriate test of the significance of race in the modern labor market.

We contend, however, that Wilson may be wrong because he failed to anticipate a period effect. In the early 1970s, corporate and national concern over racial issues was stimulated by the passage of the Civil Rights Act in 1964. Consequently Blacks may have received higher earnings at that time. Now, many White Americans believe that racial problems have been solved and enforcement of anti-discrimination laws has weakened (Burstein 1985). Thus, a more recent sample may contradict Wilson's claim of continued progress toward parity.

We examine hourly earnings for a cohort of young workers in 1976 and for a comparable cohort in 1985. If Wilson is correct and race has declined in significance, the net effect of race on hourly wages in 1985 should be lower than the net effect in 1976.

DATA AND VARIABLES

Sample

The Panel Study of Income Dynamics (PSID) (Institute for Survey Research 1988) was used to draw two samples of individuals ages 25 to 33: one in 1976 and one in 1985. Respondents in both samples were either household heads or spouses; other adult household members were excluded from the sample because the PSID failed to ask extensive questions about their labor force situations.

Selecting young people is consistent with Wilson's contention that young Blacks entering the labor market after the mid-1960s should not suffer from discriminatory practices. PSID respondents who were 25 to 33 years old in 1976 entered the labor market after the passage of Civil Rights legislation in 1964 and do not appear in the 1985 cohort with which they are compared.

We selected the survey years of 1976 and 1985 for two reasons. First, data for wives are incomplete in the early years of the PSID. In the 1976 survey year, the PSID made a concerted effort to measure the labor force participation of women. Second, some of the questions asked in 1976 (e.g., training time and supervisory authority) were repeated in 1985 but not in later years.

The number of respondents who met the initial age restriction was 2,337 in 1976 and 3,420 in 1985, but several additional selection criteria were imposed on the sample. First, most people in the PSID are either "Black" or "White." By its own admission, the PSID does a poor job of representing Asians and Hispanics (although a Latino subsample was added in the 1990 survey year; Hill 1992). Because the focus of our analysis is on Black/White differences in earnings, 156 "Spanish-American" or "other" individuals were excluded from the sample.

Part-time and full-time workers were included in the sample, but we excluded 515 respondents in 1976 and 676 respondents in 1985 who did not earn any income in those years. (See Hauser 1980 for a discussion of how nonearners can distort the results of earnings attainment models.) Although Blacks constituted 37 percent of the 1,191 nonearners, their exclusion from the sample increases the likelihood of finding support for Wilson's argument.

Third, we deleted 254 exclusively self-employed respondents because they do not experience discrimination in pay; respondents who combined self-employment with wage labor were retained.[1] After implementing sample restrictions and deleting 344 missing or outlier cases (see below), working samples of 1,563 in 1976 and 2,249 in 1985 were obtained.

[1] To test the robustness of our findings, however, we reestimated the models shown in Table 2 including the self-employed. Self-employment status had a significant negative effect on wages, but its inclusion did not change the results presented in Table 2.

Hourly Wage

The dependent variable in this analysis is hourly wage, calculated as the ratio of annual earnings to annual hours worked.[2] The denominator of this measure is the product of weeks worked in the year and the average number of hours worked per week. The numerator excludes unearned income originating from government transfer payments, gifts or loans from family and friends, and bonus income (information on bonus income was asked only of men).[3] The effect of inflation on wages was removed by multiplying the measure by the Consumer Price Index (U.S. Bureau of the Census 1991, table 764), producing an hourly wage variable expressed in constant 1983 dollars. The dependent variable was logged to correct for the rightward skew in its distribution.[4]

Predictor Variables

Discrimination against Blacks will be inferred from the size and significance of the race coefficient after controlling for other relevant predictors of the hourly wage. However, any correlates of wages that are endogenous to the discrimination process (e.g., respondent's occupation and industry, union membership, access to supervisory positions, etc.) should be excluded from the models to allow the race variable to reflect their influences (in reduced form) on earnings. Doing so assumes that race differences in labor market position are a result of employer actions rather than worker preferences. Although some researchers believe that women are more likely than men to avoid physically challenging jobs and to favor jobs with less stress at lower pay (Filer 1989; but see Jacobs and Steinberg 1990), we are unaware of any research that shows that Black men are more likely than White men to prefer jobs or industries that pay less. Therefore, we delete from the wage attainment models the demand-side predictors of wages, thus allowing the race coefficient to capture the effects of discrimination in allocation to good jobs.

The human capital perspective dominates economic thinking on wage attainment. Proponents claim that workers are paid according to the quantity and quality of the skills they bring to the labor market (Becker 1964). Moreover, economists report that the returns to worker skills increased in the 1980s (Murphy and Welch 1993), making it necessary to control for differences in human capital so as to accurately infer differential treatment of Blacks in the labor market.

Years of education completed is the best measure of skills brought to the labor market. *Educational attainment* was measured by four binary variables: high school dropout, some college, college degree, and graduate or professional degree (high school graduate is the suppressed category).

