

THE LABOR MARKET FOR YOUNG MEN

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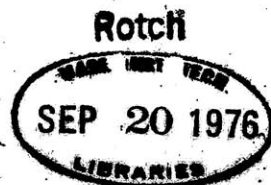
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ABSTRACT

THE LABOR MARKET FOR YOUNG MEN

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Submitted to the Departments of Economics and of Urban Studies and Planning in September 1976, in partial fulfillment of the requirements for the degree of Doctor of Philosophy.

This thesis examines the labor market for young men who do not attend college. The research consists of an extensive set of interviews with firms, young men, and youth workers, as well as analysis of a national longitudinal survey of young men's work histories.

The thesis describes the process of adjustment to work which occurs in the several years following high school. This process is symbolized statistically by the sharp drop in the unemployment rate of young men which occurs in the mid-twenties. The thesis argues that as young people age, their attitudes toward work evolve and they pass through three stages: moratorium, exploration, and settling down. Each of these stages involve different developmental concerns and they imply different sorts of labor market behavior. The stages are verified through both interviews and statistical analysis and are explained by reference to theories of adolescence developed by Erick Erickson.

The thesis also examines the structure of labor demand facing young men and concludes that as they pass through the behavioral stages they work in quite different kinds of firms. During the moratorium period, young men work in secondary labor market firms, during exploration they find employment in certain kinds of small firms which are termed bridge jobs, and finally they settle down into primary labor market jobs. The thesis examines the characteristics of each kind of job and analyzes the function each plays in the adjustment process.

Finally, the thesis examines the manner in which the labor market for black youth differs from that of whites. In particular, the thesis takes up the issue of whether labor market discrimination still persists and concludes that while wage discrimination has considerably diminished, discrimination in job access remains a

serious problem. This analysis concludes with an examination of various policy alternatives.

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CHAPTER I
INTRODUCTION

How do young people find their place in the American economy? This is a question of some moment because every year over a million and a half men and women either graduate or drop out of high school and, without continuing to college, enter the labor force. Most of these youngsters are beginning a lifetime of work, and the jobs they eventually settle into will dominate their lives. These jobs will be the major source of whatever income, security, and prestige accrues to them. The neighborhood in which they live and many of the friends they make will be importantly influenced by the job they hold. And the cycle never stops because the fate of their children--how much education they acquire and what kinds of jobs they get--will in important measure be influenced by the occupational standing of the parents.

These considerations imply that social scientists who are concerned with how success and failure are distributed in America must understand how jobs are distributed. Determining how young people find their place in the economy is important because most researchers--economists, sociologists, and others--share a suspicion that the early job experiences of young workers are crucial in determining the level of their subsequent occupational achievement. If this suspicion is well founded, it implies that the mechanism through which occupational success is distributed in American society are most potent during the early years of a worker's career and that if we wish to understand why some people

"make it" and some don't, we should focus on early work experiences.

A large number of researchers have examined various linkages in the occupational attainment process.¹ Some have focused on the relationship between measures of socioeconomic background, education, ability, and other similar variables and the first job young people attain when entering the labor market. Other studies have examined the linkage between this first job and later occupational attainment.

Regardless of the particular orientation of these studies or of which linkages they most closely examine virtually all work of this kind shares a common methodology. They seek to statistically relate the "outcome," be it first job or later job, to a set of predetermined variables such as family background or previous job experience. The result is a set of statistical findings which tell us, for example, that parents' socioeconomic level strongly influences their children's educational attainment which in turn influences their occupational attainment, but that the direct linkage between parents' background and child's occupational attainment is weak.²

The difficulty with this approach, to my mind at least, is that we learn little about what actually happens to young people

¹See, for example, Blau and Duncan (1964), Ornstein and Rossi (1970), Sewell and Hauser (1975), and Birnbaum (1975).

²This is one of the important findings of Sewell and Hauser (1975), pp. 182-185.

in the labor market. The linkages are statistically demonstrated but their actual operation is left vague. How do young people find jobs? How does one job lead to the next? How are interests developed and skills learned? What are the actual mechanisms through which sorting occurs? These and other similar questions are begged by the standard analysis.

Another difficulty with much work of this kind is the essentially individualistic bias of the approach. Implicit in the estimation of relationships between individual characteristics and outcomes is the assumption that a person's fate is a function of his or her character (broadly defined) and personal circumstances. The independent effect of institutional structures is ignored as is a possible role for systematic social sorting based on notions of social class.

The first step out of these difficulties would seem to be an attempt to describe concretely what happens to young people as they enter the labor market. In addition to examining actual experiences it is important to remember that young people are in fact entering a labor market, a structured institutional system which shapes, channels, and allocates labor. Therefore, even the beginning of a more satisfactory understanding of early job experiences of youth must on the one hand be sensitive to the characteristics and experiences of young people and on the other hand carefully take into account the role of structured institutional arrangements.

The Scope of This Study

This thesis examines only a portion of the youth labor market, specifically the experiences of non-college male youth. I have limited the study to men for pragmatic reasons. The labor market experiences of young women differ radically from men both as a result of sex discrimination which tends to restrict women's access to many occupations and also because the life cycle attachment of women to the labor force differs from that of men and implies different behavioral patterns. I am uncomfortable about excluding women from the study but I am convinced that the experiences of the sexes are so different that two separate studies are necessary.³

The other major limitation is that the empirical work is limited to non-college men. Young men who have gone to college, whether or not they graduated, are excluded from the primary research although several sections of the thesis discuss them. While it is undoubtedly true that many college drop-outs and some college graduates eventually work in the "high school labor market," it is equally true that most do not and a different set of labor market institutions would have had to be considered.⁴

³The workings and structure of the labor market for women has, however, potentially important indirect effects upon the male youth labor market. For example, the work commitment of wives can affect the timing and intensity of the husband's work effort. The age of marriage also has potentially important effects.

⁴The idea that the college and high school labor market differs is actually an assumption which is not rigorously tested in the thesis. There is clearly some substitutability in some jobs between high school and college labor. Richard Freeman estimated elasticities of substitution between high school and college labor and found a

The exclusion of college men from most of the research in effect makes the thesis in large measure an examination of how working and lower class young men find their occupational niche. This is true because there is a powerful correlation, even controlling for ability, between parents' family income and probability of the children attending college.⁵

However, it also appears that growing numbers of young Americans are entering the labor market described here. In fact, there is some evidence that college is becoming an increasingly less certain and sure road to economic success and that college enrollments are dropping. Richard Freeman recently analyzed the labor market for college students and concluded that, due to an oversupply of college graduates brought on by the recent boom in attendance, the rate of return to a college degree has fallen from the level of over ten percent, which pertained throughout the 1960's, to eight and a half percent in 1974.⁶ Young people have responded to these changing economic signals and thus while in 1969

high degree of substitutability in sales and management positions and little substitutability in clerical and professional. He did not study blue-collar work, where there is likely to be little substitutability but where, as we shall see in Chapter III, two-thirds of high school graduates and drop-outs work. As we shall see when I discuss job structure, it seems apparent that the entry patterns of job holding differ for high school graduates and drop-outs vs. college graduates. What happens to college drop-outs and graduates of two year colleges is an open question requiring further research. See Freeman (1974a).

⁵See Bowles and Gintis (1976).

⁶Freeman (19), p. 296.

60% of high school graduates enrolled in college, in 1973 only 50% enrolled. Obviously high school drop-outs also do not continue to college and thus the labor market examined in this thesis includes the majority of young men.

The Youth Labor Market

Most economists who have studied the youth labor market have focused on the pattern of unemployment rates. This concern is quite understandable given the quite high unemployment which men of this age range experience. In the first quarter of 1975, when the economy was deep in a recession, men aged sixteen to nineteen had a twenty percent unemployment rate and men aged twenty to twenty-four had a rate of 13.6%. Even in better times the unemployment rates of young workers are quite high. In 1968, when the unemployment rate for all males sixteen years and older was 2.9%, the unemployment rate for out-of-school eighteen to nineteen year old males was 9.5% and for twenty to twenty-four year olds it was 4.5%.

These high unemployment rates seem on their face to be a major signal of social distress and malfunctioning of the labor market. However, closer scrutiny leads to the conclusion that unemployment rates may be poor indicators in the youth labor market. Unemployment for young people does not have the same clear meaning that it does for older prime age workers. In the first place, roughly half of all unemployed teenagers are enrolled in school. For example, in the second quarter of 1975 school was the major activity of 46% of all jobless teenagers.⁷ Furthermore, only 4.5% of unemployed

⁷Hedges (1976), p. 55.

sixteen to nineteen year old males were household heads and the comparable figure for twenty to twenty-four year old males was 38%.⁸ Thus much of the hardship associated with the unemployment of prime age workers is more often than not absent for youth.

The overwhelming majority of unemployed youth are jobless not because of job loss or layoff but because of entry or reentry into the labor market. In 1975, sixty-four percent of all unemployed sixteen to nineteen year olds were unemployed due to entry or reentry.⁹ In 1971 the comparable figure was 72%.¹⁰ Although the term "reentry" can mask the movement of discouraged workers into and out of the labor force, it is clear that teenage unemployment is overwhelmingly not due to job loss, the classic cause of unemployment among prime age workers. In fact, there is even some evidence that unemployment among young workers is of shorter duration than for older workers. In 1971 the mean duration of unemployment among teenagers was 8.5 weeks while for the entire group of unemployed it was 11.4 weeks.¹¹ Although duration figures comparing teenagers with adults are somewhat unreliable since relatively more youth than adults may leave the labor force after a period of unemployment, it still appears that their duration of unemployment is shorter than is the case for

⁸ Ibid., p. 54, table 7.

⁹ Ibid., p. 52, table 4.

¹⁰ 1972 Manpower Report of the President, p. 85.

¹¹ Feldstein (1973), p. 17.

older workers.

To my mind the most persuasive reason why youth unemployment should not be the centerpiece of a study of the youth labor market is that by the time teenagers enter their mid-twenties their unemployment rates sharply drop. The high unemployment rates of the teenage years do not augur continued unemployment. Instead the teens and early twenties are a period of adjustment and this adjustment, at least as measured by unemployment rates, seems to be successfully completed in the mid-twenties.

Table I illustrates the age related drop in unemployment rates for selected years. It is apparent that the improvement in labor market prospects which accompanies aging is not a recent phenomenon, nor does it depend on the business cycle. Lest the reader suspect that the drop in unemployment rate depends on the later entry of better educated men into the labor force, Table II, which shows the pattern of unemployment rates for the least advantaged group in the labor force, demonstrates that high school drop-outs have essentially the same pattern (though not the same level) of unemployment rates.

Another way of viewing the same issue is to examine how the relationship between the prime age unemployment rate and the youth unemployment rate varies between youth age categories. Kalachek studied this relationship testing the regression equation

$$U_i = a + b_1 U^* + b_2 t + e$$

where

U_i = the unemployment rate for selected male age groups (16-17, 18-19, 20-24)

Table I-I
Unemployment Rates for Out-of-School Males
for Selected Years

Age	1950	1960	1965	1968	1970
14-17	10.9	18.5	15.7	16.2	26.7
18-19	6.1	16.5	10.4	9.5	14.1
20-24	3.4	7.5	4.2	4.5	9.4

Source: 1972 Manpower Report of the President,
Table B-7, p. 200.

Table I-II

Unemployment Rates for Male High School Drop-Outs

Age	1966	October, 1974
16-17	19.6	22.3
18-19	8.5	20.4
20-21	7.5	15.0
22-24	--	10.1

Source: 1966 data from Folk (1968), p. 89;
1974 data from "Students, Graduates,
and Dropouts in the Labor Market,"
Special Labor Force Report #180,
Department of Labor.

U* = unemployment rate of males 25-54

t = a trend variable

The regressions were estimated using data for the period 1948 to 1967 with the following results:

Age		b ₁	b ₂
16-17	4.46	1.70 (.22)	.35 (.04)
18-19	1.26	2.58 (.19)	.22 (.04)
20-24	.32	2.15 (.13)	.01 (.02)

Source: Kalachek, p. 50. Standard errors in parentheses.

The results of these equations show quite strikingly that the pattern of unemployment varies considerably among age groups. For the youngest teenage category the intercept is considerably larger than the coefficient of the prime age male unemployment rate, indicating that the unemployment rate of the youngest age group will be high regardless of the business cycle and that it is much less closely linked to the cycle than is the rate for older workers. As the young people age their unemployment rate becomes increasingly more dependent on the national rate and less "pre-determined." Obviously this pattern represents an integration into the adult labor market which occurs with age. Hugh Folk also ran similar equations and estimated similar effects,¹² and in the next chapter, I undertake a comparable analysis.

¹²Folk (1968), p. 101.

Although the analysis presented here indicates that unemployment rates are a poor focus for a study of the youth labor market, the pattern of unemployment rates provide an important clue to what should be a more fruitful approach. The decline of the unemployment rate with age strongly implies that a process of adjustment is at work, that as young people age they come to grips, with increasing success, with the labor market. Understanding this process of adjustment seems to me to be the central task of any study of the youth labor market, and it is the heart of this thesis.

Making the process of adjustment the central issue implies that the age range considered should be broadened to include men in their early twenties. The youth labor market should not be interpreted as simply the teenage labor market. It seems evident that the adjustment process continues until the mid-twenties when the unemployment rates drop.

A natural implication of the extended age range I am considering is that it will be necessary to take into account the different attitudes and perspectives that young men of different ages bring to the labor market. It would be unreasonable to expect that a young man of fifteen or sixteen would have the same goals, interests, and aspirations that a man of twenty-four or twenty-five would have. A great many changes occur during this period, both with respect to the personal lives of the young men and with respect to their interest in jobs and work. It is important to understand what these changes are and how they affect labor market

behavior. Thus an important strand of the thesis will be to develop an understanding of how the aging process during these years affects labor market behavior of young men.

Understanding how the attitudes and behavior of young men change as they age is only half of the picture. It is also important to examine how the structure of the labor market influences labor market adjustment. Young men leaving high school do not directly enter into the jobs which they will hold for the rest of their career, nor do they generally take their first job in the same industry or broadly defined occupation which they will subsequently settle into. Instead they move through a series of jobs, not settling until their mid-twenties. It is precisely this movement which is reflected in the high unemployment rates of younger men.

Young people thus move through a series of jobs, but all jobs are not alike. Some firms pay low wages and offer little training and few opportunities for advancement. Other firms pay well and offer internal career lines. Yet other firms may provide poor career prospects but offer training and entry into a later job which offers more stable long-term prospects. A central theme of the thesis is that there is a pattern in the kind of jobs young people hold over time. As they age they move through the labor market and take jobs with different kinds of firms at different ages. The structure of the labor market is in itself an important element in the adjustment process. Not only is there a pattern in the kind of jobs which young people of different ages hold, but this progression through the labor market contributes in

important ways to the adjustment. The labor market operates as a teaching mechanism and also as a channeling mechanism.

A Pattern of Labor Market Adjustment

The considerations described above--that labor market adjustment must be viewed as a process which takes place over a period of years and that both personal development and labor market structure must be considered--informed my thinking about this research. Some recent work by Michael Piore suggested some directions the research might take. He wrote:

Class subcultures are such that secondary jobs can be filled by labor drawn from the lower class, or by working and middle class youth. The latter pass through a period of adventure and action seeking in adolescence and early adulthood before settling down into the routine family life, stable employment . . . (peer groups) seem to be a particularly important element both in supporting the adolescent lifestyle and in its abandonment.¹³

In order to begin to extend and test these ideas about how the youth labor market functions, I conducted a preliminary set of interviews with a small group of employers, young people, and youth workers in the Boston area. In addition I read through some work histories of young people which had been collected in the course of a study of the impact of vocational education on labor market adjustment.¹⁴ From this preliminary data emerged a set of hypotheses which guided subsequent work. The central hypotheses

¹³Piore (1975), p. 144.

¹⁴The data was collected by Professors Irwin Hernnstadt and Andrew Sum of Northeastern University.

are as follows.

There are three major stages, or sets of attitudes, which young people bring to the labor market at different ages and circumstances. The terms moratorium, exploration, and settling down capture the essence of these stages. Moratorium refers to young people who are at least occasionally in the labor market but for whom work is not yet a central concern. This group includes students looking for or holding part-time after school jobs, summer job seekers and holders, and young people out of school who work casually for low-level support or extra money. This stage, as are all the others, is not specific to a particular demographic or social class group. The sons and daughters of rich parents may casually work for extra money as may street hustlers who alternate work with welfare or crime. In general, the ages 16-19 seem to be the period where moratorium is the dominant theme. This generalization, again like the others, is not hard and fast: the 25 year old ski bum or numbers runner may be in moratorium, and the 17 year old sole surviving son may need to work seriously to support a family.

The exploration stage is just what the term implies: the period when young people begin to actively explore the labor market, try out different jobs, seek training, and in general begin to lay the groundwork for their working career. This period encompasses job search as well as more or less extended periods at work on different jobs trying them out. Note that the moratorium and exploration period both imply fairly high levels of unemployment but that a vastly different social meaning should be attached to

those unemployment rates.

The conclusion of a successful exploration period comes with two events: the individual discovers what kind of work he would like to do and secures a job doing it. Thus exploration is a search both for a career and a place to practice it and settling down requires the achievement of both goals. For some people settling down may be a satisfactory resolution of both issues, for others it may be an unsatisfactory resolution in either respect forced by other circumstances, such as the need to support a family. Other young people may not settle down but instead perpetually shift jobs or drift in and out of the labor market either still searching or finally disillusioned. Roughly speaking, exploration occurs during the ages 20-24, and settling down occurs around 25 (when unemployment rates plummet sharply).

In addition to these stages, several other psychological and sociological variables seem important in determining youth labor market behavior. Most important among these are the role of peers, marriage, and the social relations of production. In the interviews peer group relations stood out as an influence on behavior. This is reasonable since an individual's conception of where he ought to be and what he ought to be doing is importantly determined by the views and actions of others his age, particularly his friends.

Virtually every study of young workers has found that marriage is an important variable. Married young workers seem to be more serious and enjoy greater job stability. This is hardly surprising. It is important, however, not to take this fact in

isolation but to place it in the context of the relationship of people's life cycle to their work cycle. Marriage is part of settling down and bachelorhood may bear the same relationship to marriage as the moratorium period of work does to settling down. Extending this, an important determinant of the working stage of a person may well be his living arrangements: at home with parents, in an apartment alone or with others, or married. The stages of social and sexual growth are doubtlessly related to the stages of working growth. Again, peer relations play a role. The individual who sees his friends getting married and settling down to family and work may well be under substantial pressure to do the same in order to maintain relations with his friends.

Finally, the social relations of the workplace seem to be an important consideration for young people. Young people and youth workers all attest to the importance young workers attribute to the "people" at a job and to "whether the boss treats you like an individual." These concerns were frequently given for leaving a job and are often crucial, given an acceptable wage, for taking a particular job. I will argue below that small businesses play a more important role than generally realized in the labor market development of young people and an important reason may be the greater scope for human relations and the lack of impersonality.