Workers can also differ in their accumulated general skills acquired through previous work experience, and in specific skills of value to their current employers. Respondents in the PSID were asked how many months they had worked for their present employer and how many years they had worked for pay since age 18. Responses to the former question were converted to *years with employer*. The measure controls for the accumulation of firm-specific skills. The difference between years of adult work experience and years with current employer provided a measure of *years of previous work experience*.[5]

[2] In the PSID surveys, income data are for the previous calendar year. Thus, the income figures for 1976 and 1985 were taken from the 1977 and 1986 survey years, respectively.

[3] Forty-seven respondents had a wage that either fell below $1.00 per hour or exceeded $60.00 per hour. Such cases were treated as outliers and were deleted from the analysis. The findings reported in Table 2 were similar to results from reanalyses in which outliers were defined as wages less than $2.50 per hour or more than $50.00 per hour.

[4] The log of the reported hourly wage produces a dependent variable that approximates a normal distribution, which has implications for testing Wilson's argument. If Blacks are less likely than Whites to be located in the right tail of the income distribution, logging wages reduces the degree of racial disparity. Reanalyses of models using annual earnings as the dependent variable and including hours worked as a predictor produced results similar to those reported in Tables 2 through 4.

[5] Approximately 8 percent of respondents had a negative value for years of previous work experience, indicating possible recall error in the two

Respondents were also asked how many months it took a person to be fully trained to do their current job (the measure was divided by 12 to get a figure in years). This variable, *years of training*, is regarded by human capital proponents as a measure of skill that resides in the worker (Oakley 1954); workers with high values on this measure have more skills than workers with low values.[6]

Regarding the quality of a worker's skills, we controlled for health, parent's education, and being educated in the South. Because a worker's physical capability is treated as a human capital characteristic (Becker 1964), we gave a score of 1 to respondents who said they had *health problems that limited their capacity to work*; 0 otherwise.

Educational attainment is seen as an accurate measure of a person's stock of cognitive skills. Given the variety of schooling experiences, however, educational attainment may inadequately capture race differences in reading and computing skills. O'Neill (1990) found that scores on standardized tests explain two-thirds of the wage gap between Black men and White men, which she attributed to differences in family background and quality of schooling that are embodied in measures of cognitive skills.

Although the PSID lacks a measure of IQ or other standardized test scores, it does contain measures of factors that determine test scores. For example, parent's education is a strong determinant of performance on tests (Flynn 1980). The PSID asked respondents to report how much *education their mothers and fathers received*; the higher of these two scores was taken as a measure of parental expectations for the respondent's educational achievement. Respondents were also asked to indicate region of residence while growing up. Those who grew up and were *schooled in the South* received a 1 on a binary variable; 0 otherwise. Smith and Welch (1989) suggest that one reason for the declining racial gap in wages between 1940 and 1980 was Black outmigration from the South to better school environments in the North.

We also controlled for cost-of-living differences in labor markets (which affect pay) by entering binary controls for residence in the *South* or in a *metropolitan area*. In addition, we controlled for a number of family-related variables that may affect earnings (Rosenfeld 1980) including, *marital status* (1 = married), *number of children under 18 living in the household*, and a binary variable for *presence of a preschool age child*.

Finally, 246 women and 98 men were unemployed at the survey date but received income later during the year. Rather than deleting these cases because of missing data, their values were recoded to the mean (broken down by sex, race, and year) on the work experience, tenure, and training time variables. A dummy variable, *employed at the survey date*, was entered into the model to control for assignments on these predictors.

Middle-Class Analyses

A proper test of the "declining significance of race" thesis might depend on testing for racial parity in earnings among the middle class. Although Wilson (1980) clearly considers educational attainment a criterion for defining the Black middle class, he also views class through "Weberian lenses" in which the middle class is defined as "consisting of those in white-collar jobs and in the skilled craft and foremen positions" (p. 156). Although the PSID provides information on one-digit occupation codes for re-

variables used to calculate this measure. Rather than deleting these cases, values between 0 and –2 were assigned a score of 0; values less than –2 were deleted. Two-thirds of the negative values on pre-employer experience were between 0 and –1; 80 percent were between 0 and –2. We tested for a nonlinear relationship between years of previous experience and hourly wage by including a squared term for experience in our models. The nonsignificant effect of this term is consistent with the age distribution of the sample in which workers have not yet reached their earnings peaks.

[6] Sociologists regard this variable as a measure of firm-specific skills that reside in jobs (Spenner 1983). Employers select workers for jobs that entail long training times; such jobs usually pay a higher wage. If there is racial discrimination in access to jobs with long training times, inclusion of this variable in a wage attainment equation will reduce the size of the race coefficient. While we are sympathetic to the sociological position regarding this variable, we include it in our models to maximize the predictive power of the human capital perspective.