The three stages--moratorium, exploration, and settling down--describe the developmental stages most young people pass through. However, this is only half the picture of the youth labor market. The structure of the labor market itself, the nature of the jobs available and the interrelationships among these jobs, is also of

great importance in understanding the adaptation of young people to the labor market.

While in high school and for some period after graduation (or dropping out), virtually all students, advantaged and disadvantaged, work in secondary jobs.¹⁵ They work in these jobs during school, during the summer, and after they leave school. These jobs are generally unskilled and typical examples are loader, handler, stock clerk, clerk, typist, packer, etc. These jobs provide virtually no training (except in the most basic work habits, and perhaps not even in these since there is little penalty for dereliction. It is relatively easy to find another similar job). In short, these are classical secondary jobs.

Some time later the pattern shifts and the young people work in very different environments. The dominant kind of firm is the small business: an auto body shop, electrical contractor, other contractors, small machine shops, and the like. These jobs definitely provide training, most of it conforming to the standard notions of informal on-the-job training. The workers switch jobs quite frequently and often switch fields, moving for example, from electrical contracting to carpentry or auto work. A surprising number of these jobs are gotten by walking in off the street. Most of the others are obtained through friends or relatives. The workers do not seem very committed to any particular job or even occupation, work has not yet become a central concern in their

¹⁵The terms "secondary" and "primary" jobs will be defined in Chapter IV. In general, secondary jobs are low paid and offer little in the way of training and advancement opportunities. Primary jobs provide more stable employment and tend to be embedded in an internal labor market or career ladder.

lives. At the same time they are not frivolous, spells of unemployment are short and training is at least as important a consideration as pay.

These jobs are essentially bridge jobs from secondary to primary work. They provide training and a good work atmosphere, but they only pay moderately well, opportunities for promotion or career work are limited, they tend not to be unionized, and they are not necessarily organized to promote stability. They provide the opportunity for the young worker to learn some skills, make contacts, and explore the labor market.

After a period of work in the bridge jobs most young workers settle in a primary job. The characteristics of these jobs are well-known--good pay, well-defined work rules, internal labor markets and advancement opportunities.

It should be clear how the two patterns I have described--the developmental process of moratorium, exploration and settling down and the labor market structure of secondary, bridge, and primary jobs--come together. Young workers in the moratorium period require only casual sporadic work and they find this with secondary employers. As they begin to think more about career, they seek to explore the labor market and discover what is available to them. Bridge jobs help provide this information and training without the constraints and responsibilities built into primary work. Finally, successful settling down culminates in landing and staying in a primary job.

Research Strategy

The theory sketched above provides the central theme of the thesis. The purpose of the thesis is to extend, modify, test, and elaborate upon this theme. The theory raises difficult questions. For example, why do young people exhibit the different kinds of behavior? How much of the stages can be explained via psychological reasoning, and how much of it is determined by the nature of the demand for youth labor? How can racial differences in employment and unemployment patterns be explained? These and other questions will be examined in the chapters which follow.

The general approach of this thesis differs in several respects from most studies of the youth labor market. As I have already noted, the thesis attempts to provide a textured picture of what actually happens to young people during their early years in the labor market. Rather than focusing primarily upon statistical patterns, the thesis attempts to "get behind" the statistics and describe the mechanisms which the statistics, at best, reflect.

The thesis also argues that the work experiences of young workers must be viewed as a process of adjustment which lasts a number of years. This perspective deflects attention away from conventional measures such as unemployment rates and directs it to patterns of job movements. It raises questions about how young people learn and how the labor market changes their attitudes, and about what sort of signals we should study to determine the success or failure of the process.

The thesis also makes several points about fruitful ways to approach the study of labor markets. One of the major themes of the thesis is an attempt to integrate several disciplines into a coherent story about the labor market. The labor market behavior of young people, the thesis argues, can best be understood by reference to the more general psychological process of aging and maturing. These psychological drives, however, are conditioned and constrained by the needs of employers and the institutional structure of the labor market. Furthermore, the entire process is put in the perspective of historical changes in the economic role of young people.

In order to investigate these questions and to test the central hypothesis described above several different research approaches were employed. Interviews with firms, young people, youth workers, and manpower programs were conducted in order to investigate both the supply and demand side of the labor market. Statistical analysis of data from a national survey of young men helped shed further light on these questions, particularly with respect to labor supply and racial discrimination. Finally, the findings of several other disciplines were employed to help put the economic aspects of youth labor market behavior in a broader context.

Interviews were conducted with 35 firms. These firms were located in Boston and Worcester, Massachusetts. Boston was selected because of convenience, Worcester because prior contacts with the local Chamber of Commerce provided entry and cooperation. Both blue and white collar firms were included in the interviews. The blue collar firms were in the following industries: printing,

abrasive manufacturing, machine tools, construction, refrigeration manufacturing, gas stations, textile machinery manufacturing, rolling mill manufacturing, electrical machinery manufacturing, utilities (telephone and electric), and candy manufacturing. White collar firms included insurance, banking, hospitals, and retail stores. Obviously there is some overlap between blue and white collar firms, for example, the telephone company has significant employment in both areas and even a primarily white collar industry such as insurance employs some crafts people. The firms included in the interviews were predominately blue collar because that is the nature of the labor market into which most male high school dropouts and graduates not continuing to college move. As we shall see in Chapter III, two-thirds of these young men are employed in blue collar occupations.

An important limitation of the firm sample is that government employment is ignored. Public employment was not investigated because it was felt that hiring procedures and criteria were likely to differ from the private sector in several important respects--such as the role of testing and civil service procedures for some jobs and the political nature of other jobs. There is reason to believe that government employers have different hiring objectives than private for profit companies.

For reasons which will become obvious, I sought to include a large range of firm sizes in my sample. The size distribution of firms which I interviewed was:

<u>Size (Number of Employees)</u>	<u>Number</u>
1-10	5
11-50	5
50-100	4
100-500	4
500+	17

The interviews sought to understand the criteria the firms used for hiring and the weights they attached to different characteristics of applicants, how these hiring criteria varied with business conditions, and the hiring procedures--interviews, testing, etc.--which were employed. I was also concerned with the recruitment patterns for young workers, the nature of the previous experience of successful and unsuccessful applicants, and how the firms gathered information on previous skills and work history. The interviews also investigated the relationship between the firms' hiring criteria and procedures on the one hand and the working conditions--wages, turnover, and promotion patterns--on the other hand.

All of the interviews were open ended, although they all covered the basic information described above. However, there was some variation in the depth of the interviews. In general, the interviews with smaller firms were less extensive than those with larger ones. In part this was because the people in the smaller firms were less familiar and sympathetic with the general value and (potential) importance of such research. Furthermore, they tended to be less articulate than their counterparts in larger firms, and were also generally busier. However, a partially offsetting

advantage of the interviews with the smaller firms was that generally the owner was interviewed and he tended to be more familiar with all aspects of the operation.

The interviews with large firms also varied with respect to their length and depth. At the minimum, the interviews were with the member of the personnel department who seemed most likely (on the basis of prior phone calls) to be familiar with hiring for entry positions. However, in more cases than not, several interviews were conducted in a firm. For example, in an insurance firm over several days I spoke with the head of the personnel department, a lower level member of that department who was responsible for initial interviews, the person responsible for organizing in-service training, and the company psychologist. In a machine tool plant I interviewed the vice-president for industrial relations, the head of the personnel department, and the head of the hiring department.

The firm interviews, although not random in a statistical sense, provided adequate material for an accurate and representative picture of the structure of demand for young workers. The firms included represented a wide range of the labor market and the interviews were thorough and in depth. As the material in Chapter IV demonstrates, similar studies conducted by other researchers in other areas of the country tend to confirm--in instances of similar interests--the results of my interviews.

It is also true, however, that the interviews on occasion raised issues which they could not resolve. For example, it became clear that many large firms provide material support to vocational

education programs in the public schools but it was not clear why they did so in view of their general reluctance to hire graduates of these programs.¹⁶ When issues of this sort arose I was forced to be more speculative in my analysis and the text indicates this speculation. Another sort of difficulty is raised by hypotheses which seem supported in the interviews but which could have been more rigorously testable in a more formal and extensive sample. For example, the notion of bridging--that particular small firms serve as recruiting grounds for large firms--was supported in the interviews but could be more convincingly demonstrated by, for example, examining the personnel files of a large sample of big firms. Such data was not available and it was necessary to settle for the somewhat more impressionistic evidence.

The material on the labor supply of young workers was drawn from several sources. These included in depth, open ended interviews with 12 young men between the ages of sixteen and twenty-five, interviews with 13 youth workers, manpower program officials, and school personnel, and a national longitudinal survey of 5,000 young men. In addition, the firm interviews helped shed considerable light on the behavior of young employees and applicants.

Some of the young men who were interviewed were simply approached on the street. Others were selected by interviewing young men waiting in line for unemployment compensation. Interviews

¹⁶This issue is discussed in Chapter IV.

were limited to young men without college experience. The interviews were all open ended and sought to gather information on educational background, work history, attitudes toward work, marital and family status, peer group relations, and job search patterns. The youth workers interviewed included counselors in the following manpower training programs: Opportunity Industrialization Centers (OIC), the Recruitment Training Program (RTP), the Work Incentive Program (WIN), the Rent-A-Kid Program, the Boston Court Resources Program, the Association of General Contractor Apprenticeship Program, and the YMCA. These interviews sought to gather information on the characteristics of the young men in the programs, and the counselors perceptions of the qualities which led to successful and unsuccessful job attachment.

These interviews, with the young men and with the youth workers, provided substantial information on the attitudes of young workers, on their perceptions about work, and on how young men of different ages vary in these attitudes and perceptions. However, these interviews suffer from their tendency to be drawn from a group which is likely to be having more than average difficulty in successfully settling down. The older youth in the unemployment lines and the enrollees in manpower training programs are not typical of the youth population in which I am interested. This weakness was partially offset by the firm interviews which provided considerable information on the attitudes and behavior of young men who had settled down.

A major additional source of data on young men's behavior was the National Longitudinal Sample of Young Men (the Parnes data).

Annual interviews were conducted with over five thousand young men aged 14 to 24 between 1966 and 1970. This very rich data set is employed in Chapters III and V of this thesis. Although these data do not contain information on some topics--for example, the role of peer groups or neighborhood contacts and the nature of the institutions in which the young men work--extensive information is available on work history, educational background, family composition, and so forth.

In summary, several sorts of data are employed in this thesis. The analysis of the demand for youth labor is based upon the interviews with the firms, and the analysis of labor supply upon interviews with young workers, youth counselors, and national survey data. Obviously these data are supplemented throughout the thesis by reference to the literature in the field. For example, the analysis of the demand for youth labor employs various prior studies of firm hiring procedures and practices, the chapters on the supply of youth labor draws upon previous studies of this subject, and the chapter on racial issues makes use of various studies of the economics of discrimination. This point would not merit mentioning except that the thesis employs a considerably wider than usual range of literature. In addition to the economics literature, I drew extensively from sociology, psychology, anthropology, and history. The use of the insights and data of these different disciplines was motivated by the conviction that the economic behavior of young workers is importantly conditioned by the larger institutional and cultural setting in which they find themselves and by the rhythm of their personal development. A

complete understanding of the youth labor market must take these other considerations into account.

Plan of the Thesis

The next two chapters examine aspects of the behavioral stages. Chapter II will present a psychological explanation of the stages based on the ideas of Erick Erickson. In addition, this chapter considers several constraints on a purely psychological explanation of the stages, namely, the implications of the changing historical role of youth in the American economy and particularly the extension of years in school, the fact that many foreign countries experience much lower youth unemployment rates than does the United States, and the role of the business cycle in the settling process.

Chapter III will provide an econometric test of the stages using data from a national longitudinal sample of young men.

Chapter IV will examine the structure of the labor market in greater detail and will describe the nature and functioning of secondary, bridge, and primary jobs with respect to the employment of youth. This chapter is based on an extensive set of interviews with a wide variety of firms.

Chapter V will take up racial differences in youth employment patterns. The chapter will examine the controversy surrounding the alleged disappearance of labor market discrimination against young workers and will seek to understand why the unemployment rates of young Blacks and Whites differ so radically.

The final chapter contains some conclusions and extensions and discusses some unresolved questions.

CHAPTER II

THE STAGES

I don't need much money, just enough to buy a good used motorcycle

-- sixteen year old clothing store clerk

I feel I'm always in transit, I don't know what I want to do

-- twenty-two year old unemployed pipefitter

I traveled around for awhile and then it just seemed time to steady down

-- twenty-six year old construction worker

As young people age their attitudes toward themselves and their goals change and these changes are reflected in their labor market behavior. This simple and essentially obvious fact is the central theme of the next two chapters. In the previous chapter I argued that understanding the labor force behavior of young workers requires that we take a longer view than simply focusing on the first year or two of labor market experience. Equating the "youth labor market" with teenagers is a mistake. It is not until the mid-twenties that unemployment rates fall sharply and it is not until the mid-twenties that the process of adjustment to the labor market is completed.

During this period of adjustment the attitudes of young people toward the labor market change and their behavior follows a corresponding pattern. The clerk quoted above is obviously unconcerned with a steady job or career. He remains attached to the labor market only to the extent that it provides casual spending

money. The pipefitter also doesn't seem to have a strong attachment to any particular occupation or firm, but he is searching for such an attachment and his state of mind and, I will argue later, his behavior, are qualitatively different than the clerk. The construction worker, after a period of sporadic attachment, has settled into a stable work pattern. The central purpose of this chapter will be to understand these different forms of behavior and to relate them to the personal maturation process. In doing so I will draw upon an extensive set of interviews with young people, employers, and youth workers, as well as upon some theories of maturation from other disciplines. The next chapter will test the ideas developed here with a national sample of young workers.

Before moving into this new territory it will be helpful to briefly review what economists already know about the labor supply of young men. Although several conclusions stand out as being commonly accepted and widely replicated it turns out that there is a good deal of uncertainty and confusion in the literature. It seems quite difficult to come to grips with the labor supply of young men with conventional tools.

Several major trends are well known. The most important long-term development has been the steady secular decline of teenage labor force participation. Between the beginning of the century and 1950 the participation rate of male teenagers fell by one-third¹

¹Kalachek (1969b), p. 30.

and this trend has continued in the post-war years. For example, between 1950 and 1970 the participation rate of eighteen to nineteen year old males fell from 79% to 69% and for twenty to twenty-four year old males the comparable figures were 89.1% and 86.6%.² Obviously this secular decline in participation is closely related to the simultaneous rise in school attendance and the extension of schooling. Because students have lower participation rates than non-students an increase in the proportion of the population in school lowers the average participation rate. When we control for school attendance a different picture emerges: the participation rate of students has increased while the participation rate of out-of-school youth has fallen slightly. Again looking at the period from 1950 to 1970 we observe that the labor force participation of enrolled eighteen and nineteen year olds rose from 36% to 41.2% and the rates for enrolled twenty to twenty-four year olds increased from 36% to 51.2%. At the same time the rates for out of school youth fell slightly from 95.8% to 86.7% for eighteen to nineteen year olds and from 95.5% to 94.6% for twenty to twenty-four year olds.³

²Amacher and Freeman (1973), p. 11.

³Ibid., page 11. The decline of participation rates for out of school youth is often cited as a major social problem since the fall represents an increase in the number of youth who are neither in school or working. Kalachek (1969b, pp. 33-36) shows, assuming that the Census adequately samples this group, that most of these youth are simply recovering from a short-term illness, taking a brief vacation from school or work, or enjoying voluntary leisure. Relatively few have withdrawn from the labor force because of discouragement. It is also probably the case that the labor force participation rates for this group are higher than the recorded figures because a goodly number of

The obviously intimate relationship between school attendance and labor force participation led naturally to an analysis which sought to understand the interrelationship between the two kinds of behavior. The major contribution of Bowen and Finnegan's massive work on labor force participation⁴ to understanding the behavior of young people was to make this connection and to develop an analysis which looked at both school attendance and labor force participation as competing forms of economic participation. Bowen and Finegan coined the term "activity rate" to describe this phenomenon. A young person is "active" if he is in school, in the labor force, or both. Any of these states can be rightly termed economic activity.

Bowen and Finegan analyze what determines which kind of activity (school, labor force, or both) a young person chooses and I will briefly describe their findings with respect to the role of wages and unemployment rates. I will not discuss the role of race since I will devote Chapter V to a complete discussion of that topic.

Bowen and Finegan find that the relationship between unemployment rates and school enrollment rates are exactly what one

young people are actually working at casual jobs which are not reported. The major discrepancy in the unemployment rates reported in the Parnes data (described in the next chapter) and the Current Population Survey is generally ascribed to the fact that the Parnes survey talked directly to young people while the CPS interviewed parents who may have been unaware of jobs held by their children. It is also true however, that to the extent that the Census fails to pick up inner city Black young men--the Census undercount--the fall in participation rates may be more serious.

⁴Bowen and Finegan (1969), Chapters 12-14.

might expect. By running regressions across cities they show that cities with high unemployment rates have high enrollment rates and that the cities with low unemployment rates have lower enrollment rates. Obviously a young person's decision to remain in school depends upon his assessment of alternative opportunities and the poor labor market signaled by high unemployment rates leads to longer school attendance.

High wages in a city have the effect of increasing enrollment rates and lowering participation rates. This is a surprising finding since the logic used to explain the role of unemployment rates would lead one to expect that high wages, signaling as they do good labor market conditions, would lead to lower enrollment rates. There are at least three possible explanations of this apparently counterintuitive finding. First, to the extent that education is a consumption good the income effect of higher wages may lead to longer periods spent in school. This could explain why the participation rate of the in-school group falls as wages increase but cannot explain the fall in participation rates of out-of-school rates. Second, the implication that high wages imply good employment opportunities may not be true. Robert Hall has shown that cities with high wages levels tend to have high unemployment rates⁵ and thus to the extent that young people take employment probabilities rather than wage rates as a signal of their chances in the job market the association between wage levels and unemployment rates would lead to the observed effect.

⁵Hall (1972).

Finally, the argument put forward by Bowen and Finegan is that high wage levels for young workers are caused by a variety of institutional restrictions on the free movement of supply and demand and that, due to the generally low productivity of young workers, in high wage cities employers are willing to hire fewer young workers. The poor employment opportunities lead to more school attendance and less full time labor force participation. This argument is essentially a variant of the belief that minimum wage legislation reduces youth employment opportunities, an argument which has received only the most modest empirical support.⁶ Thus there is no fully convincing explanation of the finding that high wages lower participation rates and raise enrollment rates.

As would be supposed from the argument that the enrollment decision and the labor force participation decision are really parts of the same more general time allocation problem, Bowen and Finegan's finding about the impact of economic variables on labor force participation are symmetrical to the findings about enrollment rates. High unemployment rates discourage labor force participation, both for those in school and for those not in school. The only surprise is that the participation of the out-of-school group seems more strongly affected than the in-school group. Bowen

⁶For example, a study conducted by the Department of Labor argues that the minimum wage has had, at most, a small effect on teenage employment opportunities. See United States Department of Labor (1970). Another, more recent, study of youth employment in retail trade also finds small, or non-existent, disemployment effects from the minimum wage. See Cotterill and Wadycki (1976).

and Finegan explain this by arguing that a drop in the unemployment rate leads people to leave school and that virtually all of these school leavers enter the labor force. Thus their 100% participation rate sharply increased the average out-of-school rate. The reverse occurs when the unemployment rate increases, and thus out-of-school participation rates are more sensitive to the cycle because the composition of the out-of-school group changes with the cycle.