Table 1. Weighted Means and Standard Deviations for Variables Used in the Analysis, by Gender, Year, and Race: Panel Study of Income Dynamics, 1976 and 1985

	Women				Men			
	1976		1985		1976		1985	
Independent Variable	Black	White	Black	White	Black	White	Black	White
Hourly wage (unlogged)	7.05	8.80	6.20	7.61	8.53	11.01	7.69	10.35
	(3.92)	(5.80)	(3.46)	(4.20)	(4.59)	(4.83)	(3.96)	(4.99)
Hourly wage (logged)	1.84	1.98	1.71	1.88	2.09	2.33	1.89	2.25
	(.54)	(.62)	(.56)	(.56)	(.54)	(.47)	(.55)	(.49)
Married (= 1)	.55	.73	.41	.68	.53	.83	.51	.70
	(.50)	(.44)	(.49)	(.47)	(.50)	(.38)	(.50)	(.46)
Number of children	1.76	1.26	1.48	1.18	1.09	1.23	.99	1.04
	(1.60)	(1.18)	(1.22)	(1.11)	(1.43)	(1.13)	(1.23)	(1.10)
Preschool child (= 1)	.42	.38	.41	.44	.42	.50	.41	.44
	(.49)	(.49)	(.49)	(.50)	(.49)	(.50)	(.49)	(.50)
Resides in SMSA (= 1)	.74	.67	.73	.57	.84	.68	.75	.55
	(.44)	(.47)	(.44)	(.50)	(.38)	(.47)	(.43)	(.50)
Resides in South (= 1)	.51	.30	.61	.26	.48	.29	.58	.26
	(.50)	(.46)	(.49)	(.44)	(.50)	(.45)	(.49)	(.44)
High school dropout (= 1)	.23	.12	.15	.10	.25	.11	.18	.13
	(.42)	(.32)	(.36)	(.30)	(.43)	(.31)	(.38)	(.34)
Some college (= 1)	.19	.21	.31	.27	.23	.22	.29	.24
	(.39)	(.41)	(.46)	(.44)	(.42)	(.41)	(.45)	(.43)
Bachelor's degree (= 1)	.09	.19	.11	.18	.10	.25	.10	.23
	(.29)	(.39)	(.31)	(.38)	(.30)	(.50)	(.30)	(.42)
Graduate degree (= 1)	.01	.08	.01	.06	.01	.09	.01	.05
	(.10)	(.27)	(.10)	(.24)	(.10)	(.29)	(.10)	(.22)
Schooled in South (= 1)	.62	.27	.62	.21	.67	.28	.64	.18
	(.49)	(.44)	(.49)	(.41)	(.47)	(.45)	(.44)	(.38)
Parent's years of school	9.65	11.90	10.45	12.50	10.23	11.59	10.48	12.69
	(3.26)	(3.35)	(2.79)	(2.95)	(3.05)	(3.02)	(2.99)	(2.85)
Years of previous experience	4.38	4.84	5.40	5.67	5.07	5.49	6.14	5.93
	(2.98)	(2.98)	(3.79)	(3.16)	(3.42)	(3.45)	(3.55)	(3.74)
Years worked for employer	3.44	3.22	4.10	3.97	3.71	4.61	4.58	5.20
	(2.48)	(2.62)	(3.33)	(3.25)	(2.99)	(3.46)	(3.71)	(3.93)
Health limits work (= 1)	.02	.06	.04	.09	.09	.07	.06	.06
	(.14)	(.24)	(.20)	(.29)	(.29)	(.26)	(.24)	(.24)
Years training	.60	.97	.41	.97	.62	1.95	.78	1.84
	(.88)	(1.25)	(1.03)	(1.38)	(1.05)	(1.94)	(1.26)	(2.02)
Employed at survey (= 1)	.83	.82	.89	.84	.90	.95	.88	.94
	(.38)	(.38)	(.31)	(.38)	(.30)	(.22)	(.32)	(.24)
Number of respondents	243	439	445	665	257	624	395	744

spondents, we were reluctant to estimate wage equations for the middle class as defined by Wilson. Selecting middle-class respondents could pose a problem for assessing labor market discrimination if *access* to good jobs (as opposed to unequal pay in the same job) is the primary reason why Blacks earn less than Whites. Confining the analysis to workers who have desirable jobs may show racial parity in earnings for those Blacks who have scaled a major barrier responsible for lower earnings.

Table 2. Partial Effect of Race from Regression of (ln) Hourly Wage on Selected Independent Variables, by Year, Gender, and Education: Panel Study of Income Dynamics, 1976 and 1985

	1976			1985			
	N	b	S.E.	N	b	S.E.	t [a]
Total Sample							
Women	682	.040	.049	1,110	.060*	.035	.33
Men	881	.109*	.041	1,139	.148*	.034	.73
12 or More Years of Education							
Women	562	.044	.056	973	.048	.038	.06
Men	723	.014	.046	953	.130*	.038	1.94*
13 or More Years of Education							
Women	262	−.081	.094	517	.012	.051	.87
Men	382	−.087	.073	519	.048	.053	1.50

[a] Research hypothesis for t-test is that 1985 slope exceeds 1976 slope.

*$p < .05$ (one-tailed tests)

Rather, we operationalized the Black middle class using respondents' educational credentials. Although Blacks may experience discrimination in the school system, our goal is to assess employer discrimination in the labor market. Presumably, educational attainment is a factor over which employers have little control. Thus our model is reestimated for two subsets of the main sample: (1) high school graduates and beyond (a group that is likely to exclude the "underclass" in Wilson's theory) and (2) those who attended college. (A subsample of college graduates cannot be created because of an inadequate sample size in 1976.)