The level of earnings in a city affects participation decisions of individuals in much the same way as it does the enrollment rate. Higher earnings reduce youth participation. The arguments which might be adduced to explain this are the same as those mentioned above.⁷

Bowen and Finegan provide convincing evidence that the enrollment and the labor force participation are linked and that high unemployment rates encourage enrollments and discourage labor force participation. They also provide us with some basically plausible information about the relationship between various

⁷Bowen and Finegan cite a study by Robert Fearn which shows a positive relationship between earnings in retail trade and the labor force participation rate, a finding opposite to that described above. Bowen and Finegan argue that their measure of earnings--median 1959 income of teenage males in the city who received any income that year divided by an estimate of the mean number of weeks worked by that group--would tend to be more institutionally rigid than wages in retail trade, an industry not then covered by the Federal Wage and Hours Law, which had little collective bargaining, and which was characterized by small competitive firms. Thus Fearn's finding does not contradict Bowen and Finegan's. However, as we shall see, another more recent study does contradict Bowen and Finegan and cannot be explained away in the same manner. See Bowen and Finegan (1969), page 438.

personal and family characteristics and the enrollment and participation decisions. However, they leave us hanging up on the question of the relationship between wage rates and enrollment and participation. They found a basically counterintuitive relationship and were forced to rely on an explanation involving institutional rigidities and permanent disequilibrium (excess supply of young workers at high city-wide wage levels). It is possible to explain this finding in other ways, for example, by young people taking unemployment rates, not wage rates, as their primary signals, but such explanation is basically unsatisfactory since it contradicts standard labor supply theory.

A more recent study by Robert Lerman⁸ contradicts Bowen and Finegan on this point. Using 1967 Current Population Survey data Lerman studies the relationship between School attendance decisions and local employment conditions and the personal and family characteristics of young people.⁹ Lerman found a relationship between the local unemployment rate and school attendance similar to that found by Bowen and Finegan: high unemployment rates discouraged enrollments and presumably led to more full time labor force participation. However, his wage effects were

⁸Robert Lerman (1972).

⁹Lerman estimated a linear probability model whose dependent variable was "1" if the youth's major activity the survey week was attending school and "0" otherwise. The major activity variable was slightly different than the enrollment variable used by Bowen and Finegan but this seems unimportant. Lerman's sample included 16-21 year olds living with their family. Thus he excluded family heads and unrelated individuals.

quite different than Bowen and Finegan's. Lerman found that high wages discouraged school attendance and encouraged full time labor force participation. He wrote: "Poor area unemployment and wage rates were associated with relatively high school activity rates, largely a result of discouragement to full time labor force attachment."¹⁰ Bowen and Finegan found the opposite effect, that high area wage rates encouraged school enrollments.¹¹

If the literature on the labor force participation of young people seems to be at least mildly in disarray the literature which attempts to estimate labor supply functions is a disaster. For example, Robert Hall estimated labor supply functions for various age-sex-race groups and reported his findings for teenagers in these terms:

For teenagers...income effects are absent or of the wrong sign. The estimates of the wage effects are rather irregular, but only white women show an unmistakably positive response to higher wages.¹²

Garfinkel and Masters¹³ report positive income elasticities

¹⁰Lerman (1942), page 373.

¹¹Another recent study shows no relationship between enrollment rates and the unemployment rate for young males. Thus we even have some evidence contradicting the more generally accepted findings of Bowen and Finegan. See Linda Nasif Edwards (1976).

¹²Robert Hall (1973), p. 148.

¹³Garfinkel and Masters (1974). There are several reasons why the authors could not estimate reliable wage effects. For young people in school who did not work during the survey week they had to estimate expected wages and employed a variety of variables which should also be properly in the labor supply function. Furthermore, individuals who work while in school take somewhat longer to finish their education. Thus they have less education for a given age and this leads to a spurious negative correlation between wages

of labor supply but are unable to get reliable estimates of substitution and wage effects.

In summary, previous econometric studies of labor force participation and labor supply of young men have helped us better understand the relationship between school attendance, labor force participation, and certain economic variables, most notably unemployment rates. We can understand, for example, why labor force participation rates have declined secularly for young people while enrollment rates have risen, and the sum of the two remained roughly constant. We also can explain the variation in participation rates and school attendance across cities with different unemployment rates.

However, there are several serious gaps in the literature mostly centering around the role of wage variables. The relationship between labor force participation, school attendance, and the area wage level is unclear. Substitution effects seem difficult to measure and no reliable estimates exist. Evidently the behavior of young workers differs from that predicted by standard theory in ways that are hard to come to grips with. The remainder of this chapter attempts to develop a theory about the relationship between aging and labor supply.

and labor supply. Garfinkel and Masters report their results for out-of-school youth and find small wage effects for married males and slightly larger ones for single males. However, these results also depend on estimated wages and do not seem very reliable.

The Supply of Young Workers

As I argued in the previous chapter, the labor supply of young workers can best be understood in terms of three stages: moritorium, exploration, and settling down.

Young people who are in the moritorium stage work, but work is not an important issue in their lives. They work only for casual spending money or, perhaps, to pass some time. In many respects moritorium behavior after leaving school is a continuation of the attitude towards work which prevails during school and in the summer. Peer groups, sex, adventure, and travel all seem to be more important than jobs and careers during this stage. As a result, young people in moritorium have a very weak labor attachment. They hold a job for a while, leave it, perhaps take time off from work, or perhaps move on to another job.

The clerk who was quoted at the beginning of this chapter is a good example of a young man exhibiting moritorium behavior. He works, but only in order to gain a modest amount of money for recreation. He is not very attached to his job in terms of permanent employment and does not expect to stay there much longer.

A surprisingly typical pattern of moritorium behavior is to work for awhile in a casual job and then simply quit the job, leave the labor force, and travel. A number of young men described how they held a succession of warehousing jobs, unskilled clerical work, and the like and then simply quite to "take a vaction for the winter" or to see the country. Employers also reported having similar experiences with young employees.

Another source of moratorium behavior seems to be found in young men who hold what seem to be unrealistic expectations about future work. One young man, currently selling shoes but who held a succession of unskilled jobs, wants to be a spy. Another slightly older fellow most recently worked in a milk processing plant for six months. He wants to be a rock musician.¹⁴

During the exploration period¹⁵ the pattern shifts subtly. Work becomes a more important issue to young men and they begin to engage in the process of deciding what it is that they want to do. During this stage young men may continue to move from job to job, as in the moratorium period, but the nature of jobs change. Instead of unskilled and casual work young people take jobs which offer some training and, perhaps more importantly, jobs which provide a taste of what it is like to work in a particular field. This is a time of testing, searching and moving towards a decision.

The young man "always in transit" seems to be in the exploration period. In fact, one of his succession of casual short term jobs was in a hospital and his intention is to return to school to pick up training in one of the medical technician fields. If he does so then his search through the labor market will have led him to a career.

¹⁴Discarding "unrealistic" expectations is thought by some psychologists to be an important stage in occupational choice. I will discuss the theory of occupational choice in Chapter VI. See, for example, Ginzberg et al. (1951).

¹⁵The idea that young people explore the labor market is an old one. See, for example, Super (1957).

The exploration period may last through several jobs or it may end quickly. The conclusion of a successful exploration period comes when the individual settles into a job and, either out of satisfaction or resignation, decides to stay in that job. Settling down is a complex process and several kinds of developments contribute to it. Some of these are economic in nature and some involve other, non-economic, considerations. As we shall see in the next several chapters, high wages and low unemployment rates contribute to settling via the incentive and opportunity they provide. Settling down thus, in important respects, results from labor market demand and opportunity. However, settling down is also a function of the personal development of the individual. As people age they become increasingly prone to settle. In part this is due to the independent effect of aging, which leads to a desire for both stability and a sense of progress and pattern. This independent effect of aging will be tested econometrically in the next chapter.

Settling down also becomes more likely as people grow older because personal circumstances change. Marriage increases the pressure for greater stability (at least this is what common sense and data which show that unemployment rates are lower for married than single people tell us. Some of the data in the next chapter make this proposition more ambiguous). Furthermore, changes in the friendship patterns and peer group relationships also tend to encourage greater stability and thus settling down.

Settling down is therefore a function both of demand and supply. Demand plays a role via the nature of the incentives and

opportunities available and supply enters through the effects of aging and changing personal circumstances on people's attitudes towards jobs. Throughout this thesis I will discuss and attempt to disentangle the effects of supply and demand forces, but that is a difficult task and ultimately we will have to be satisfied with some ambiguity.

It is important to understand that by successful settling I mean landing a job in a primary firm and keeping that job for a reasonable length of time. The process of actually staying on that job and advancing within the firm has been described by Marcia Freedman.¹⁶ She examined career patterns for young men in four New York City firms--a utility company, an auto assembly firm, and two retail stores--and found that for non-college men the most important variables explaining wages and promotion were seniority and age. Training and education variables were not important determinants of wages. This pattern was particularly true in firms with structured internal labor markets. Of course, the unimportance of formal education and training variables may say nothing about the effects of informal training and skill acquisition but the data did not permit this distinction between pure seniority and informal training.

It is useful to distinguish between successful and unsuccessful settling down. Successful settling down can be taken to mean stable work in a well-paying job with good opportunities for advancement and growth. In effect, successful settling down implies

¹⁶Freedman (1969).

landing a job in the primary sector of the economy. On the other hand, many workers become stable in low-wage jobs. They settle down, perhaps surprisingly, in secondary work. It is important to distinguish unsuccessful settling down from simply drifting among jobs with frequent spells of unemployment. In the former case, work habits do not seem to be the problem, rather opportunity and skills may be at issue. In the latter case, the motivation to settle down may be absent (though, of course, this is too simple: a person who doesn't settle down may simply be responding rationally to the lack of good opportunities.) In effect successful settling down is a function both of readiness and opportunity.

Other observers have noted a similar progression in the attitudes of young people toward work. In their 1937 study of occupational mobility in California, Davidson and Anderson¹⁷ characterized their first period after school as the "floundering period." A few years later and half a continent east, Hollingshead observed in Elmstown that:¹⁸

"the typical worker passes through a two-phase cycle in his adjustment to the work world. The first normally lasts from a year to a year and a half after he leaves school. The average boy holds five jobs in this phase...this phase of the work cycle is a period of adjustment to the demands of the job, of accumulation of some experience, and of learning how to get and keep a job...Once the experience and age requirements are met, a youth generally enters the second phase of his work

¹⁷Davidson and Anderson (1937).

¹⁸Hollingshead (1975), p. 277.

career. This phase is marked by better performance on the job, higher pay, and a steady job by local standards."

Though the description of the stages differs somewhat from mine, the key idea is the same: that adjustment of the work world is a process that takes time and is marked by different stages of behavior.

In addition to aging one of the most important sociological variables affecting the labor market behavior of young men is their peer group relationships. There is considerable evidence that peer groups play important roles in the lives of the men in the age range I am considering. An extensive study of the "youth culture" in American high schools developed considerable evidence on the importance of peer groups and cliques in value formation as well as in actual behavior patterns.¹⁹

The interviews conducted for this study suggest that peer groups play several important roles in affecting the labor market behavior of young men. One obvious impact they have is on job search and finding. As I will discuss in Chapter IV the most common means of job search is via friends (and relatives) and obviously one's peers are helpful in this process. In my interviews it was common to learn that someone had found their job through their close friends, who either had already been working

¹⁹Coleman (1961). Several other studies by sociologists and psychologists have sought to assess the impact of peer groups on behavior and aspirations. These studies have found evidence that peer groups, independent of class and family factors, influence aspirations. However, the evidence tends to be only weakly significant in the statistical sense. See, for example, Kandel and Lesser (1969) and Haller and Butterworth (1960).

at the firm or who had heard through some other source of a job opening and had passed the information on. This fairly straightforward role of friends has some deeper implications since it implies that there is a tendency for friends to work in similar jobs and hence certain occupational distribution patterns may be self maintaining. I will return to this point in a latter chapter where we will see that there are other similar mechanisms at work in the labor market.

A somewhat more subtle role that peer groups play is in the process of transition from one behavioral stage to another. As members of peer groups begin to make these transitions and to change their behavior patterns the pressure builds upon other members to do likewise. One's ability to continue to relate to friends depends, in part, on maintaining a similar life style. It is difficult for a young man who is working steadily to continue recreational patterns and friendships with friends who have more free time, fewer responsibilities, and different interests. Similarly, as the weight of the group's behavior shifts toward settling down it is difficult for the less attached person to continue his friendships. Pressure builds on him to also settle.

Several youth workers I spoke with commented upon this phenomenon. One counselor said that the most important determinant of whether a young man would succeed in a training program was the nature of his friends. If they were "streetcorner kids" the prognosis was bad, if not then good. Another manpower director described recruiting a group of young men into the program. The director had visited a high school in order to recruit but had

been unable to interest anyone with the exception of nine young men. These people were all friends and one of them, the natural leader, seemed favorably inclined towards the program. They all entered together and did quite well.

This last example points to an issue which I cannot resolve, namely the role of leadership. It is not clear to me what the internal dynamics of the group's transition process are. Another unresolved issue is whether peer groups are formed by young people who are alike in important characteristics, in this case their attitude toward work, and thus the process is simply a natural evolution of preexisting tendencies or whether more disparate individuals come together in a group and thus influence each other to a greater degree.²⁰

This chapter thus far has argued that in order to understand the labor supply of young workers it is crucial to view the adjustment process as one which takes time and which proceeds in three stages. The most important determinant of these stages is physical and emotional maturation. This observation has been frequently made by adults who have had extensive experience working with youth. S. M. Miller has written that²¹

²⁰These two issues are much discussed in the literature surrounding juvenile delinquency and youth gangs. See for example, Cohen (1965) and Ohlin and Cloward (1963).

²¹Miller (1964).

probation officers have told me that their success with many boys with whom they work is not due to professional expertise but results from the aging of boys into men--they marry, they find a job, and they give up criminal activities.

In addition to the aging process it is also the case that personal relationships and peer groups play an important role in the work life of young men.

Explanation of the Stages

What is the explanation for the stages which I have described? How does the timing of these stages vary with economic conditions? What institutional mechanisms in American society support and encourage these stages? The remainder of this chapter will be devoted to these questions.

It is clear that the stages are, at least partially, embedded in the psychology of aging. Because adjustment to the labor market occurs over a number of years and because many changes occur in the life circumstances of the young men during this period it is important to understand how people's varying attitudes towards the labor market--and the stages imply that attitudes do vary over time--are related to a more general theory of aging. The next section will relate the stages to some of the ideas of one of the leading psychological theorists of the life cycle and the aging process, Erick Erickson.

It also seems likely that patterns of youth behavior toward the labor market are partially determined by the role of young people in the economy. A purely psychological theory misses this consideration. Young people's place in the economic system, and their behavior as it is affected by this relationship, has

changed considerably in the past several hundred years. These institutional changes must modify the impact of the psychological determinants of labor market behavior. It thus seems important to place today's youth labor market in the context of this evolving structure. Therefore the section following the discussion of Erickson will take up the issue of historical changes in the youth labor market.

Short term economic considerations must also modify and influence the pattern of the stages. It seems reasonable to suspect that patterns of settling may vary over the business cycle. The penultimate section in this chapter will discuss this question.

Finally, it seems important to address the issue of how the American experience differs from that of other countries. If the American situation is considerably different, then this raises difficult questions for any theory based on a psychology of aging. The final section will be devoted to this topic.

The Psychological Foundations of the Stages

The first step in constructing a more satisfactory approach towards labor supply is to understand the psychological foundations of behavior during the age range under consideration. This period is a central one in human development. At the beginning of the period a young man is an adolescent still living at home and just leaving school, an institution in which he has spent the vast majority of his years. At the end of the period he no longer lives with his parents, has a steady job, and often a family. Much has happened, and since an important proposition of the thesis is that there is an intimate relationship between personal development

and labor market behavior it seems important to develop a somewhat deeper understanding of the psychological aspects than economists normally consider.

The foremost theorist of adolescence is probably Erick Erickson. Adolescence, according to Erickson, is a time of transition between childhood and adulthood. It is the period of identity formation and of the now-famous "identity crisis." In Friedenberg's words, "adolescence is the period during which a young person learns who he is, and what he really feels. It is the time during which he differentiates himself from his culture, though on the culture's terms."²²

The major task of adolescence is the formation of ego identity. The ego is the inner agency which mediates between the "animalistic" impulses of the id and the externally-imposed conscience (for example, religious guilt) of the super-ego. The ego integrates the various twines of a personality and creates the sensation "I am a..." As Erickson puts it, the ego is "that inner agency responsible for social control and integrative self-definition"²³ and identity implies "achieving of an invigorating sameness and continuity."²⁴

Identity has many strands. A sense of selfhood resides in notions about the kind of person you are, your expected place

²²Friedenberg (1959), p. 29.

²³Erickson (1968), pp. 49-50.

²⁴Ibid., pp. 49-50.

in social relations--jobs, community affairs, etc.--your relationships with family friends, and members of the opposite sex. A strong sense of identity helps the individual know who he is and where he is going.

The period of identity formation can be viewed as a psychological moritorium "during which the young adult, through free role experimentation, may find a niche in some section of his society, a niche which is firmly defined and yet seems to be uniquely made for him."²⁵ This period of moritorium (this is Erickson's term) is made available in some form by most cultures. It might be argued that in the United States the secular extension of schooling is an expansion of the moritorium, but it seems more likely that the extension of school simply delays the final step of the moritorium.

The tasks of identity formation can be schematicized into two categories: personal identity and social identity. Personal identity involves recasting childhood experiences into a form meaningful for further growth, establishing a consciously formed personality and developing new ways of relating to family, friends, and potential sexual partners. In particular, it involves coming to grips with one's newly-developed sexual and physical prowess. Social identity, in the small, requires achieving a sense of the occupational and social role one expects to occupy. It does not imply achieving that role or even finally

²⁵Erickson (1968), p. 156.

deciding upon it, but rather getting a sense of the options and learning about which ones are likely to be satisfactory and which are not. It also involves gaining a recognition from society that one is prepared and competent in these roles. In the large, social identity implies coming to terms with historical reality, finding one's place in the large sweep of society. This is often unconscious, but when major societal changes occur at a time corresponding to identity formation major difficulties and conflicts may ensue arising from confused and thwarted expectations (Erickson analyzes Luther and Hitler youth in these terms).

The conclusion of adolescence (and Erickson doesn't mention specific ages--presumably this varies with individuals and with cultures) comes with the successful achievement of identity and brings on the next stage: the problem of achieving intimacy, i.e., "how to take care of those to whom one finds oneself committed as one emerges from the identity period".²⁶

Interesting as this material is, how does it help us understand the labor market behavior of young men? In particular, do Erickson's ideas help provide a psychological foundation for the existence of the stages and for the characteristic behavior found in each stage and throughout the adjustment process?