RESULTS

Pooled Analysis

Table 1 displays means and standard deviations for variables used in the analysis, by race, gender, and year (statistics for the two subsamples are available on request).[7] Initially, we pooled Blacks and Whites in a regression analysis and estimated the determinants of the log of hourly wage. In most cases, the coefficients had significant effects on wages that were consistent with findings from previous research (complete regressions are available on request). Because our interest lies in the size and significance of the race coefficient, Table 2 summarizes the net impact of race on hourly wages.

Wilson's argument is supported if the race coefficients in 1985 are *smaller* than the 1976 coefficients, suggesting a declining significance of race. Among all workers in

[7] The PSID samples contain both original PSID members and nonsampled individuals who enter the survey, usually through marriage or cohabitation. The probability of selection into the PSID is known for original sample members, but is unknown for nonsampled individuals (and is set to 0 by PSID staff). Becketti et al. (1980), however, found no differences between original and nonoriginal sample members on many social and economic characteristics. Even so, weights are available in the PSID for the production of point estimates of population parameters. Unfortunately, the social sciences have not yet reached a consensus on the utility of weighting in a multivariate analysis. Some scholars contend that a properly specified model will produce the same results irrespective of the decision to weight; others argue in favor of weighting, but the behavior of standard errors is in some doubt if the weight variable interacts with other variables in the model (Hill 1992). We display weighted descriptive statistics in Table 1, but estimate the regression models in Table 2 using unweighted data. When Table 2 was reestimated using the PSID weights, results were similar to those displayed in Table 2. In addition, we tested for the difference in slopes between original and nonoriginal sample members and concluded that the slopes were similar for the two groups. (These supplemental analyses are available on request.)

1976, White men earned 10.9 percent more than Black men after adjustments for control variables; by 1985 the White male advantage over Black men grew to 14.8 percent.[8] Although the difference in slopes between 1976 and 1985 is not statistically significant, the fact that the slopes do not *decrease* significantly over time is contrary to Wilson's theory. Among women, race is significant in 1985: White women earn 6 percent more than Black women net of controls. The smaller race effects for women may result from women being more likely than men to suffer from occupational crowding (Bielby and Baron 1986; Reskin and Hartmann 1986; England 1992). If the occupational distributions of White women and Black women are more similar than those for Black men and White men, the racial disparity in earnings for women will be reduced.

There is no evidence that the acquisition of educational credentials protects Blacks from unequal treatment in the labor market. Among men holding at least a high school diploma, the effect of race net of controls increased from 1.4 percent to 13 percent between 1976 and 1985, a significant increase. Women with a high school diploma or more do not show a significant effect of race on hourly wage for either year. For men and women with some college training, race does not significantly affect hourly wage. In sum, Table 2 shows that race remains a salient predictor of hourly wages for men. Further, although tests for the increase in the effect of race fail to reach statistical significance, the fact that the race slopes *do not decline significantly* is of substantive importance to Wilson's theory.[9]

For theoretical and policy reasons, it is important to determine how much of the race gap in hourly wage is a result of race differences in the characteristics people bring to the labor market relative to race differences in the *evaluation* of those characteristics. If the proportion of the race gap in hourly wage due to differential evaluations *declined* over time, this would support the notion of a declining significance of race. To assess the relative contribution of race differences in intercepts and slopes (evaluations) and means (characteristics) to the race differences in hourly wages, we estimate separate regressions for Blacks and Whites.

Decomposition of the Wage Gap

Table 3 displays the metric effects on the log of hourly wage by gender, year, and race (complete results are available on request). Table 3 shows that in many instances the slopes for Blacks exceed those for Whites. Because Blacks have lower wages than do

[8] Halvorsen and Palmquist (1980) contended that in semilogarithmic wage equations the metric effect of a dummy predictor should *not* be interpreted as a percentage change in the dependent variable. They show instead that the percentage change is 100 $[(e^b) - 1]$, where b is the slope for the dummy variable. They note, however, that as the coefficient for the dummy variable approaches 0, the difference between their conversion formula and the original interpretation of the slope as a percentage change in the log of hourly wage decreases. Interested readers may apply the Halvorsen and Palmquist conversion formula to Tables 2 and 3, but we interpret the coefficient for race as a percentage change in the log of hourly wage because it is more familiar to readers.

[9] We reestimated the wage models adding demand-side predictors, including four dummy variables for occupation (*professional and technical*, *managerial*, *sales*, and *clerical*), two controls for industry (one variable for employment in the *manufacturing sector*, and another for employment in the *public sector*), a binary control for *union membership*, and two controls indicating position in the authority hierarchy (a binary variable, *task supervisor*, if the respondent supervised others, and a binary variable, *sanctioning supervisor*, if the respondent supervised others and determined pay and promotion opportunities for subordinates). Controlling for these demand-side predictors of hourly wage produced results similar to those shown in Table 2. In the full sample, the race effect favoring Whites was significant in all cases except for women in 1976, but the test for the 1976 to 1985 difference in slopes failed to reach statistical significance. Among those with 12 or more years of schooling, being White significantly increased the hourly wage for men in 1985, but the t-test for change in slopes between 1976 and 1985 dropped below the threshold for statistical significance (whereas it is significant in Table 2). For respondents with some college, race had no significant effect on hourly wage in 1976 and 1985. (Results of these analyses are available on request.)