Erickson's underlying methodology provides a foundation for the idea of developmental stages. Erickson is perhaps best-known for his life cycle approach to human development. He has identified seven "stages" of human development which follow upon one

²⁶Ibid., p. 33.

another. This approach is really an extension of a physiological analogy, it makes use of the manner in which fetuses grow in utero. There is a natural unfolding process, one new development proceeding the next with the success of each subsequent stage dependent on the previous one being accomplished. Similarly for psychological development each stage builds on the previous one. The two important ideas for our purposes are that development proceeds in stages with the timing of each stage being in some sense naturally determined, and that later stages build on former ones.

The analogy between Erickson's stages and the labor market stages which I have presented is far from perfect. Erickson's stages are intended to describe a lifetime of personal development and they are based upon deepset and often unconscious psychological drives. Erickson argues that unsuccessful completion of a stage (such as failure to achieve trustfulness) leads inevitably to damaging consequences later in life. My steps encompass a considerably shorter period of time and have considerably shallower foundations in human nature. Furthermore, some young people do skip a stage without dire consequences (although it matters why the stage was skipped. Early settling without exploration may result from the happy circumstance of powerful job contacts or from early maturity or, alternatively, from desperate economic circumstances which preclude the luxury of exploration.)

Nevertheless, the stage metaphor is powerful and Erickson's use of it demonstrates this power. Human development does appear

to proceed in stages²⁷ and the great many changes which adolescents and young men undergo seem fruitfully comprehended on these terms. Furthermore, as the econometrics in the next chapter demonstrate, the data support the stage notion. Thus Erickson's use of stages provides a powerful suggestion.²⁸

Understanding Erickson's stages, and understanding the characteristics of the labor market adjustment process, requires that we employ an interdisciplinary perspective. The youth labor market, and the behavior of the actors in that labor market, cannot be understood without reference to the historical context of the labor market and the psychological aspects of labor market behavior as well as more standard economic considerations. In fact, an implicit theme of this thesis is that such varied perspectives are necessary in order to comprehend labor market institutions. Erickson's approach to human development is similarly interdisciplinary. He writes:

"A human being, thus, is at all times an organism, an ego, and a member of society and is involved in all these processes or organization...In the history of science these three processes have belonged to three scientific disciplines--biology, psychology, and social science--each of which studies what it

²⁷ Even the earliest known psychological theory of adolescence, that of G. Stanley Hall in 1904, was a stage theory.

²⁸ Interestingly enough, Erickson's own early life history conforms to the basic notion of moratorium, exploration and settling. In his adolescence and early twenties Erickson was a wandering artist in Europe. By chance a childhood friend, who was teaching in an informal school in Vienna for children of some Americans who were being analyzed by Freud, offered Erickson a temporary job teaching in the school. Erickson accepted, taught for several years, and after a period of time began analysis with Freud and his daughter. Erickson then became interested in becoming an analyst himself and undertook formal training.

could isolate, count, and dissect: single organisms, individual minds, and social aggregates... A scientific discipline prejudiced the matter under observation by actively dissolving its total living situation in order to be able to make an isolated section of it amenable to a set of instruments or concepts...Our clinical problem, and our bias, are different...We find that the three processes mentioned are three aspects of one process, i.e., human life, both words being equally emphasized."²⁹

Erickson's theories also provide some more specific clues to help us understand some of the behavior patterns which young people exhibit. Erickson argues that personal relationships are important in several ways to young people. Adolescents search for people and ideas, often outside the family, to put their trust in. This search grows out of the need to find anchors for identity formation. Young men identify both with particular individuals and "with the roles offered by some wider section of society--be that section the neighborhood block, an anticipated occupational field, an association of kindred minds, or perhaps... the 'mighty dead'."³⁰ This need for personal relationships and, in some sense, non-family parental guidance, helps shape preferences about the kind of jobs young people wish. We shall see in a later chapter how the structure of small businesses make them particularly appropriate for young people in this stage.

I have commented at length on the importance of another sort of personal relationship, peer groups, in understanding youth labor force behavior. Erickson also argues that they are

²⁹Erickson (1963), pp. 36-37.

³⁰Ibid., p. 262.

important in identity formation. They provide a testing ground for competencies and for future roles. They also help develop a sense of "us against them" which assists in knowing who "us" is and thus who "I" am. Peer groups are therefore important sources of support in identity formation and it should come as little surprise that their influence extends to labor market behavior.

In addition to personal relations, the other major category of behavior which Erickson emphasizes is the search for competency. "The other (in addition to sexuality) major development is an attitude of respect for competence...it is crucial for self-definition. In a world as empirical as ours, a youngster who does not know what he is good at will not be sure what he is good for."³¹

The search for competence can help explain the pattern of exploration and delayed settling which I have emphasized. Work is clearly one of the most important new competencies which young people develop. "In general it is the inability to settle on an occupational identify which disturbs young people."³² At the same time, however, work is not the only important concern. Peer relationships and sexual relationships, to name two important examples, are also of central concern. From this it follows that at different times in the entire maturation process work will play varying roles; sometimes it will be on the center state, other times it will be on the periphery of attention.

Young people will often be in no hurry to quickly establish

³¹Friedenberg (1959), p. 40.

³²Erickson (1968), p. 132.

occupational identities, both because a period of testing and exploration is necessary and because there will be periods when other issues are more important than work. Thus we should expect to often observe a pattern of delay:³²

The choice of an occupation assumes a significance beyond the question of remuneration or status. It is for this reason that some adolescents prefer not to work at all for awhile rather than be forced into an otherwise promising career which would offer success without the satisfaction of function or unique excellence.

Of course, not all young people can expect to find such satisfaction or can afford to wait. However, if they could they would and this is reflected in observed behavior.

Erickson thus emphasizes that maturation is a process which takes time and proceeds in stages. The establishment of an occupational identity is an important part of this process but it is by no means the only aspect of it and therefore we should expect to observe that work, and young people's attitude towards it, is of varying importance during these ages. We should thus expect that adjustment to the labor market takes time. We should also expect that the degree of seriousness should vary over time. Finally, Erickson alerts us that labor market adjustment is a process bound up with other important developmental issues, in particular peer groups and marriage. As is apparent, these clues which Erickson offers about labor market behavior help explain the pattern of labor market stages discussed earlier.

At first glance much of what Erickson has to say seems to have a universal tone. The picture he paints of adolescence, the

³³Erickson (1968), p. 129.

tasks which young people must undertake and the developmental dilemmas they must solve, seem to apply to young people in all cultures in all times. If this is true, then it would appear to be difficult for me to use these ideas as a psychological foundation of the labor market stages since it is hard to argue that throughout history and in all cultures young people pass through moritorium, exploration and settling down as they begin to undertake adult economic roles.³⁴

³⁴ Obviously the labor market stages are not replicated in all times and cultures. It can be interesting, and amusing, however, to see that they do have parallels in other times and places. In Growing Up in New Guinea Margaret Mead describes how adolescents of the Manus tribe, who lived in the Admiralty Islands, became adults. The Manus were similar in some respects to our civilization. "To the arts of leisure, conversation, story telling, music and dancing... they gave scant recognition... The ideal Manus man has no leisure; he is ever up and about his business turning five strings of shell money into ten... (their religion) is very similar to our historical Puritan ideal, demanding from men industry, prudence, thrift and abstinence from worldly pleasures, with the promise that God will prosper the virtuous man." However, the children are removed from these concerns. Throughout childhood they live in a society of their own, a world in which adult social and political relations were excluded. When a young boy entered adolescence--between the ages of twelve and sixteen--a puberty ceremony was held but nothing much changed. He returned to his play group, though perhaps in a new leadership role. Gradually, the young men's activities changed. However, they did not fully enter the society. Rather, they engaged in war games, attacking neighboring villages, taking captives, and chasing after the young women of their village (after white men appeared on the scene young men at this stage often went to work for several years in white settlements and then returned to the village). Young men settled down suddenly with marriage. When their (arranged) marriage came to pass they suddenly found themselves deep in debt to the adults who had paid for the various marriage dowries and exchanges. They settled down quickly, abandoning their peer group and their youthful activities and becoming serious, hardworking Manus adults. Mead (1930).

In fact, Erickson's approach is not as universalistic as it may appear. Instead, he strongly argues that the developmental dilemmas which occur for young people in all cultures are worked out quite differently depending on the cultural and institutional arrangements of a particular society. His approach is to describe universal needs and drives and to examine how they are worked out in different historical and cultural settings. Particular institutions are given as much weight as biological drives. Thus he writes³⁵

cultures, after all, elaborate upon the biologically given and strive for a division of labor between the sexes and a mutuality of function in general which is simultaneously workable within the body's scheme and life cycle, meaningful to the particular society, and manageable for the individual.

Cultural, social and economic forces thus play an important role in determining behavior and any analysis which relies on purely psychological explanations to understand the labor market behavior of youth would be incomplete.

One of the important institutional characteristics of the current youth labor market is that it seems, at least superficially, to be importantly determined by the fact that young people, even those who do not go to college, remain in school for many years. The economic life of young men in America has not always been so shaped by the school system and it seems important to explore the historical development of young peoples' place in the economy and understand how this development has affected the youth labor market. The next section takes up this topic.

³⁵Quoted in Coles (1970), p. 51.

Historical Changes in the Youth Labor Market

It is common knowledge that the major secular trend of the past century affecting young people has been the extension of schooling. For example, in 1900 only 6.4% of seventeen year olds had graduated from high school; by 1940 the figure was 50.8%, and in 1973 the proportion of sixteen and seventeen year olds enrolled had grown to 88%. Similarly, in 1900 only 4% of the eighteen to twenty-one year olds were attending college while today over 50% of all high school graduates continue on to college.

Clearly this extension of schooling has had a profound affect upon the workings of the youth labor market if only because entry into full-time work has been delayed. However, the effects obviously extend beyond simple delayed entry. Schools have become credentialing institutions and access into many firms and occupations depends upon possession of the proper certificate. The rhythm of the school year has altered work patterns and created an important seasonal aspect to the youth labor market. Strong peer groups and the now-famous "youth culture" developed as a result of the long-term age segregation imposed by schools. The very concept of adolescence is relatively new³⁶ and its

³⁶The first well-developed psychology of adolescence was proposed by G. Stanley Hall in his book published in 1904. Most students of this development would probably agree that this formalization of the theory merely certified the existence of a stage in the life cycle which had been created some time earlier. Musgrove writes "adolescence was invented at the same time as the steam engine." Musgrove (1964).

development is intimately related to the enforced isolation of the young from adult society imposed by the extension of schooling.

It would thus appear that the youth labor market of today is considerably different than that of the time before schooling came to dominate the process of growing up. If this is true, then the patterns which we observe today cannot be entirely explained by general truths about human nature or the process of personality development. They are in part the result of the delayed commitment to work which modern school systems impose as well as a function of the modern level of economic well-being which permits children and young people to delay serious labor force attachment.

This argument does not really pose important problems for me. The research embodied in this thesis describes modern labor market institutions and the theories developed attempt to explain how today's youth labor market operates. Furthermore, although the Erickson analysis is based on a universalistic explanation of the dilemmas and tasks which all growing individuals in all times and cultures face, the actual way in which these issues are resolved is acknowledged to be specific to particular cultures and institutional configurations. Thus, modern conditions lead the modern adolescent to engage in the kind of protracted identity formation described earlier.

Nonetheless, the patterns which I describe in this thesis have prevailed for the greater part of the Twentieth Century. As we shall see momentarily, it was in the early 1900's that the modern institutional patterns were established, with most

young people attending school and delaying entry into work. Although the age of entry has been pushed back throughout the century this has really been a matter of degree, not kind, and the essential pattern of compulsory school followed by work was established at the turn of the century.

This proposition can be supported by observing when compulsory education laws were passed and by examining data on the role of youth in the labor force and the hiring practices of industry; I will examine these data below. Perhaps more persuasive, at least to me, are the accounts of contemporary observers. Throughout this thesis, I make reference to Elmstown's Youth, a study of growing up in the 1940's in a mid-western community. Hollingshead's descriptions of labor market entry and the early experiences of young people are strikingly similar to the pattern which I describe as prevailing today. Even earlier community studies also report results strikingly similar to today's pattern. The Lynd's classic study Middletown, a report of a city in the early 1920's, describes the late entry caused by the extension of compulsory education, the declining employment of teenage labor in major industries, and the growing importance of the high school as the center for peer group and social activities as well as career education.

The patterns of today's youth labor market were thus established shortly after the beginning of the twentieth century and although the age of school-leaving has been progressively pushed back the essential structure has changed quite little. But what of earlier periods? Is the youth labor market a Twentieth century phenomenon to be sharply distinguished from earlier periods? Did young people in the past also move through

several stages or did they immediately engage in serious work as soon as they were physically able? It will, I think, be interesting to briefly examine earlier patterns. It will turn out that although much before this period was, in fact, quite different than today, there are nonetheless surprising and interesting similarities.

The most fruitful approach to our quick glance through the past will be to examine the relationship of the changing roles young workers have played in the economy, and evolution of the institutions affecting young peoples' work. Three periods can be identified: the years prior to the industrial revolution, the early post-industrial revolutionary period, and the late industrial revolution to the present.

Prior to the industrial revolution most young men followed one of two patterns. If they were raised on the farm, and, of course, agriculture-dominated the economy of this period, they worked on the farm and during seasonal periods of slack demand for their labor attended school. This pattern continued until the ages of twelve or fourteen at which time full-time work commenced. It is interesting and important to note that the seasonal nature of the labor demand, farm work, led to seasonal school attendance. The modern pattern of continuous school terminating at a standard age did not yet exist. One consequence of this sporadic school attendance was that school grade groups and peer groups were very age-heterogeneous, a pattern quite different from than prevailing today.

The other dominant pattern, for non-agricultural youth,

was to enter an apprenticeship after the age of twelve or so. Often the young people left home and lived with their master. This was a period of labor shortage and considerable fluidity about entrance requirements into most occupations. As a result young people could attain positions of great responsibility. At remarkably young ages men were able to become sea captains, bankers, and important merchants. Furthermore, the frontier offered considerable opportunity to become an established land-owner.³⁷

Interestingly enough, this also seems to be a period in which many young men left home and struck out on their own in search of their vocation. The relative ease of occupational entry, the existence of the western lands, and the general shortage of labor seems to have encouraged a great deal of personal exploration in search of a fortune or calling. The Handlins³⁸ describe the early career of Thomas Jonathan Jackson of Virginia who

shifted from one occupation to another before he knew what he wished to do. He was about ten in 1834, an orphan, living on his uncle's farm. With a brother two years older, Thomas took off down the Ohio to the Mississippi where he worked the summer on an island cutting wood for passing steamboats. The experience left him as poor as when he started and fever-stricken in the bargain. Back to the farm. He thought of keeping a store or doing some swapping, but had no capital. None was needed, however, for public office. At age seventeen he wangled an appointment as country constable. Then after two years he finally decided upon a military career.

³⁷For examples of the positions attained by some quite young men see Handlin and Handlin (1971), pp. 85-87.

³⁸Ibid., pp. 23-24.

This young man later became known as "Stonewall Jackson." This account seems typical of many of the young men of this period; but to make too much of the moratorium, exploration, and settling aspects of Jackson's career would be ungracious. Note, however, that the cycle began at a considerably younger age than is customary today and that schooling played no role.

Thus, this pre-industrial period was a time of considerable responsibility and opportunity for young men. What few "youth" institutions there were accommodated themselves to the rhythm of work, particularly to the seasonal work of the farm. Yet, even during this period which institutionally is far removed from modern times we can find many examples of the kind of search behavior which I have described in terms of the stages.

In the period following the industrial revolution, despite the introduction of the factory system into the economy, agriculture continued to dominate and much of the earlier patterns prevailed.

However, important changes began to occur. Probably the most striking development for our purposes was the use of child labor in factories. Lebergott³⁹ reports that in 1820 the typical United States textile worker was still a child; 43 percent of all textile workers in Massachusetts, 47% in Connecticut, and 55% in Rhode Island were children.

As late as 1890 child labor in factories continued to be important. The Lynds report that in Middletown in 1892 41% of

³⁹Lebergott (1964), p. 50.

the employees of the leading glass plant in town were "boys" and that whenever new firms considered moving into the city they always inquired about the availability of child labor.⁴⁰

The growth of the factory system and the use of young labor had some important implications for youth institutions. Unlike farming, factory work was not seasonal and could not be accommodated to sporadic youth participation. Thus schooling patterns had to change. Whereas, in earlier times young people could alternate periods of school with periods of work (on the farm) in the new era a young person who was destined to work in a factory had to finish whatever schooling was required prior to starting employment. Hence new economic demands changed the structure of schools and society moved towards the modern pattern of continuous school followed by entry into the labor force.

Reliable figures are difficult to come by for this period and there is a serious danger of assuming that the employment patterns of textile industries and a few others was typical for the economy as a whole. Obviously, the level of child and youth employment described above could not prevail throughout the economy. The best that Lebergott can tell us is that⁴¹

"For the period prior to 1860, we must be content with the general conclusion that children formed a significant component of the labor force in farming

⁴⁰Lynd and Lynd (1929), p. 31.

⁴¹Lebergott (1964), p. 52.

and manufacturing, and worked as well in grist-mills, grocery stores, mines, ships, and most of the other commercial enterprises of the day."

During the period 1870 to 1900, a time for which somewhat better data are available, children aged ten to fifteen made up, on average, 16% of the labor force.⁴²

It seems fair to conclude that these years, say roughly from 1820 to 1890 or 1900, were the high point in the demand for youth labor. Compulsory education had yet to be widely introduced, the great waves of immigrants had yet to arrive, and both farms and factories demanded young workers.

The late 1800's and the turn of the century brought decisive changes in the relationship of youth to the economy changes which were reflected in new institutional arrangements. The pattern which prevails today was established.

A good way to get a sense of the change is to follow the developments in Middletown which were so well-documented by the Lynds. As we have seen, in the 1890's the labor of boys (and children) was important in Middletown's factories and, in fact, the size of this labor pool helped attract firms to the city. In 1897, the first compulsory education law was passed and far-reaching changes began to occur. In the period from 1897 to 1924 the town's population increased by 350% but the size of the high school graduating class increased by nineteen fold. In fact, by 1924 one-third of the high school graduates went on to some form of formal further education.

⁴²Ibid., p. 53.

This vast movement of young people into the schools and the increase in the time which they spent in school clearly changed work patterns. The labor of boys in factories ended. In fact, "the whole working population tends to start work from two to five years later than in 1890."⁴³

The life of young people changed in other ways. The high school became the focus of social life, with clubs and athletic teams and other less-formal peer group activities coming to dominate the social scene. This trend gathered force and led to the extensive and complicated high school social arrangements, segmented along the social class lines, which were described in Elmstown's Youth, and to the "youth culture" studied in detail by James Coleman⁴⁴ and commented upon by many a pundit.

The nature of schooling also began to change. The curriculum moved away from the traditional liberal arts courses and vocational education was introduced. In the Middletown high school in 1897 one course in bookkeeping was the only vocational offering. In 1924 eight of the twelve high school courses were vocational and roughly twenty percent of the student time was spent in them. Civics and citizenship courses were also introduced into the high school during this period.

Clear social class distinctions in the amount of schooling consumed began to emerge. "Male members of the working class start to work from fourteen to eighteen...the young males of

⁴³Lynd and Lynd (1929), p. 30.

⁴⁴Coleman (1961).

business class tend to continue their schooling longer, start to work from eighteen to twenty-two...⁴⁵ We may also presume that social class distinctions in social activities and peer group relationships, distinctions described in Elmstown and in many other subsequent studies of high school life, also emerged in Middletown during this period.

The changes which occurred in Middletown were mirrored throughout the United States.⁴⁶ Young people were taken out of the workforce and put into school. School curriculum changed and student activities became the focus of young people's personal lives. Major social distinctions in the amount and kind of schooling emerged. Labor market entry was delayed.

It is fairly straightforward to see that these changes occurred and that they essentially created the institutional framework for the youth labor market as we know it today. It is considerably more difficult to get a clear grip on what changes in the economy occurred which led to the dramatic transformation of institutional patterns. The explanations which I offer here are speculative and pieced together from a variety of sources.

It appears that during the period in question, the later 1880's and the early 1900's, young people lost their importance as a major source of labor. As a result of their declining value

⁴⁵Lynd and Lynd (1929), p. 30.

⁴⁶For a good description, see Spring (1972).

to the economy they were increasingly confined to schools since something had to be done with the.⁴⁷ The diminished importance of young workers occurred for several reasons. An important development was the decline in proportion of the population devoted to farming, an industry which was without doubt the major employer of young workers. In 1880, farmers and farm laborers constituted 51% of the labor force; in 1900 they made up 40%, and in 1920 their numbers had declined to 28% of the labor force.⁴⁸

This decline of the farm labor force meant that a major source of demand for youth labor had dried up. Furthermore,

⁴⁷The phrase "something had to be done with them" is too glib and masks an important issue. The argument I am making here is that the economy no longer needed young workers (for reasons discussed below) and that this development permitted the extension of compulsory education. Extended schooling was desired for other reasons, notably because of the growing ideology of progressive education espoused by a new class of professional educators, and because of the need to develop an institution to Americanize the children of the great numbers of immigrants. The changes in the economy permitted these other goals to be fulfilled. This line of argument is somewhat different from that of several radical economists, notably Bowles and Gintis. They argue that extended schooling was required by capitalists in order to discipline and stratify workers. It seems to me that their argument does not adequately account for the changing nature of the demand for youth labor. However, the available data do not provide a clear test of the two interpretations. See Bowles and Gintis (1975).

⁴⁸Lebergott (1964), Tables A-1 and A-2, pp. 510-511.

as we have already seen, the seasonal rhythm of farm work constrained the organization of the school system. It is possible that with this constraint removed it became more practical to make schooling compulsory.

The smaller farm labor force reduced the demand for youth, and it also seems likely that young workers began to face growing competition for relatively unskilled factory work from the rapidly growing immigrant labor force. Between the years 1895 and 1899 the average annual arrival of immigrants was 340,000. This average rose so that between 1900 and 1904 it stood at 764,000, and then the stream became a flood so that between 1905 and 1913 an average of one million one-hundred and sixty-thousand arrived each year.⁴⁹ These new workers must have competed with youth for the pool of unskilled work and thus further diminished young workers' importance to the core of the economy.

There are also hints in the literature that this period saw a change in the technology of those industries which did employ youth and that the changes made the unskilled labor of young workers less desirable. This is probably the beginning of the modern pattern of major manufacturing employers preferring not to hire young people directly out of school but rather waiting for them to "age" in the labor market.

No good history of the place of young people in the American economy is available and thus the speculations I have advanced here are difficult to document. However, there has been more

⁴⁹Ibid., Table 2, p. 43.

work done on the role of young people in the British economy and the patterns seem to conform to that which I have described for the United States. For example, Musgrove reports that in the early and mid-Nineteenth century young workers were important to the British economy, working in a wide variety of factories and on the farm. Yet by the end of the Nineteenth century and the beginning of the Twentieth century:⁵⁰

advances in technology were...displacing the young the worker...steam power in the lace and pottery industries was being substituted for children's energy and dexterity; the dramatic decline in the proportion of the young people engaged in agriculture in the second half of the century has been similarly attributed in part to technical development...young people were no longer central to the economy...they were moving ever more onto the periphery.

It was thus at the turn of the century that the essential characteristics of the youth labor market, which prevail today, were established. The reliance on schools, the delay of labor market entry, and the confinement of youth to less than central sectors of the economy were all evident in the early 1900's. Further evidence that the youth labor market early in the century was essentially similar to today's can be gained by examining data on the percentage of youth in the labor force. In 1890 young workers aged ten to fifteen constituted 2.8% of the manufacturing labor force; in 1900 they made up 3.2%; in 1920 the figure was 2.4%.⁵¹ By comparison, in 1960 young men aged 14-17 constituted

⁵⁰Musgrove (1964), pp. 73-74.

⁵¹Lebergott (1964), pp. 73-74.

2.0% of the manufacturing labor force.⁵² It thus appears that, roughly speaking young people are as important today as in the beginning of the century. By contrast with these figures, in 1870 the ten to fifteen year olds made up 5.6% of the manufacturing labor force and in 1880, 6.7%.

There are several lessons to be drawn from this brief excursion through the history of youth in the economy. The most important of these is that the institutional arrangements which structure the role which youth plays are primarily determined by the needs of the economy. Thus in the pre-industrial time the seasonal demands of farming and the training system embodied in apprenticeships, as well as the opportunities offered by the frontier, mitigated against schooling and other similar restrictions and created an age-heterogeneous pattern of growing up and working. The rise of the factory system and its need for year round steady labor led to a change in the organization of schools and the decline of farming, the increased immigration, and changes in industrial demand for youth led to the modern institutional structure.

It also seems clear that the youth labor market described in this thesis was in place at least since the early Twentieth Century. Although the school-leaving age has increased over the years the basic patterns have remained constant. The youth labor market described in the 1920's in Middletown and 1940's in Elmstown is strikingly similar to that of today.

⁵²United States Department of Labor (1970), Table A-23, p. 26.

The pattern of labor market entry implied by the stages is shaped, as I have noted earlier, by the institutional arrangements constraining growing up and by the pattern of demand for youth labor. It appears that in the years prior to the industrial revolution there was a great deal of fluidity in occupational entry opportunities and that this, combined with a general labor shortage, permitted many young people to have an extraordinary, by today's standards, degree of independence and to engage in search and settling patterns similar to those which I have described. However, all of this occurred at a much earlier age and schools seem to have played a small role in the process.

By contrast, the pattern we observe today results from a collapse in the demand for youth labor in two key sectors: agriculture and what has come to be termed "primary jobs", i.e., the core of the economy. This collapse, combined with an affluence which permits families to do without their children's labor, led to the modern arrangement of delayed entry and extended moratorium and exploration. However, it would be inaccurate to conclude that youth have lost their role in the economy. Rather, the demand for their services has been shifted to other sectors, particularly to sectors which require casual unskilled labor. Again, this shift occurred early in the Twentieth century. Thus, the modern youth labor market is not one in which youth are excluded from work, rather it is one in which youth tend to work different parts of the economy than they had earlier.

This changing pattern of demand for youth labor has been basically a secular change whose major characteristics were

established at the beginning of the Century. This secular change in demand importantly influenced the pattern of settling. It is also true that cyclical changes in demand for youth labor affect the timing and pattern of the stages, and the next section will take up this issue.

The Role of the Business Cycle

One of the most important constraints on the process of labor market adjustment is obviously the state of the economy. When times are good it is likely to be easier to engage in search and exploration than when labor markets are slack, and similarly the ease of settling will also vary with the state of the economy.

One useful approach to grasping how the cycle affects the stages is to examine the relative sensitivity of each stage to changing economic conditions. A crude way of accomplishing this is to determine the relationship of the ratio of the unemployment rate of young men of different ages to business conditions in general. As we saw earlier, it is the drop in unemployment rates in the mid-twenties which signal that settling down is occurring. Thus it is useful to study changes in the pattern of relative rates to determine how the business cycle impacts upon the pattern of the stages. In order to do this the following equation was estimated:

$$\frac{U_i}{U_j} = a_i + B_1 U_p + B_2 t + e$$

where U_1 and U_j are the unemployment rates of different age

groupings of youth, U_p is the unemployment rate of prime-aged men between 35 and 44, and t is a trend variable. The equations were estimated for the period 1961 to 1973 and the data include males of the given age who are not enrolled in school. It would have been preferable, for my purposes, to employ data which excluded people who had attended college but such a time series is not available. It seemed most useful to construct the ratio between the age groups of eighteen to nineteen, the period immediately following high school graduation, and the period twenty-two to twenty-four, when settling begins. The results, with standard errors in parentheses, are below:⁵³

$$\frac{U_{18-19}}{U_{22-24}} = 4.63 - .77U_p - .08t$$

(.22) (.02)

$$F = 6.00 (10,2)$$

$$R^2 = .54$$

$$D.W. = 1.19$$

As is apparent from this equation, when the economy is slack eighteen to nineteen year olds "gain" relative to the older group and the reverse occurs when the economy is loose?. This pattern could prevail either because of relatively greater cyclical changes in the fortunes of the younger or the older group. To determine which is the case, I regressed the natural logarithm of the unemployment rate of the two groups on the same variables. The results are:

⁵³The data for these regressions are taken from the U.S. Department of Labor Special Labor Force Reports, "Employment of School Age Youth," 1961-1973.

$$\ln(U_{18-19}) = 1.75 + .31U_p + .008t$$

(.05) (.009)

$$R^2 = .78$$

$$F = 17.76 (10,2)$$

$$D.W. = 2.33$$

$$\ln(U_{22-24}) = .01 + .62U_p - .04t$$

(.11) (.01)

$$F = 14.54 (10,2)$$

$$R^2 = .74$$

$$D.W. = 1.45$$

These results tell us that the change of the ratio over the cycle results from the greater sensitivity of the unemployment rate of the older group to the cycle than that of the younger group. A one percentage point change in the prime age employment rate changes the unemployment rate of the eighteen to nineteen year olds by roughly thirty percent, but the unemployment rate of the older group changes by more than sixty percent. Thus in a slack economy the unemployment rate of the older group rises relatively more than that of the younger group and in an upturn it falls relatively more.

Clearly, then, the business cycle affects the stages but it does so more by influencing the pattern of settling than by changing the patterns of younger workers. This again points to the need to understand the hiring patterns of primary firms, and that topic will be discussed in detail in Chapter IV. The next chapter will also provide further discussion of the role of the cycle via the inclusion of local unemployment rates in micro equations designed to trace out the pattern of the stages.

Foreign Experiences with Youth Employment

Most Americans who are concerned with the employment experiences of young workers tend to glance enviously across the Atlantic at the experience of European countries. The unemployment rates of new entrants in European countries are consistently below those of American youth and it appears that the transition is considerably smoother. If this impression is correct then it may imply that European young workers do not move through the kind of adjustment process which I have described and therefore that the experience of American youth is more determined by the nature of our institutions than by the dynamics of aging. In this section I will briefly discuss these issues.

There are important institutional and demographic differences between many European countries and the United States which lead to differences in the employment experiences of young workers. The supply of young workers has grown more rapidly in the United States than in most other nations. For example, the growth rate of the teenage population in the United States is projected to be 4.4% between 1965 and 1980 while in Britain, for example, the comparable figure is 1.7%, and the rate is negative in France, West Germany, Italy, Japan and Sweden.⁵⁴ At the same time that most nations have a considerably lower growth rate of the teenage labor force than in the U.S., they also have a general labor

⁵⁴Reubens (1975), Table 1, p. 5. The figures for the U.S., France, and Sweden are for 16 to 19 year olds; they are for 14 to 19 year olds in Italy, and for 15 to 19 year olds in the remainder of the countries.

shortage. This is particularly true for the northern European nations (which import unskilled labor from southern European countries), and is also true for Great Britain.

The combination of a slower growth in the supply of teenage labor and a strong demand for labor in general has naturally led to lower unemployment rates for teenagers. The major mechanism through which the rates are lowered seems to be the greater willingness on the part of European than American primary employers to hire school-leavers at an early age.

It will be apparent from my analysis of U.S. data, presented in Chapter IV (and in the previous section of this chapter) that demand side considerations play an important role in the timing and resolution of the settling process. Therefore, no serious problems arise from the finding that a limited supply of teenagers combined with a strong demand for their services leads to earlier settling in some European nations. However, it is important for me to show that European teenagers are not "little adults"--that while they may settle earlier they still display similar patterns of behavior to American youth.

Although European youth unemployment rates are lower than the American figures, they are still considerably higher than the unemployment rates for adults. For example, Joseph Zeisel reports that in 1965 the reported unemployment rate for all workers in Great Britain was 1.2% and the reported rate for teenagers was 1.3%. However, the British unemployment rate is calculated from registrations at employment exchanges and younger workers tend to

register less often than do adults. Zeisel⁵⁵ corrects for this bias and reports that the adjusted youth unemployment rate was 3.5%. Thus, the youth-to-adult unemployment ratio was three to one, a ratio comparable to the American experience. Reubens reports that in 1970 the teenage-to-adult unemployment ratios were 3.9 in France, 4.0 in West Germany, 7.2 in Italy, and 4.1 in Sweden. The ratio in the U.S. at this time was 4.5.⁵⁶

Crude statistics thus indicate that young workers in European countries experience considerably more unemployment than do the adults in those nations, a finding obviously comparable to the U.S.⁵⁷ The levels of unemployment are lower for youth in the European nations but that seems to be a function of the structure of the economies in general rather than of any particular aspect of the youth labor market.

Another approach to determining whether European youth have similar transition experiences as American is to review micro studies of the transition process conducted by social scientists in those countries. Such studies for Great Britain⁵⁸ suggest that young people do not smoothly enter the labor force, assisted

⁵⁵Zeisel (1968), p. 120.

⁵⁶Reubens (1975), Table 2, p. 7.

⁵⁷Furthermore, some European countries do not include in-school youth in the unemployment statistics. This group is a major source of joblessness in the U.S. data.

⁵⁸Carter (1962), Carter (1966), Maizels (1970), Keene (1969).

by the Youth Employment Service, as many Americans seem to believe. Maizels, for example, shows that only twenty-five to fifty percent (depending on whose estimate is considered most reliable) of school-leavers even make any use of the Youth Employment Service and that over fifty percent of the youth using the service leave their first job within one year of leaving school.⁵⁹ She goes on to report that fifty percent of all school-leavers make at least one job change in the first three years after school and that among those who have made any changes the average number of shifts is three.⁶⁰ Other studies report similar sorts of finding, and the impression is quite strong that the British are considerably less pleased about the transition process than are some Americans who study the situation from a distance.

It thus does appear, on the basis of both the youth-to-adult unemployment ratios and the studies just reported, that European young workers have adjustment pains similar to those of American youth. The level of the problem may be less serious, due to generally lower European unemployment rates and the supply and demand factors which I discussed earlier, but young workers in Europe have much more in common with American youth than is generally suspected.

⁵⁹Maizels (1960), pp. 112-113, 119.

⁶⁰Ibid., p. 156.

Conclusion

This chapter began by arguing that our current understanding of youth labor supply is incomplete. There are numerous contradictions and gaps in the standard labor supply literature concerned with young people. A more fruitful approach seems to be the concept of the stages, which I outlined in the previous chapter and elaborated upon in this chapter.

The essential idea of the stages is that labor market adjustment is a process which occurs over a number of years and that during this time young people undergo an evolution in their attitudes toward the labor market. This evolution results in different sorts of behavior patterns at different ages. Furthermore, the movement from one stage to another is importantly influenced by other personal circumstances such as peer group relationships and family formation.

The original notion of the stages and the preliminary evidence of their existence came from a set of interviews I conducted with employers, young people, and youth workers as well as the observation that the high unemployment rates of the teenage years are followed by a sharp drop of unemployment in the mid-twenties. The bulk of this chapter, following the first two sections, was devoted to developing a theoretical framework to explain why this observed behavior exists.

Because the stages imply an evolution of attitudes it seemed important to understand the personal development of young people during the ages under consideration. To this end I attempted to embed the stages in the theory of adolescence espoused by Erick

Erickson. This seemed to be a particularly appropriate theory because Erickson also emphasizes the evolution of personal development via a set of stages and because of Erickson's interdisciplinary approach to explaining human behavior. Many of the observed characteristics of young people's relationship to the labor market--their hesitancy and sporadic commitment, the importance of personal relationships, and the pattern of exploration--can be understood by reference to Erickson's ideas.

Nonetheless, a purely psychological approach to explaining the pattern of the stages is necessarily incomplete. One important additional consideration is the nature of the institutional framework in which the process of adjustment is carried out. This institutional framework has changed dramatically in the past two hundred years, the change being symbolized by the tremendous extension of years spent in school. A long section in this chapter was devoted to examining the changing role of youth in the economy. I argued that the basic structure of today's youth labor market evolved at the turn of the century, and that the central element of this process was the collapse in the demand for youth labor in the core of the economy. This led to the extension of schooling and pattern of delayed full time entry, and it also resulted in young people working--both during school and in the first years after school--in the casual unskilled sectors of the economy.

Shorter term considerations also influence the pattern of the stages and a section in this chapter showed that the influence of business conditions on the demand for older youth

is the central mechanism through which the business cycle affects the stages. Finally, the chapter ended with an examination of the foreign experience with youth. Although the general level of unemployment--both for youth and adults--is lower in most other countries than in the United States it appears that these countries have problems of transition similar in many ways to ours.

This chapter has thus been devoted to describing and explaining the stages. It still remains, however, to use data other than my own observations and those of other more or less impressionistic observers to show that the stage pattern actually exists. The next chapter will undertake this task.

CHAPTER III
STATISTICAL ANALYSIS OF THE STAGES

The previous chapter presented a theory and description of how the process of aging, and other psycho/social variables, affect labor force behavior of young men. The ideas developed in that chapter and the evidence adduced to support those ideas were based on interviews which I conducted with a wide variety of actors in the labor market. This chapter will seek to buttress those theories by using longitudinal data gathered on a national sample of young men.

Several themes will be developed in this chapter the most important of which will be the role of age in affecting labor market behavior. The previous chapter argued that the labor market behavior of young men varied with their age and that three stages--moratorium, exploration, and settling down--could be distinguished. This idea will be elaborated and tested in this chapter. One important difficulty with this concept is that a form of identification problem exists. The stage idea is essentially a description of labor supply, that is, how young men's attitudes and aspirations with respect to the labor market varies with their age. Observed behavior, however, is a function of both supply and demand variables. Young men may settle down around the age of twenty-five due not to their desire to settle at that age and not earlier, but rather to the level of aggregate demand in the labor market at some point in time or perhaps to employer's age preferences about hiring. The analysis in this

chapter will seek to disentangle these two forces (the following chapter will study the demand side in more detail).