Table 3. Metric Coefficients from Regressions of Hourly Wage (log) on Selected Independent Variables, by Gender, Year, and Race: Panel Study of Income Dynamics, 1976 and 1985

	Women				Men			
	1976		1985		1976		1985	
Independent Variable	Black	White	Black	White	Black	White	Black	White
Married (= 1)	.009	−.101	.027	.030	.006	.070	.152*	.036
Number of children	.007	−.046	−.061*	−.038	−.022	.013	.015	−.020
Preschool child (= 1)	−.017	−.046	.103*	−.001	.074	.002	−.044	.046
Resides in SMSA (= 1)	.152*	.055	.025	.126*	.160*	.138*	.060	.105*
Resides in South (= 1)	−.240*	−.080	−.102	−.037	−.102	−.121*	−.119	.035
High school dropout (= 1)	−.052	−.161	−.217*	−.248*	−.194*	.081	−.126*	−.136*
Some college (= 1)	.204*	.124	.084	.152*	.295*	.069	.129*	.050
Bachelor's degree (= 1)	.560*	.305*	.275*	.268*	.203	.243*	.241*	.213*
Graduate degree (= 1)	.543*	.408*	.613*	.328*	.063	.357*	.314	.179*
Schooled in South (= 1)	.138	.038	−.102	−.027	.035	−.025	−.041	−.128*
Parent's years of school	.015	.008	.016*	.001	.016	−.004	.009	.006
Years of previous experience	.015	.016	.016*	.016*	.029*	.006	.014	.018*
Years worked for employer	.069*	.063*	.053*	.051*	.054*	.040*	.043*	.044*
Health limits work (= 1)	.072	−.205	.030	−.047	−.015	−.149*	−.143	−.180*
Years training	.055	.031	.047	.054*	.039	.018*	.071*	.041*
Employed at survey (= 1)	.403*	.292*	.417*	.418*	.358*	.262*	.451*	.399*
Intercept	.856*	1.384*	.960*	1.063*	1.066*	1.639*	1.031*	1.266*
R^2	.434*	.304*	.365*	.324*	.285*	.200*	.291*	.244*
Number of respondents	243	439	445	665	257	624	395	744

* $p < .05$ (two-tailed tests)

Whites, but in many cases have higher returns, it is clear that race affects the hourly wage through a race penalty. This is manifested in the larger intercepts for Whites compared to those for Blacks.

Using the slopes from Table 3 and the means from Table 1, the race gap in hourly wages is decomposed using the following formula (Jones and Kelley 1984:330):

$$Y_w - Y_b = (a_w - a_b) + \sum(b_w - b_b)X_w + \sum(X_w - X_b)B_b, \quad (1)$$

where the subscripts w and b refer to White and Black, respectively, Y is the mean of log wage, a is the y-intercept, b is the slope, and X is the mean of a predictor. The first term on the right is the portion of the wage gap due to "group membership." The second term is that part of the wage gap that is due to differences in rates of return. Because the *relative size* of the first and second terms is affected by the choice of underlying metrics in the predictors, but the *sum* of the first two terms is not affected by measurement choices (Jones and Kelly 1984:334–35), we combine the "group membership" term and "returns" term into a "discrimination" component which is shown in Table 4. This assumes that the part of the wage difference due to group membership reflects discriminatory processes.[10]

The third term is that part of the wage gap that is due to "nondiscriminatory" differences in worker characteristics brought to the

[10] An alternative explanation for racial differences in y-intercepts could be measurement error in the predictors, although we sought to operationalize our predictors in a manner consistent with prior research.

Table 4. Decomposition of the Race Difference in Log of Hourly Wage, by Year, Gender and Education: Panel Study of Income Dynamics, 1976 and 1985

Sample and Decomposition Component	White Females minus Black Females		White Males minus Black Females		White Males minus Black Males	
	1976	1985	1976	1985	1976	1985
Total Sample						
Difference in log of hourly wage	.142	.170	.485	.537	.241	.351
Percent due to nondiscrimination component	97	118	81	68	81	74
Percent due to discrimination component	3	−18	19	32	19	26
12 or More Years of Education						
Difference in log of hourly wage	.110	.156	.400	.509	.105	.325
Percent due to nondiscrimination component	138	125	99	73	111	81
Percent due to discrimination component	−38	−25	1	27	−11	19
13 or More Years of Education						
Difference in log of hourly wage	—	.156	—	.451	—	.275
Percent due to nondiscrimination component	—	197	—	98	—	89
Percent due to discrimination component	—	−97	—	2	—	11

labor market. To the extent that the Black disadvantage on some independent variables reflects employer discrimination against Black workers (e.g., Blacks have lower means on years of work experience, job tenure, and training time), our estimate of the discrimination component (the sum of the first two terms in equation 1) in race differentials in the hourly wage is too low. If specification or measurement error affects the predictors such that Blacks have lower means on some unmeasured qualifications, or qualifications are measured with substantial error, the estimate of the discrimination component will be too high. Nevertheless, the size of the third, or "means" component indicates the expected gap between Black wages and White wages if Blacks entered the labor market with characteristics similar to those of Whites.[11]

Table 4 summarizes the results of the wage decomposition by gender, year, and subsample. For purposes of comparison, the hourly wage of Black women is decomposed relative to the hourly wage of White women and White men. To simplify the presentation, the nondiscrimination (means) and discrimination components are expressed as percentages of the total wage gap.