A second important and related theme of this chapter will be the role of cumulative job behavior. In particular I will examine how the behavior of a young man at, say age seventeen, affects his occupational patterns at a later age. An important aspect of this question will be how the impact of a given kind of previous experience varies with age. The stage theory with which I am working places this question in a new light because it suggests the hypothesis that unstable behavior at a young age does not have the same kind of detrimental affect that one would expect for similar behavior at an older age.

The findings of this chapter support the idea of the behavioral age related stages even when controls for demand side factors are included. Furthermore, the impact of previous behavior on later behavior also varies with age in a manner predicted by the theory.

The first section of this chapter will describe the sample and explore some of the basic occupational changes which occur with aging. I will then introduce the key concept used in the analysis, job stability, and provide some preliminary analysis of how stability varies with different personal characteristics. Finally, the determinants of job stability will be estimated and analyzed using linear probability regressions.

The Sample and Some Basics

The National Logitudinal Survey of Young Men interviewed young men aged fourteen to twenty-four in 1966 and followed them

with annual interviews through 1970. Thus the data available consists of five interviews covering four complete years in school, in the labor market, or both. I will be working with a subset of data consisting of those with a high school degree or less education and who were in the sample all five years.¹

Tables I, II, III, and IV provide some basic demographic information on the sample with which I will be working.

Throughout the analysis I will distinguish between those in and out of school and, for obvious reasons, will concentrate the analysis most heavily on those out of school.² Young men who cycle between work and school will be eliminated in the regression analysis.

Our first clues about the nature of the adaptation to the labor market can be gained by examining how the industrial and occupational distribution of young men changes with age. (Tables V to VIII) Comparing in and out of school youth, it is apparent that white collar jobs are more important for the in school group

¹The National Logitudinal Survey was conducted by Herbert Parnes and his associates at Ohio State University. A complete description of the survey and sampling methods can be found in Parnes, et al., (1970). The survey oversampled young black men. All the data reported in this chapter are weighted in order to make the sample nationally representative.

²The labor market behavior of students and non-students clearly differ. In this sample, for example, the unemployment rates and industry and occupational distributions of students and non-students are quite disparate. Other studies have also reached this basic conclusion. See, for example, Bowen and Finegan (1969), Chapters 12-14.

Table III-I
Age in 1966

<u>Age</u>	<u>Number</u>	<u>Percent</u>
14	402	18.9
15	236	11.1
16	189	8.9
17	138	6.5
18	100	4.7
19	162	7.6
20	162	7.6
21	159	7.5
22	182	8.5
23	197	9.3
24	<u>200</u>	<u>9.4</u>
N	2127	100%

NOTE: All tables drawn from the Parnes data are weighted unless otherwise noted.

Table III-II

Race

	<u>Number</u>	<u>Percent</u>
White	1811	85.2%
Black	308	14.5%
Other	<u>8</u>	<u>0.4%</u>
N	2127	100%

Table III-III
Education Completed by 1970

<u>Grades Completed</u>	<u>Number</u>	<u>Percent</u>
0	7	0.3
1	0	0.0
2	3	0.2
3	4	0.2
4	11	0.5
5	10	0.5
6	21	1.0
7	51	2.4
8	127	6.0
9	110	5.1
10	178	8.3
11	231	10.9
12	<u>1372</u>	<u>64.5</u>
	2127	100%

Table III-IV
School Status

School Status	1966 Age 14	15	16	17	18	19	20	21	22	23	24	T
No school	1.2%	3.2%	10.9%	41.4%	73.2%	87.2%	96.0%	94.4%	90.9%	97.2%	93.4%	54.3%
School, 1966	1.0%	6.4%	23.1%	28.0%	13.2%	4.3%	0.5%	0	0.7%	0.7%	0.3%	5.9%
School, 1966-67	4.1%	23.0%	36.0%	18.2%	4.8%	1.1%	0	0	0	0	0.7%	8.1%
School, 1966-68	17.9%	29.5%	18.7%	5.6%	2.8%	0	0	0	0	0.8	0	8.9%
School, 1966-69	30.7%	21.8%	4.2%	0.6%	1.3%	0.4%	0	0	0	0	0	8.7%
School, 1966-70	42.3%	11.0%	0.7%	0	0.3%	0	0	0	0	0	0	9.3%
Cycle	2.7%	5.0%	6.5%	6.2%	4.5%	7.0%	3.4%	5.6%	8.4%	1.3%	5.6%	4.8%
N	402	236	189	138	100	162	162	159	182	197	200	2127

Table III-V
Occupational Distribution, In-School Youth

Occupation	Age 14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Professional, Technical, kindred	1.2%	2.3%	2.2%	2.6%	5.1%	9.5%	4.3%	16.6%	0	6.6%	0	50.0%	0	22.2%	0
Managers, Officials, Proprietors	0	0.4%	0.2%	0.5%	1.4%	4.1%	0	16.6%	0	0	0	25.0%	85.7%	0	0
Clerical and kindred	2.1%	3.4%	3.7%	8.5%	8.9%	15.0%	21.7%	0	38.4%	20.0%	30.0%	8.3%	0	0	0
Sales	20.7%	12.5%	8.0%	7.6%	10.6%	1.3%	8.6%	0	15.3%	13.3%	0	0	0	0	66.6%
Crafts, Foreman, kindred	1.2%	4.4%	6.1%	4.8%	7.1%	15.0%	8.6%	0	15.3%	20.0%	30.0%	8.3%	0	11.1%	0
Operatives and kindred	8.4%	8.7%	16.5%	19.8%	20.6%	23.2%	34.7%	50.0%	15.3%	40.0%	20.0%	8.3%	0	66.6%	33.3%
Private House- hold	0.8%	0.4%	0.5%	0.1%	0	0	0	0	0	0	0	0	0	0	0
Service	11.0%	16.8%	20.2%	18.8%	14.9%	9.5%	17.3%	0	15.3%	0	20.0%	0	0	0	0
Farm Managers	0.4%	0.2%	0.2%	0	0	0	0	0	0	0	0	0	0	0	0
Farm Laborers	29.2%	21.7%	18.9%	14.7%	9.7%	5.4%	4.3%	16.6%	0	0	0	0	0	0	0
Laborers	24.5%	28.5%	22.8%	22.0%	21.2%	16.4%	0	0	0	0	0	0	14.3%	0	0
N	236	470	670	598	348	73	23	6	13	15	10	12	7	9	3

Table III-VI
Occupational Distribution, Out-of-School Youth

Occupation	Age														
	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Professional, Technical, kindred	0	0	0	0.9%	2.5%	2.5%	2.9%	3.7%	4.8%	3.5%	4.0%	3.8%	4.2%	2.8%	3.5%
Managers, Officials, Proprietors	0	0	0	2.2%	2.8%	3.3%	3.2%	3.5%	5.6%	6.4%	7.2%	9.7%	7.7%	10.6%	10.7%
Clerical and kindred	0	0	1.5%	7.9%	6.3%	9.1%	7.9%	8.9%	7.0%	7.3%	6.7%	6.9%	6.7%	6.2%	6.1%
Sales	0	0	1.5%	2.8%	2.3%	4.2%	3.9%	3.7%	3.3%	4.5%	3.1%	2.9%	3.8%	3.6%	2.5%
Crafts, Foreman, kindred	0	0	1.5%	14.5%	17.4%	15.6%	19.5%	20.8%	25.5%	22.7%	23.7%	25.0%	25.0%	23.8%	25.1%
Operatives and kindred	0	40.0%	24.6%	33.5%	38.0%	37.9%	38.6%	35.9%	32.4%	36.2%	35.0%	32.1%	33.2%	33.5%	32.8%
Private Household	0	6.6%	0	0	0.1%	0.1%	0	0	0	0	0	0	0	0	0
Service	0	6.6%	16.9%	7.5%	5.8%	5.7%	4.6%	4.7%	4.7%	5.9%	5.6%	4.8%	5.4%	7.5%	7.1%
Farm Managers	0	0	1.5%	0.6%	0.4%	0.8%	1.8%	1.8%	2.4%	2.2%	2.7%	2.5%	2.4%	3.1%	4.6%
Farm Laborers	66.6%	33.3%	16.9%	8.2%	6.7%	4.6%	2.9%	4.2%	3.5%	2.2%	2.7%	3.2%	2.4%	2.0%	2.0%
Laborers	33.3%	13.2%	35.3%	21.5%	17.2%	15.8%	14.5%	12.4%	10.4%	8.5%	8.8%	8.6%	8.6%	6.4%	5.1%
N	3	15	65	316	678	736	717	701	740	835	880	718	566	385	195

Table III-VII
Industrial Distribution, In-Youth School

	Age 14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Agriculture, Forestries Fisheries		25.3%	19.4%	16.2%	10.2%	7.9%	4.7%	12.5%	0	0	0	0	0	0	0
Mining		0	0	0	0.3	0	0	0	0	0	0	0	0	0	0
Construction		4.1%	4.6%	5.8%	6.5%	11.1%	19.0	0	33.3%	7.6%	37.5%	7.6%	0	11.1%	0
Manufacturing		11.7%	8.5%	10.9%	17.7%	14.2%	28.5%	75.0%	16.6%	38.4%	37.5%	46.1%	33.3%	77.1%	0
Transportation, Communi- cation, Public Utilities		1.2%	1.9%	3.0%	5.2%	7.9%	0	0	16.6%	15.3%	0	15.3%	66.6%	0	50%
Wholesale and Retail Trade		29.5%	41.7%	42.6%	38.1%	34.9%	38.0%	0	16.6%	0	0	15.3%	0	0	0
Finance, Insurance, Real Estate		0.6%	1.1%	1.5%	0.9%	3.1%	0	0	0	15.3%	0	0	0	0	50%
Business and Repair Services		3.4%	3.5%	3.7%	3.4%	4.7%	4.7%	0	0	7.6%	0	0	0	0	0
Personal Services		8.5%	7.2%	4.1%	3.1%	1.5%	0	12.5%	0	0	0	0	0	0	0
Entertainment and Recreation		6.9%	4.0%	2.6%	2.7%	4.7%	0	0	0	0	0	7.6%	0	0	0
Professional and Related Services		6.6%	6.4%	7.1%	9.3%	4.7%	4.7%	0	16.6%	0	0	0	0	11.1%	0
Public Administration		1.5%	1.1%	2.0%	2.1%	4.7%	0	0	0	15.3%	25.0%	7.6%	0	0	0
N		315	513	530	322	63	21	8	12	13	8	13	9	9	2

Table III-VIII

Industrial Distribution, Out-of-School Youth

	Age 14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Agriculture, Forestries Fisheries		50%	15.2%	10.5%	8.0%	6.7%	5.5%	6.2%	6.2%	6.1%	5.7%	6.1%	5.3%	5.1%	7.6%
Mining		0	2.1%	0.3%	0.3%	0.6%	0.5%	0.9%	1.2%	1.1%	1.3%	1.6%	1.2%	2.3%	3.0%
Construction		0	13.0%	11.2%	13.0%	11.8%	13.4%	12.1%	12.0%	11.9%	11.6%	12.7%	13.0%	14.2%	11.1%
Manufacturing		16.6%	30.4%	30.3%	35.2%	38.3%	40.0%	44.0%	41.5%	39.1%	39.6%	39.4%	41.1%	38.1%	42.6%
Transportation, Communi- cation, Public Utilities		0	4.3%	3.1%	5.4%	6.3%	5.9%	5.8%	7.1%	10.5%	10.7%	8.9%	9.8%	9.6%	7.1%
Wholesale and Retail Trade		33.3%	26.0%	30.7%	25.6%	22.3%	22.5%	16.9%	17.3%	17.5%	18.0%	17.2%	13.5%	16.3%	13.7%
Finance, Insurance, Real Estate		0	0	2.7%	1.4%	2.0%	1.2%	2.3%	2.6%	3.1%	1.7%	1.2%	1.2%	1.0%	1.0%
Business and Repair Services		0	0	3.8%	4.2%	3.4%	4.6%	3.8%	3.0%	2.9%	3.5%	3.9%	4.6%	2.5%	4.5%
Personal Services		0	0	1.1%	1.4%	1.8%	0.5%	1.1%	1.6%	1.7%	1.1%	0.7%	0.8%	1.2%	0
Entertainment and Recreation		0	0	1.1%	1.3%	0.5%	0.5%	0.3%	0.3%	0.4%	0.2%	0.5%	0.3%	0	0
Professional and Related Services		0	6.5%	3.8%	2.8%	4.6%	3.3%	4.0%	3.4%	2.8%	1.9%	2.5%	2.6%	2.5%	3.0%
Public Administration		0	2.1%	0.7%	0.8%	1.2%	1.6%	1.6%	3.2%	2.8%	4.5%	4.6%	6.2%	6.2%	6.0%
N		6	46	257	605	582	559	543	558	638	681	713	561	385	197

than for those who have left school. For example, at age seventeen thirty-five percent of those in school held clerical, sales, or service jobs, while the comparable percentage for out-of-school workers was twenty percent. Furthermore, the percentage declines quite steeply as the out-of-school men age. By the age of twenty-eight only fifteen percent are engaged in sales, service, or clerical work.

In fact, and this is an important point, the out-of-school youth are dominantly blue collar employees. By the ages of twenty-seven and twenty-eight, sixty-three percent of the young men work as craftsmen, operatives, or laborers. Despite the widespread popular talk about the secular decline in manufacturing employment opportunities for young people such employment continues to be dominant in the labor market under study here.

The importance of farm employment for the in-school group and for young workers just out of school is another surprise. Nineteen percent of the in-school sixteen year olds are farm laborers and eight percent of the seventeen year olds out of school hold similar positions.

The age related changes in occupational mix can be seen by examining Table IX. An obvious upgrading takes place during this period. Large increases occur in professional and managerial categories (though from a small base) and equally impressive decreases occur in the laborer categories. It is interesting to note that the percentage who are blue collar remains roughly the same (actually there is a five percentage point decline), but that the composition of this group changes.

Table III-IX
Change in Occupational Distribution
Ages 17 and 27

Occupation	Age		Percent Change
	17	27	
Professionals	0.9%	2.8%	+211%
Managers	2.2%	10.6%	+381%
Clerical	7.9%	6.2%	- 21%
Sales	2.8%	3.6%	+ 28%
Crafts	14.5%	23.8%	+ 61%
Operatives	33.5%	33.5%	-
Private Household	0%	0%	-
Service	7.5%	7.5%	-
Farm Managers	0.6%	3.1%	+416%
Farm Laborers	8.2%	2.2%	-463%
Laborers	21.5%	6.4%	-702%

The percentage of laborers declines, operatives remain constant, and crafts increase. Evidently upgrading is occurring.

In short, there are clear occupational differences between both the in-school and the out-of-school group and between older and younger workers. For the out-of-school group blue collar work is by far the most important.

Examination of industry distributions (Tables VII and VIII) reveals similar patterns. In-school young men are far more concentrated than are those out-of-school in trade and services, while those out-of-school are found much more frequently in manufacturing and construction. Furthermore, the age pattern for those out-of-school shows that manufacturing, mining, transportation, and public administration all increase in importance with age while trade and service decline.

It should be apparent from the occupational and industry tables that certain jobs are more likely to be held by students and the youngest out-of-school group while there is another class of jobs more frequently held by older out-of-school youths. This fits with our common sense feeling that there are "youth" and "adult" jobs and that as people age, they move to better jobs. I will defer further discussion of this topic until the next chapter which will take up the demand side of the labor market in much more detail.

Stability

I have emphasized the idea that as people age they pass through several stages, each of which is marked by greater commitment to work. Although unemployment rate patterns and labor

force participation rates provide clues and signals of this process it seems to me that a more powerful measure is job stability. Young people who exhibit moratorium behavior have little commitment to either an occupation or a firm and one expects to observe a great deal of switching between firms. By the same token, settling down implies commitment to a career path and the symptom of this stability should be very little movement between firms and occupations. For these reasons, the remainder of this chapter will be devoted to an analysis of job stability patterns. The central purpose will be to discover whether the relationship between job stability and age conforms to that predicted in the earlier analysis.

I have defined job stability as follows:

A person is stable between year 1 and year 2 if

(a) he is working for the same firm both years

or

(b) he is working for a different firm but his three digit occupation and two digit industry is the same in both years.

Mixed behavior is defined as

(a) either the three digit occupation or the two digit industry are the same both years but both are not the same.

Unstable behavior implies that

(a) both three digit occupation and two digit industry are different in the two years.

The definition of stable behavior is intended to capture essentially three possibilities. A young man can work in the same firm for two years and either remain in the same job or advance or fall back. In all cases the fact that he has stayed in the firm implies a commitment to that firm which could be termed stable. On the other hand, the particular occupation the person has chosen may be one in which firm specific commitment (or human capital) is not as important as mobility among firms in that industry. Therefore, provided that the individual stays in the same occupation and industry he is defined as stable. It is possible that those classified as mixed are also really exhibiting stable employment in this sense. However, the evidence I will present momentarily on the characteristics of the three groups implies that mixed behavior is more similar to unstable than to stable patterns. Furthermore, since understanding settling down is the end result of this analysis it does not seem appropriate to classify "mixed" behavior as stable.

Tables X and XI describe the year-to-year stability patterns of those out of school. The stability patterns clearly show that greater stability comes with age. Only thirty-nine percent of the seventeen years olds are stable while well over seventy percent of the post twenty-three year olds are. By the same token, the fraction of the sample which are unstable and mixed declines with age.

It is also possible to discern some indications of the stages. The percent of the sample which is stable climbs steadily until age nineteen, takes a steep jump between nineteen and

Table III-X

Year to Year Status, Out-of-School Youth

Status	Age 14	15	16	17	18	19	20	21	22	23	24	25	26	27
Same employer, occupation, and industry	66.6%	30%	11.8%	22.3%	30.2%	33.7%	45.7%	44.8%	45.5%	49.1%	51.2%	51.1%	51.6%	48.4%
Same employer and industry, different occupation	0	0	15.2%	11.5%	13.1%	15.7%	16.7%	15.8%	18.0%	18.3%	19.6%	16.1%	19.3%	23.4%
Same industry and occupa- tion, different employer	0	10%	6.7%	5.0%	3.3%	5.9%	6.1%	6.0%	4.7%	5.6%	4.9%	5.5%	7.5%	2.0%
Same industry, different occupation and employer	0	10%	6.7%	11.5%	10.0%	7.8%	5.7%	7.1%	6.3%	6.2%	4.2%	5.8%	4.7%	5.7%
Same occupation, different industry and employer	0	0	8.4%	4.7%	4.4%	2.8%	3.4%	5.1%	2.6%	2.8%	2.8%	4.0%	3.0%	2.6%
Different industry, occupation, and employer	33.3%	50%	50.8%	44.7%	38.7%	33.7%	22.1%	20.9%	22.5%	17.7%	17.1%	17.2%	13.6%	17.7%
N	3	10	59	295	447	519	520	562	630	671	707	563	397	192

NOTE: The status at, say, age 17 refers to changes, or lack of changes occurring between ages 17 and 18.

Table III-XI
Year to Year Status, Out-of-School Youth

Status	Age 14	15	16	17	18	19	20	21	22	23	24	25	26	27
Stable	66.6%	40%	33.7%	38.8%	46.6%	55.3%	68.5%	66.6%	68.2%	73.0%	75.7%	72.7%	78.4%	73.8%
Mixed	0	10%	15.1%	16.2%	14.4%	10.6%	9.1%	12.2%	8.9%	9.0%	7.0%	9.8%	7.7%	8.3%
Unstable	33.3%	50%	50.8%	44.7%	38.7%	33.7%	22.1%	20.9%	22.5%	17.7%	17.1%	17.2%	13.6%	17.7%
N	3	10	59	295	447	519	520	562	630	671	707	563	397	192

Table III-XII

Year to Year Status, In-School Youth

Status	Age 14	15	16	17	18	19	20	21	22	23	24	25	26	27
Same employer, occupation, and industry	59%	47.8%	20.5%	13.8%	13.7%	20%	26.6%	60%	25%	66.6%	62.5%	0	0	85.7%
Same employer and industry, different occupation	8.4%	2.4%	4.2%	4.2%	9.8%	2.8%	20%	0	18.7%	22.2%	25%	42.8%	0	14.2%
Same industry and occupa- tion, different employer	4.2%	1.8%	12.9%	3.6%	1.3%	5.6%	0	0	18.7%	0	0	0	0	0
Same industry, different occupation and employer	2.8%	11.1%	9.2%	17.9%	16.9%	5.6%	6.6%	0	0	0	0	0	0	0
Same occupation, different industry and employer	1.4%	1.8%	2.5%	2.2%	0.6%	2.8%	0	0	0	0	0	0	0	0
Different industry, occupation, and employer	23.9%	34.7%	50.4%	58%	57.5%	62.8%	46.6%	40%	37.5%	11.1%	12.5%	57.1%	0	85.7%
N	71	161	517	541	153	35	15	5	16	9	8	7	0	7

twenty, holds steady during the ages twenty, twenty-one, and twenty-two, then takes another jump to the mid-seventies at the age of twenty-three and holds roughly constant thereafter. These figures are of course not controlled for any of the myriad of factors other than age which might influence stability and thus the patterns of this table are a weak reed upon which to rest the stages. However, a whisper of the idea can be found in the table and, as we shall see in the regression analysis, the pattern holds up under more sophisticated analysis.

It is also interesting to note that the percentage of the sample which is stable seems to level off after age twenty-three. Similarly, the number which are unstable also levels off. It appears as if the number of young people who are stable increases with age up to a point after which it becomes increasingly difficult to become stable. Past unstable history may not weigh too heavily at some ages and quite heavily at others. Similarly, it may well be the case that once someone is on the stable "bandwagon" they stay on it. The regression analysis will help shed light on these issues.

Tables XIII through XVI present characteristics of stable and unstable workers for those twenty-five and twenty-six in 1970, and those eighteen and nineteen in the same year. These tables are of interest both with respect to the differences in each age group between stable and unstable workers and also with respect to the differences across ages.

As is apparent, stable workers in both age periods are more likely to be white, to have high school degrees, and to have been

Table III-XIII
 Characteristics of Stable and Unstable
 1968-1970

	Age 25-26		Age 18-19	
	Stable	Unstable	Stable	Unstable
Percent Black	12.6%	16%	6.6%	19.3%
Percent High School Degree	66.1%	58.4%	71.0%	50.3%
Percent Married	87.0%	94.8%	60.9%	66.6%
Percent Stable 1966-1968	66.8%	54.5%	24.4%	15.5%
Percent Stable 1966-1967	79.1%	70.5%	36.4%	27.7%

Table III-XIV
Occupational Distribution of Stable and Unstable
1968-1970

	Age 25-26		Age 18-19	
	Stable	Unstable	Stable	Unstable
Professional	2.4%	1.4%	2.8%	2.0%
Managers	11.6%	14.7%	5.1%	2.2%
Clerical	6.5%	8.0%	6.5%	10.9%
Sales	4.0%	2.5%	7.5%	5.3%
Crafts	28.5%	20.7%	20.4%	19.5%
Operatives	29.8%	34.5%	39.5%	38.4%
Service	7.0%	5.3%	0.7%	3.3%
Farm (laborers and managers)	5.8%	3.0%	2.2%	10.8%
Laborers	<u>4.4%</u>	<u>10.0%</u>	<u>15.3%</u>	<u>7.6%</u>
	100.0%	100.0%	100.0%	100.0%
N	(245)	(101)	(98)	(88)

Table III-XV
 Industrial Distribution of Stable and Unstable
 1968-70

	Age 25-26		Age 18-19	
	Stable	Unstable	Stable	Unstable
Agriculture	5.8%	6.2%	2.2%	7.8%
Mining	3.2%	2.4%	0	1.5%
Construction	11.1%	17.4%	16.3%	15.6%
Manufacturing	43.0%	25.9%	45.7%	28.7%
Transportation	10.6%	8.7%	1.5%	11.1%
Trade	13.4%	23.1%	29.0%	20.7%
Finance	0.2%	2.9%	0	3.5%
Business Services	3.6%	3.0%	3.2%	4.2%
Personal Services	0	1.7%	0	0
Entertainment	0.2%	0	0	2.0%
Professional Services	1.2%	4.5%	1.9%	3.3%
Public Administration	7.9%	4.1%	0	1.7%
	100.0%	100.0%	100.0%	100.0%
N	245	104	99	89

Table III-XVI

1970 Hourly Wage Distribution of Stable and Unstable
1968-70

	<u>Age 25-26</u>		<u>Age 18-19</u>	
	Stable	Unstable	Stable	Unstable
\$ 0-\$1.50	1.9%	4.4%	2.3%	6.1%
\$1.51-\$2.50	13.2%	37.9%	29.5%	42.3%
\$2.51-\$3.50	20.9%	21.0%	39.1%	28.4%
\$3.51-\$5.00	52.1%	19.4%	27.4%	20.8%
\$5.01-\$7.50	11.1%	17.3%	1.7%	2.4%
\$7.51 +	<u>0.8%</u>	<u>0.0%</u>	<u>0</u>	<u>0</u>
	100.0%	100.0%	100.0%	100.0%
N	205	89	91	79

stable in previous years. Stable workers earn more than do their less stable brethren. Remarkably enough, married people are less stable than unmarried. This is contrary to the conventional wisdom and to the fact that married workers have lower unemployment rates than unmarried workers. Furthermore, as we shall see, the lack of association in the table between marital status and stability stands up in the regression analysis.

Among the older group stable workers are more often found in manufacturing and public administration than are unstable workers and less often in construction and trade.³ In the younger group the most important industrial difference between stable and unstable behavior is that the stable workers are more frequently found in manufacturing and the less stable in trade and transportation. Surprisingly, construction employment does not seem to matter one way or the other for this group.

The occupational differences between stable and unstable workers do not seem as sharp as the industrial differences. Stable workers are less frequently laborers and more frequently craftsmen and while there are other small differences (for example, clerical work seems associated with instability) these differences do not appear great.

³The relationship between industry of work and job stability has been studied by Arthur Alexander (1974). I will have more to say about his findings when I discuss the results of my job stability equations.

Differences across the two age categories are quite interesting. While for both age groups the stable worker appears to be more often white, with a high school degree, and with a previous history of stability, the magnitude of these differences varies with age. Younger workers who are stable are far more often white⁴ (in comparison with unstable workers) than are the older stable workers, are more often high school graduates, and are more often likely to be previously stable. In other words, the differences between stable and unstable workers are sharper for younger than for older workers. The implication is that in order for the age effect (which leads to instability) to be overcome, a combination of other characteristics must be strongly "pro-stable."

Though demographic or personal variables such as race and education vary more across job stability within the younger group, difference in job market characteristics vary less. The wage distribution of stable and unstable workers looks more similar within the younger group than it does within the older group and, similarly, there is less variation in the occupational and industrial characteristics. It would thus appear that while market outcomes associated with stability and instability vary less for younger than for older workers, the personal characteristics associated with the two kinds of behavior vary more.

Regression Analysis

Analysis of frequency distributions and tables can take us only so far in understanding why it is that some people settle

⁴Discussion of racial issues will be deferred until Chapter V.

and some do not and what determines the timing of the process. This section will take us the final step in analyzing the process statistically. Two questions will be of central concern:

- (1) What role does age play in settling? In particular does the impact of age fall into a pattern which is congruent with the concept of stages?
- (2) How does the past affect the present? How important is previous behavior and how does its importance vary with age?

In order to answer these questions, linear probability models were estimated for a dependent variable which took on the value of "1" if the person was stable for two years and "0" if the person was not stable.⁵ The definitions of stable and unstable are the same as in the previous section. The definitions of the variables employed in the equations are in Table XVII.⁶ Note

⁵The models were estimated with Weighted Least Squares following a procedure suggested by Kementa. The coefficients of linear probability models are unbiased, and the WLS technique corrects for heteroscedasticity. The remaining problem is the possibility that the equations due to their unboundedness, may predict values greater than "1" or less than "0." This did not prove to be a problem with these equations. Equations I, II, and III each predicted only one case greater than "1" and Equation IV predicted only seven such cases. See Kementa (1971), pp. 424-428.

⁶The 1967 unemployment rate is used because the Parnes survey did not collect local unemployment rates in 1966. Two additional variables--draft status and household status (is respondent head of his own household or does he live with his parents) seem logical candidates for inclusion. They were included in preliminary equations and were uniformly insignificant. They are excluded from the final equations because both had a large number of missing cases.

that the dependent variable measures stability for two consecutive years, e.g., 1966-1968.

The equations took the form

$$Y_i = B_i X_i + \gamma_i Z_i + u_i$$

where the "Xs" are dummy age variables and the "Zs" are the other variables. Age was entered in dummy form in order to permit it to take on non-linear patterns. This is essential to the analysis since a basic prediction of the theory is that the contribution of age to stability is not constant but rather falls into several stages or steps.

Two sets of equations were estimated, one set for the period 1966 to 1968 and another set for the period 1968 to 1970. Four equations were estimated:

- (1) An equation for the period 1966 to 1968.
- (2) Three equations for the period 1968 to 1970:
 - (a) an equation with similar variables as the 1966 to 1968 equation,
 - (b) the same equation as above but for a sample which excluded people who had left jobs because of layoffs,⁷
 - (c) another equation for the limited sample but with the addition of previous behavior variables which interact with age.

⁷The 1966-68 surveys inadequately distinguish quits and layoffs. Thus only the 1968-70 equations can make this distinction.

Table III-XVII
Variables Used in Equations

Dependent Variables

Stable	"1" if same employer or same two digit industry and three digit occupation 1966-1968 "0" otherwise
Stable1	the same as "stable" but for period 1968-70

Independent Variables

Equation 1

Race	"1" if Black "0" if White
Expp66	years since leaving school as of 1966 (1966-year left school)
Ent66	"1" if 1966 was entry year "0" otherwise
Edcom70	"1" if graduated from high school by 1970 "0" otherwise
Wage66	1966 hourly wage in cents
Wg6668	(1968 hourly wage in cents)-- (1966 hourly wage in cents)
Marr66	"1" if ever married by 1966 "0" otherwise
New68	"1" if not married in 1966 and married by 1968 "0" otherwise
U67	1967 unemployment rate in the local area of respondent (one implied decimile part)

Table III-XVII--Continued

u6768	1968 unemployment rate--1966 rate
xx18	"1" if 1966 age is 18 "0" otherwise
xx19	"1" if 1966 age is 19 "0" otherwise
xx20	"1" if 1966 age is 20 "0" otherwise
xx21	"1" if 1966 age is 21 "0" otherwise
xx22	"1" if 1966 age is 22 "0" otherwise
xx23	"1" if 1966 age is 23 "0" otherwise
xx24	"1" if 1966 age is 24 "0" otherwise
Equation 2	
Race	"1" if Black "0" otherwise
Expp68	years since leaving school as of 1968
Ent68	"1" if 1968 is entry year "0" otherwise
Edcom70	"1" if graduated from high school by 1970 "0" otherwise

Table III-XVII--Continued

Wage68	1968 hourly wage in cents
Wg6870	(1968 hourly wage in cents)-- (1970 hourly wage in cents)
Marr68	"1" if ever married by 1968 "0" otherwise
New70	"1" if not married in 1968 and married in 1970 "0" otherwise
u68	local area 1968 unemployment rate (one implied decimile part)
u6870	1968 unemployment rate--1970 unemployment rate
xx18-xx26	dummies for 1968 age
Equation 3	
same as equation 2	
Equation 4	
same as equation 2 plus age/stability interaction variables	
RR18 to RR26 = (age dummy) ·	"1" if stable 1966-68 "0" otherwise

Equations (1) and (2a) are intended to provide the basic age/stability profile. Equation (3) is designed to control for demand effects by eliminating people who were unstable due to layoffs. This doesn't of course entirely control for demand. The level of aggregate demand can also affect quit behavior, but the equation does take us one step closer to a pure supply side analysis. The final equation enables us to study the interaction between age and previous behavior.⁸

⁸ It is apparent that although I have termed my dependent variable "stability," these equations are basically turnover and quit equations with the exception that my equation counts an individual as stable even if he quits or is laid off provided that he stays in the same industry and occupation for the following year. The equations which do not exclude layoffs measure turnover, i.e., the sum of layoffs and quits, while the equations which do exclude layoffs (in order to estimate supply side effects or worker behavior) are quit equations.

Studies of quitting behavior are common in the economic literature. The standard approach is to estimate equations based on industry data with the dependent variable being quit rates over some period of time and the independent variables including measures of mean industry wage rates, average personal characteristics of workers in the industry and perhaps some aggregate demand variables. These studies do not directly employ data on individuals but rather aggregate across industries. The paper by Stoikov and Raimon (1968) is typical of these efforts. More recently Parsons (1972) sought to apply human capital theory to understanding turnover and argued that quits were a function of the amount of the worker's investment in specific human capital while layoffs varied with the extent of the firm's investment in specific human capital. Although data limitations forced Parsons to employ variables which differed little from those of earlier studies, he did show that quits and layoffs respond differently to the same variable. For example, the quit rate is negatively related to the industry wage level while the layoff rate varies positively with wages.

The study which takes an approach most similar to mine is Robert Hall's (1972) examination of turnover. The central similarities are that Hall used micro data on individuals rather than aggregate data across industries and that he estimated a probability model. However, Hall studied turnover and did not distinguish between

The variables in the equations fall into three categories: personal characteristics, labor market variables, and age (which is obviously a personal characteristic but which is more central to the analysis than any other variable).

The personal characteristic variables are race, experience, marital status and education. The expected relationship between race and stability is unclear. On the one hand discrimination in the labor market would lead to Blacks being laid off more frequently than Whites and to them being unable to get jobs which encouraged stable behavior. Therefore, the "demand" side of the market would lead to a negative relationship between being Black and being stable.⁹ On the other hand, there is evidence that Blacks quit no more frequently than do Whites.¹⁰

quits and layoffs (except for a sample of older men). Hall's study also differs from mine in that he studied turnover into and out of unemployment rather than including job changing which might involve no unemployment.

It is very important to understand that my equations are not measures of unemployment, they are measures of job attachment. Most people who change jobs do so without experiencing any unemployment. For example, Matilla estimates that between one-half and two-thirds of all voluntary quitters move directly to their next job without an intervening spell of unemployment. See Matilla (1974).

⁹Of course, if discrimination has disappeared on the labor market, at least for young Blacks, there should be no demand relationship between race and stability. I will take up this issue in Chapter V.

¹⁰Hall (1972).

Therefore, there are offsetting effects and in the pure quit equations we would not expect to find a negative relationship between being Black and being stable.

The marital status variables should show the conventional relationship between marriage and stability. Experience (years in the labor market) is intended to control for the accumulation of specific human capital and should show a positive relationship with stability. The possession of a high school degree (as opposed to not completing high school) should imply both more human capital and should also proxy for personal characteristics such as motivation and ability. There should therefore be a positive relationship with stability.

The signs of the labor market variables are difficult to predict. A high level of unemployment is associated with few quits and many layoffs and the two seem, for the economy as a whole, to cancel out. Thus the unemployment variables should have a zero coefficient in the general equation and a positive coefficient in the quit equation (the higher the unemployment rate the fewer the quits and hence the greater the stability).

High initial wage rates should imply greater stability since an individual is less likely to quit if his wage is satisfactory and since firms are less likely to layoff people with a good deal of specific human capital.¹¹ On the other hand, it is at least

¹¹Oi (1962).

conceivable that higher wage people have more options and are thus more mobile. It is unlikely, however, that this will outweigh the former effect. The wage change variable should have a positive sign if increases in wages are associated with stability. This would imply that staying put, or seniority is on average the surer road to monetary success than is movement and search. Of course, this is an average for the sample and says nothing about variations among specific industries and occupations.

The results of the regressions are presented in Tables VIII-XX. Table XVIII provides the results of the equation for the period 1966-68. Table XIX contains the findings of two of the 1968-70 equations, one for the entire sample, and one which excludes layoffs. Finally, Table XX presents the findings of the 1968-70 equation which included previous job history variables.

Turning first to the variables other than age and looking at Table XVIII and Table XIX (Table XX is a special case and will be discussed separately), we see that most of our expectations were confirmed. The race variables have mixed signs, indicating little discrimination or greater instability by Blacks. The experience variable varies in sign, being positive in two equations and negative in one, but is always small and insignificant. Evidently years in the labor force, as distinct from age, is not important for young men during their early career.¹²

¹²The simple correlation of age and experience is .58. Thus the impact of the experience variable should not be too strongly affected by collinearity with age.