Looking first at the total sample, the wage gap between Black and White women grew slowly from .142 to .170 between 1976 and 1985. The percentage of the wage gap due to discrimination declined from 3 percent in 1976 to −18 percent in 1985. The comparison between White women and Black women offers some support for Wilson's proposition that discrimination against Blacks has declined. But because White women also experience discrimination in the labor market, the appropriate reference group for Black women may be White men (McGuire and Reskin 1993).

The size of the White male/Black female difference in the log of hourly wage rose from .485 to .537 between 1976 and 1985; the gap between White and Black men grew from .241 to .351 over this time. Important for Wilson's argument is the finding that the percentage of the wage gap due to differences in coefficients and the intercept (the discrimination component) increased from 19 to 32 percent for successive cohorts of Black women, and from 19 to 26 percent for successive cohorts of Black men. Although the "discrimination" component of the wage

[11] We do not estimate a separate "interaction term," defined as the change in the wage gap resulting from *simultaneously* changing endowments and returns (Iams and Thornton 1975). If Black workers earn less than the appropriate rate of return on their endowments, it is appropriate to allocate the interaction term to the returns component in equation 1 (Jones and Kelly 1984:339).

gap between Black women and White men reflects *both* race and gender discrimination and their interaction, these findings cast doubt on the idea that race was declining in significance over this time.

Results for those with at least a high school diploma are similar to those for the total sample. The role of discrimination increased as an explanation for the growing wage gap between White men and Blacks. Unfortunately, there were too few Blacks with some college experience in 1976 to decompose the race difference in hourly wage in that year. However, 11 percent of the gap in mean hourly wage for men in 1985 is due to the discrimination component. Almost the entire wage gap (98 percent) between highly educated Black women and White men is accounted for by differences in worker quality (the nondiscrimination component).[12]

DISCUSSION

The long-run trend toward unity in the ratio of Black wages to White wages has drawn the attention of social scientists (Smith and Welch 1989). In the 1980s, however, the ratio of Black wages to White wages decreased, especially among workers ages 25 to 34 (Levy and Murnane 1992). Explanations for this reversal concentrate on two related factors: (1) declining demand for manufacturing workers as a consequence of industrial change, and (2) rising returns to skills in an increasingly service-oriented economy (Murphy and Welch 1993).

Both of these trends negatively affected the earnings of Blacks. Young workers bear the brunt of the decline in manufacturing because union contracts and firm practices protect workers with the most seniority (i.e., older White men). Kletzer (1991) found that Black workers were concentrated in industries that suffered the most displacement between 1979 and 1986 and that such workers were less likely to reenter manufacturing industries following a spell of unemployment. In the 1980s, if young Blacks were more likely than young Whites to move from high-wage manufacturing jobs to low-wage service jobs, the racial disparity in earnings would increase.

Economists also emphasize that industrial change increased the demand (and thus the wages) for skilled workers. After falling during the 1970s, the wage premium associated with educational credentials rose during the 1980s. Curiously, however, wage inequality also rose *within* educational categories during the 1980s, suggesting that differences in the *quality* of education (in which Blacks may be at a disadvantage) were becoming important determinants of wages (Levy and Murnane 1992). In addition, some have suggested that changes in industrial composition toward a service economy resulted in employers rewarding those with interpersonal skills, such as the ability to mentor and supervise workers (Howell and Wolff 1991).

These explanations cannot completely account for the increase in racial wage inequality in the 1980s. Regarding industrial change, Blackburn, Bloom, and Freeman (1990) estimated that no more than 30 percent of the widening racial gap in earnings in the 1980s can be attributed to changes in industrial and occupational structure (see also Levy and Murnane 1992:1331). Regarding Black-White differences in skill quality, scores on achievement tests show a steady narrowing of racial differences in reading and computing skills at precisely the time when the racial disparity in wages was rising. For example, Jaynes and Williams (1989:349–50) showed that the racial disparity on reading tests declined in the early 1980s, as did the racial difference in SAT scores. Finally, while interpersonal skills may be valued by employers, we are skeptical that large racial differences in these skills are responsible for the rising levels of racial inequality in earnings.

[12] The introduction of the demand-side variables did not alter the pattern of findings shown in Table 4. Eleven percent of the wage gap between Black women and White men in 1976 was attributable to discrimination; by 1985 this figure had increased to 38 percent. For men, the percentage of the wage gap due to unequal treatment in the labor market increased from 33 percent in 1976 to 40 percent in 1985. When the analysis is restricted to those who have achieved at least a high school diploma, the part of the wage gap due to discrimination again increases over time. For Black women the discrimination component goes from –7 percent in 1976 to 32 percent in 1985; for Black men the figures are 0 in 1976 and 32 percent in 1985. (These analyses are available on request.)

In developing his argument on the declining significance of race, Wilson emphasized (in addition to white-collar job growth) the passage of equal-opportunity legislation and government support for affirmative action as factors that facilitated Black economic progress vis-à-vis Whites. If government support for these initiatives could enhance Black mobility in the 1960s, it is reasonable to assume that government retreat from these programs in the 1980s would result in larger differences in earnings between Blacks and Whites (Collins 1983). There is some support for this proposition.

Racial Discrimination in the 1980s

Title VII of the 1964 Civil Rights Act, along with its enforcement agency, the Equal Employment Opportunity Commission (EEOC), is the centerpiece of federal anti-discrimination efforts. The EEOC was criticized in the past for being understaffed, underfunded, and erratic in its enforcement of Title VII (Burstein 1985:171). Nevertheless, by filing suits against large companies, the EEOC established legal precedents that affected business operations across the nation. Leonard (1984) demonstrated that members of protected groups increased their employment shares in firms targeted by EEOC law suits. Between 1964 and 1981, more than 5,000 cases under Title VII were decided in federal courts and these were only "the tip of an iceberg that includes cases settled out of court or decided in state courts" (Leonard 1990:60).

The Reagan Administration relaxed enforcement of anti-discrimination laws by weakening the EEOC. A congressional probe of the agency in 1988 showed that thousands of cases were backlogged owing to inadequate resources to pursue litigation (Novak 1990). When cases were pursued, the EEOC was accused of closing cases before investigations were completed and key witnesses were interviewed (Pear 1991). Even though the number of suits filed by the EEOC rose in the 1980s, monetary damages awarded to claimants declined by 40 million (nominal) dollars during this period (Pear 1991). Furthermore, when the EEOC did win a suit against an employer, it was customary to require the organization to file a plan with the EEOC stating minority hiring goals as a condition of the settlement. The Reagan Administration ended this practice without announcement in 1985 (Moskowitz 1985).

The other major federal initiative promoting the economic progress of Blacks was affirmative action. Under the 1965 Executive Order 11246, companies with more than 50 employees were required to establish goals and timetables for hiring minorities and women as a condition for receiving a government contract. The Office of Federal Contract Compliance (OFCC) was established to monitor private-sector compliance with affirmative action. By the mid-1970s, the OFCC had matured and statistical evidence of its effectiveness is available. Leonard's (1990) analysis showed that between 1974 and 1980, federal contractors increased employment of women and Black men faster than firms that were not subject to affirmative action guidelines. Moreover, in contrast to an earlier time when contractors fulfilled their obligations by hiring unskilled minorities, by 1980 contractors were hiring more minorities into skilled blue-collar and white-collar occupations (Leonard 1990).

Leonard (1990:58) uses the word "charades" to describe the work of the OFCC after the Reagan Administration took office. Staffs and budgets were reduced, fewer complaints were filed against employers, the awarding of backpay to workers victimized by discrimination was phased out, and the ultimate sanction, debarment of a contractor from bidding for federal contracts, became an "endangered species." In his regression analysis of the post-1980 impact of affirmative action on minority employment (Leonard 1990) concluded:

> Affirmative action, such as it was, no longer aided Blacks. Consider the different response by contractor status, of Black male employment growth to total establishment employment growth of 10 percent. Before 1980, this could be expected to result in Black male employment growth of 12 percent among non-contractors and 17 percent among contractors. After 1980, the comparable rates are 11 percent among non-contractors and 10 percent among contractors. The reversal for Black females is even more marked.
>
> It was as though contractors were returning to a growth path they had been forced off by previous affirmative action efforts. (P. 58)

Affirmative action was also being undercut in the courts (at the urging of the Department of Justice). The landmark 1971 *Griggs vs. Duke Power* decision established numerical imbalance as a sufficient criterion for assuming bias on the part of an employer. The Justice Department interpreted this practice as promoting quota hiring and fostering reverse discrimination, and ordered a review of previous programs (Simon 1986). Increasingly, the courts began to demand evidence of personal experience with discrimination rather than statistical evidence, increasing the difficulty of proving discrimination for those with high-status jobs (Bartholet 1982).

We contend that the government's lack of enthusiasm for enforcing anti-discrimination laws affected the hiring, pay, and promotion practices of organizations. Put simply, firms discriminated against Black workers because the penalty for doing so was reduced or eliminated. Much of the research conducted during the 1980s on discriminatory practices in organizations used cross-sectional designs, thereby preventing an assessment of the *change* in discrimination. Nevertheless, the weight of the evidence suggests that employer discrimination against Blacks is widespread.

Survey evidence suggests that employers restrict Black workers' access to good jobs. Gill (1989), using the National Longitudinal Survey, selected young men desiring to work in a particular occupation in 1976 and then examined the determinants of whether they had attained those occupations by 1981. Because preferences were controlled, racial differences in attainment were attributed to employer actions. Gill found that Blacks were less likely to attain high-paying managerial and sales positions than were Whites.

Braddock and McPartland (1987) also used the National Longitudinal Survey to examine racial differences in treatment at several stages of the employment process. Using respondents' reports on their current job, Braddock and McPartland (1987) contacted employers to determine what factors they used to hire and promote people into those jobs. They found that for jobs requiring academic skills, employers assumed (without directly testing applicants) that Blacks had more difficulty with reading and computing than did Whites. Consequently, employers were less likely to hire Blacks for jobs requiring academic skills (although this was *not* true of jobs with a minimum qualification of a bachelor's degree). In addition, Blacks who were employed in jobs that were part of an internal labor market (characterized by the posting of job openings within the firm, and obtaining candidates for promotions from within the firm), advanced faster, suggesting the importance for career development of Black entry into internal labor markets (Rosenfeld 1980).

Parallel to the survey literature is a body of work using purposive sampling techniques and case studies of single organizations. Findings from this literature suggest racial disparity in employer treatment of workers. Jones (1986) contends that Black executives in predominantly White corporations are viewed as tokens. Many Whites see the presence of Blacks in the corporation as a response to affirmative action mandates and assume that these Blacks lack the skills needed for advancement. Jones reports that many Black managers are shunned by their colleagues and lack a close relationship with a mentor. To get their accomplishments noticed they must outperform their White coworkers, but their mistakes are immediately noticed. Consequently, many Black executives leave large corporations for smaller firms where their talents might be better appreciated, but at lower pay.

Related to the problem of unrealistic performance expectations is the practice of shunting Black executives off to deal with "minority issues" facing the corporation (Collins 1989; Jones 1986; Benjamin 1991):

> Too often Black managers are channeled into The Relations as I call them—the community relations, the public relations, the personnel relations. These may be important functions, but they are not the gut functions that make the business grow or bring in revenues. And they are not the jobs that prepare an executive to be a CEO. (Jones 1986:89)

In part, the segregation of Black executives is a function of a lack of sponsorship from superiors, support that is necessary for movement to positions with more responsibility and more chances for promotion. Another reason for the isolation of Black executives is that affirmative action and equal employment opportunity policies forced companies

to hire Blacks, and corporations responded by creating positions reserved for Blacks (Collins 1989; Benjamin 1991). Nevertheless, these practices result in Blacks being placed in jobs with short career ladders, without the opportunity to learn valuable skills, and with lower pay relative to Whites. Thus, even though Black representation in corporations increased in the 1980s (Work 1984), Blacks were not treated in such a way that they could increase their earnings vis-à-vis Whites.

SUMMARY AND CONCLUSIONS

William Wilson argued that the protection afforded by affirmative action and anti-discrimination laws would result in continued Black mobility and eventual parity with Whites, especially for those holding educational credentials. Young people beginning their careers in the 1970s were well-positioned to take advantage of these opportunities, as government intervention in the labor market was fully institutionalized and showed signs of success. Wilson gave no indication that he expected the long-run trend toward racial parity in earnings to reverse in the 1980s. But that is what has happened in young cohorts.

Using data from the Panel Study of Income Dynamics for successive cohorts of young workers in 1976 and 1985, wage attainment models were estimated by race. We found that the differential evaluation of workers by race *increased* over the decade rather than decreased. Whereas Wilson suggested that government intervention in labor markets between 1930 and 1980 helped promote opportunities for Blacks, we argue that the government's retreat from anti-discrimination policies during the 1980s reversed the trend: The 1985 cohort of young Blacks competed in a labor market that was less sympathetic to concerns for racial equality than was true a decade earlier. Consequently, the wage penalty associated with race increased over time, contrary to Wilson's argument.

Wilson's argument of observable racial progress to 1980 is essentially correct, and he identified the historical events that promoted Black mobility. We assert, however, that the trend toward racial parity in earnings *must* continue if the notion of a declining significance of race is to be accepted. Our findings force a reconsideration of Wilson's anticipation of continued racial progress attributable to the institutionalization of federal anti-discrimination initiatives. Events in the 1980s proved that African Americans cannot take for granted the political commitment to affirmative action and equal opportunity legislation. Our results suggest that a waning devotion to these ideals negatively affected the earnings of Black workers. Obviously, the strength and direction of the government's future efforts to promote racial equality will concern analysts, policymakers, and the public.

To fully understand racial differences in career dynamics, a longitudinal study is required. As Rosenfeld (1980) showed, Blacks and Whites are more likely to be paid equally at the *beginning* of their careers—disparities emerge over time as workers are evaluated by their employers and sorted into positions that either promote mobility or lead to career plateaus (Rosenbaum 1979). Research that observes people at the beginning of their work lives and examines race differences as they move through the stages of a career (accepting promotions or changing employers, achieving positions with supervisory authority, experiencing salary growth, etc.) will shed needed light on the experiences of Blacks within organizations. Moreover, it is important to compare cohorts who started their careers in different decades, as government policies on the labor market have changed over time. If these policies affect careers at their starting points, does their impact last into mid- and late-career similarly for Whites and Blacks? Analyzing the career experiences of successive cohorts of young workers is the most promising strategy for assessing progress toward resolving this "American dilemma."

*A. **Silvia Cancio** received her M.A. in religious studies from the Atheneaum of Ohio. She is presently a Ph.D. student in Sociology at the University of Cincinnati.*

*T. **David Evans** is Assistant Professor of Sociology at the University of North Carolina at Wilmington. His research interests include religion and crime, white-collar crime, discretion and discrimination in criminal case processing, and justice ideology.*

David J. Maume, Jr. is Associate Professor of Sociology and Affiliate, Kunz Center for the Study of Work and Family, at the University of Cincinnati. His research interests are in social inequality and the sociology of work. He is currently studying the impact of occupational segregation on career mobility, gender differences in economic recovery from a plant closing, and the influence of alternative work arrangements on men's participation in domestic labor.

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