Table III-XVIII

Equation I

Dependent Variable: Stability 1966-68
 1 if stable
 0 if unstable

(Standard Errors)

Race	-.04787 (.04943)
1966 Experience	-.00576 (.00799)
High School Degree	.11338 (.03883)
1966 Wage	.00073 (.00016)
Wg6668	.00042 (.00023)
Marr66	.00265 (.04786)
New66	.00739 (.05637)
u67	-.00023 (.00114)
u6768	.00010 (.00160)
<u>Age in 1966</u>	
18	.09890 (.10450)
19	.16255 (.09026)
20	.22438 (.08986)
21	.23796 (.09292)
22	.33380 (.08823)

Table III-XVIII--Continued

23	.31594 (.09175)
24	.35968 (.09743)
Constant	.16153
R^2	= .21
N	= 785
F	= 13.23 (16,768)

Table III-XIX

Equations II and III

Dependent Variable: Stability 1968-70
 1 if stable both years
 0 if not

(Standard Errors)

	Entire Sample	Layoffs Excluded
Race	.03426 (.04471)	.00193 (.04817)
1968 Experience	.00133 (.00738)	.00548 (.00762)
High School Degree	.05027 (.03429)	.07158 (.03609)
1968 Wage	.00050 (.00015)	.00037 (.00016)
Wg6870	.00030 (.00008)	.00029 (.00008)
Marr68	-.03076 (.04468)	-.02324 (.04618)
New70	-.10324 (.05963)	-.08152 (.06326)
u68	.00059 (.00102)	.00096 (.00107)
u6870	.00213 (.00076)	.00226 (.00078)
1968 Age		
18	.07909 (.08994)	.09571 (.09440)
19	.19364 (.09037)	.17853 (.09473)
20	.10274 (.09470)	.08896 (.09847)
21	.09733 (.09078)	.07994 (.09512)

Table III-XIX--Continued

	Entire Sample	Layoffs Excluded
22	.17728 (.09190)	.16622 (.09775)
23	.15077 (.09726)	.13808 (.10228)
24	.26105 (.09386)	.25011 (.09809)
25	.24223 (.09376)	.20804 (.10001)
26	.28972 (.09842)	.28185 (.10223)
Constant	.47782	.47158
<hr/>		
R ²	.19	.20
N	963	873
F	12.92	12.18

Table III-XX

Equation IV

Dependent Variable: 1968-70 Stability
 "1" if stable
 "0" if not
 Layoffs Excluded

(Standard Errors)

Race	.03743 (.05227)
1968 Experience	-.00491 (.00799)
High School Degree	.01057 (.04157)
1968 Wage	.00079 (.00017)
Wg6870	.00038 (.00013)
Marr68	-.07076 (.05566)
New70	.00504 (.07673)
u68	.00107 (.00115)
u6870	.00084 (.00089)
1968 Ages	
18	-.26050 (.19246)
19	.00990 (.15656)
20	-.01642 (.19283)
21	-.22440 (.17741)

Table III-XX--Continued

22	-.18292 (.18084)
23	-.14473 (.19471)
24	-.03203 (.20159)
25	-.04449 (.19371)
26	.28495 (.17351)
Age/Previous Stability Interaction	
18	-.04656 (.33170)
19	.23801 (.19055)
20	.43529 (.14230)
21	.44313 (.11580)
22	.68511 (.11052)
23	.35882 (.12499)
24	.27322 (.10542)
25	.25777 (.10045)
26	-.10907 (.09078)
Constant	.75876

$$R^2 = .64$$

$$F = 40.67$$

$$N = 625$$

The education variable is consistently positive and significant in two of the three equations indicating that those with high school degrees are more stable than those without. The source of this stability be it ability, skills, or personality traits, cannot be determined.¹³

The wage variable, both the level wage and the change over time are positive and strongly significant in all the equations. It would thus appear that high initial wages lead to greater stability and that rising wages are positively associated with stability.

The unemployment rate level variables are insignificant in all the equations. However, in the 1968 to 1970 equations the change in the unemployment rate during the period is significant in both equations. The essentially zero coefficients for initial

¹³In fact, the Parnes data does provide data on IQ scores, which could have been incorporated into the equations. However, there are many problems with these scores. A great many are missing and there is strong reason to suspect the reliability of those which are available. The education variable could be significant for at least three reasons. Young men with high school degrees could have acquired more skills, or human capital, than those without the degree, for example, by taking vocational courses. However, there is considerable evidence that curriculum in high school is irrelevant in determining labor market outcomes. Another explanation is that achievement of a high school degree indicates greater ability and it is this ability, which is not measured in my equation, that the education variable is picking up. Finally, it is possible that completion of high school is a signal to employers about personality traits (this is the argument made by Edwards (1976)). However, the third equation is for quits, not layoffs, and thus the high school degree must indicate something about the actual behavior of the individual, not simply the employers' perceptions. My sense, from the interviews which I conducted, is that completion of high school is a proxy for unmeasured personal characteristics. The high school dropouts I met seemed consistently less intelligent, motivated, and directed than the high school graduates (who, remember, did not continue to college).

unemployment rate in both the 1966 to 1968 equations confirm the fact that quits and layoffs balance out with respect to the unemployment rate. The positive signs for the change variable in both 1968 to 1970 equations indicate that a rising unemployment rate discourages quits to a greater extent than it encourages layoffs. The insignificance of this variable for the 1966 to 1968 period can be explained both by the fact that only one year (1967 to 1968) is covered (due to the limitation noted earlier that the Parnes data does not include 1966 unemployment rates), and by the fact that unemployment rates were essentially constant during this period while they varied more for the later period (the average for the sample was a decrease of three-tenths of a percentage point in 1967-68 and an increase of nine-tenths of a percentage point for 1968-70).

The marriage variables vary in sign and are insignificant for all equations. Thus, it appears that the earlier surprising observation that marriage is not associated with stability is confirmed.

The Age Variables

The central purpose of the regression analysis is to test the ideas developed in the previous chapter about the relationship of age to labor force behavior. Therefore we will now turn to the age and previous experience variables.

There is no question that the age variables are the most important variables in the equations. In the first equation the age variables accounted for 61% of the total explained variance and they accounted for a similar proportion of explained variance

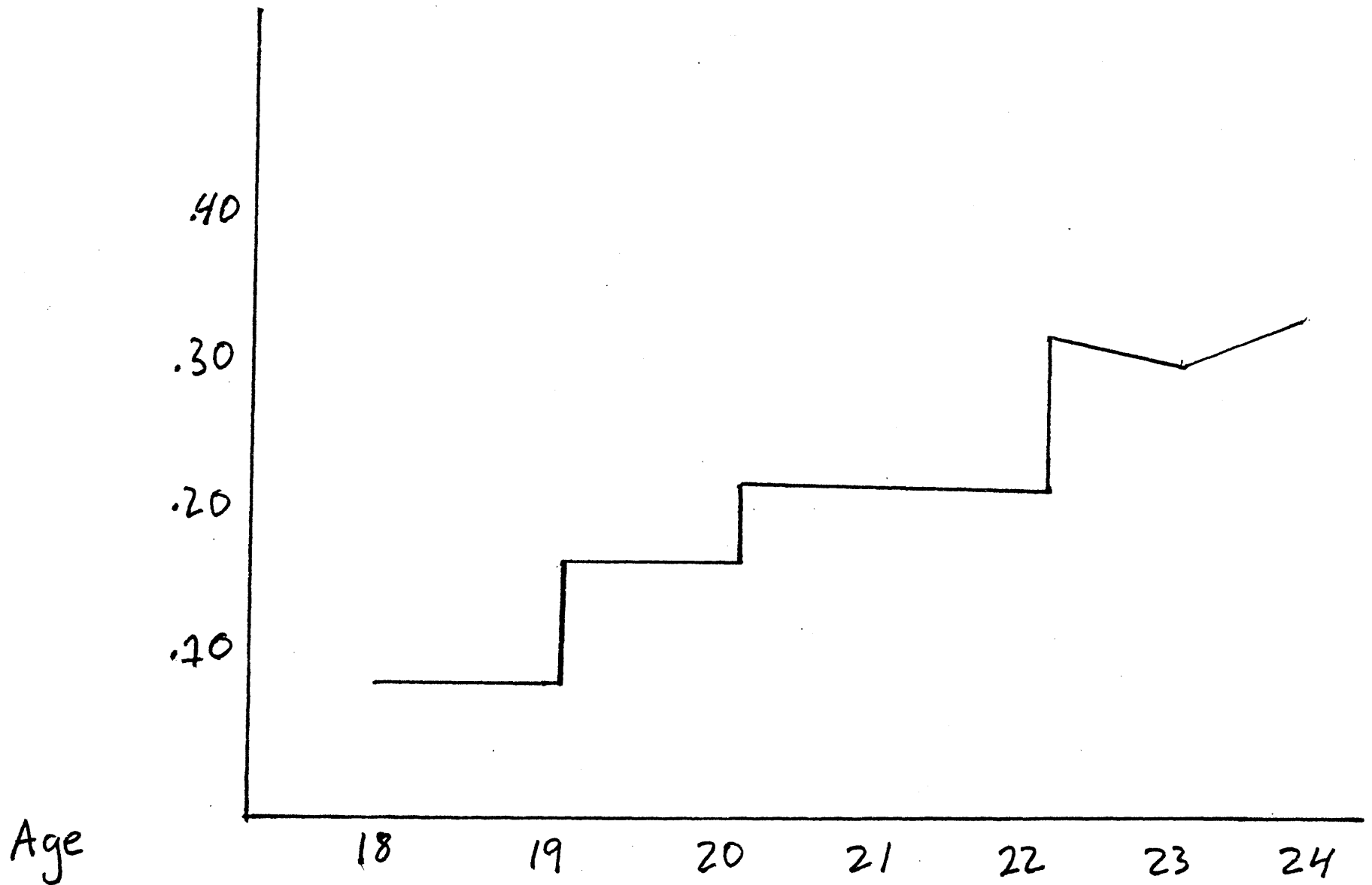
in the second and third equations. More important is the age pattern which emerges from the equations. Charts I and II graph the values of the age coefficients from Equation I. Chart I includes all estimated coefficients and Chart II sets the value of omitted and insignificant coefficients to zero. These coefficients should be read keeping in mind that they show the contribution of each variable relative to the omitted variables, in this case fourteen to seventeen year olds (the moratorium period).

A rather clear pattern emerges from the coefficients. Age eighteen and nineteen are part of the moratorium period. Their coefficients are not significantly different than zero. Two additional stages emerge from the pattern of the coefficients: Ages twenty and twenty-one show the first significant coefficients and the two ages have essentially equal values. These ages correspond to my exploration period. At age twenty-three the probability of being stable jumps by fifty percent and remains essentially constant thereafter. These ages correspond to settling. Thus the pattern of the age coefficients in the first equation strongly support my notion of the behavioral stages.

The second and third equations provide less clear evidence that the moratorium and exploration periods differ. No coefficient is significantly different from zero until age twenty-four and after age twenty-four the coefficients are significant. The differences between equation one and equations two and three seems partly due to the change in the base (i.e., the omitted age variables in the second and third equations are

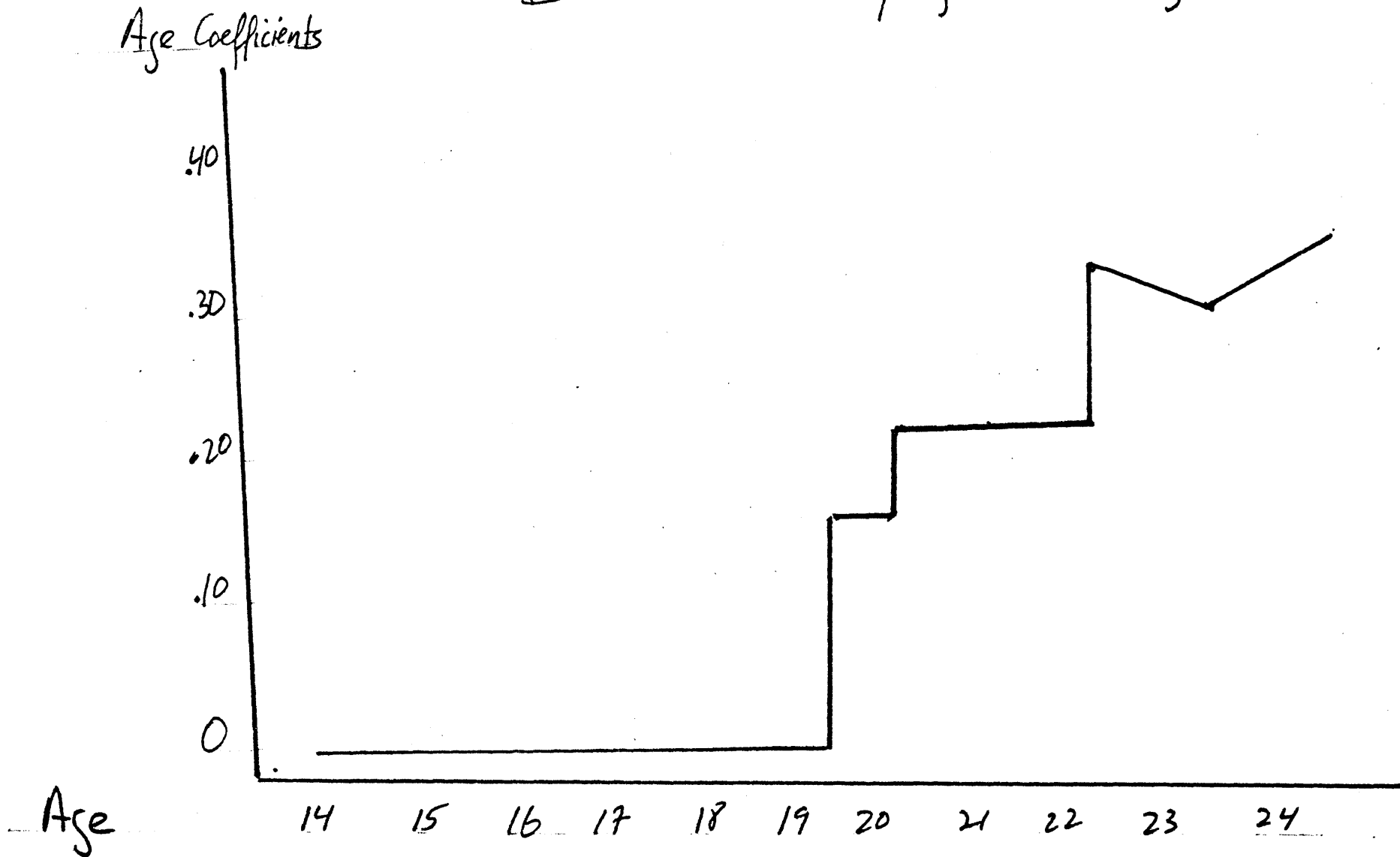
CHART I 8 Contribution of Age to Stability

Age Coefficients



Source: Equation I

CHART II: Contribution of Age to Stability



Source: Equation I with base and insignificant coefficients set to zero

the sixteen and seventeen year olds. Thus, the base is older than in the first equation. This is obviously necessitated by the fact that there are no fourteen and fifteen year olds in the Parnes data as of 1968. The difference may also be due to the worsening unemployment rates which developed during the latter period and which may have delayed settling.

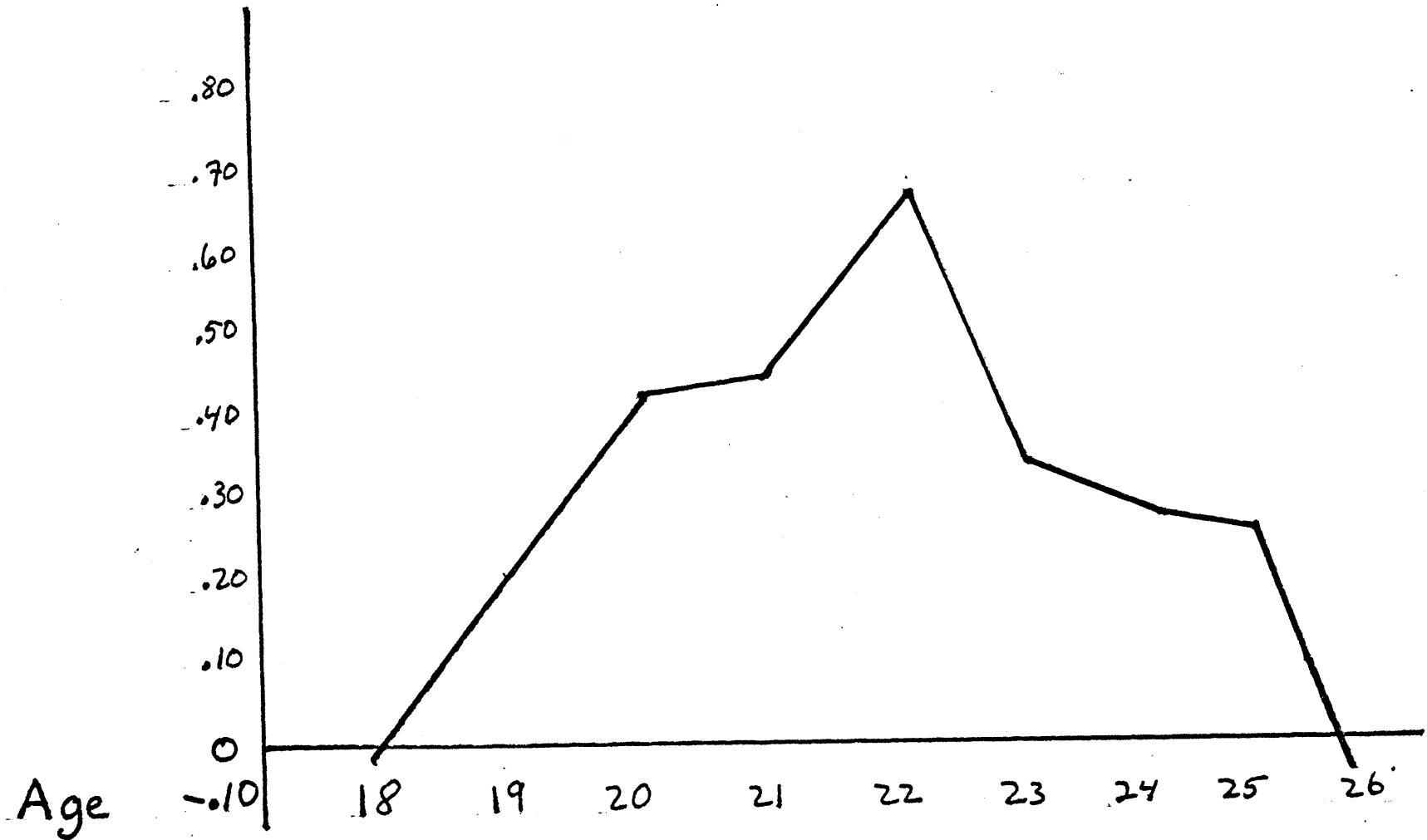
At the minimum, however, equations two and three show that job behavior during the settling ages is different than behavior earlier. Thus, all three equations lend strong support to the idea that the key variable in understanding the stability of workers during the first years in the labor market is their age.

The fourth equation, with previous experience included, tells a very different story. In this equation, as noted above, experience is interacted with age to produce a set of dummy variables which take on the value of "1" if a person of a given age was stable the previous two years. Thus, we can examine whether previous stability contributes to later stability and how this contribution varies with age.

When previous experience is entered into the equation, the age variables become insignificant and the coefficients behave erratically. Evidently, previous behavior is by far the most powerful predictor of later behavior. However, the pattern of the coefficients is quite striking. Chart III displays the coefficients of the age/experience interaction variables. As is apparent, at young ages previous stability is not terribly powerful. Its importance increases with age until twenty-two and

CHART III : Age - Stability Interaction

Age/Previous Stability
Interaction Coefficients



Source: Equation IV

then declines again. By age twenty-six it is no longer important, and simple age (i.e., the coefficient on the simple age variable) dominates. These coefficients imply that for young men in the moratorium period, a history of previous stability does not necessarily imply later stability. The age effect is dominate. As the young men age they become increasingly likely to be stable (Equations I through III) and once they are stable, they stay stable (Equation IV). By age twenty-six, however, the age effect is once more dominate and most people settle down regardless of their previous history.¹⁴

The story told by the three equations seems to me to be that two kinds of effects are at work, an "age effect" and a "bandwagon effect." When we look at the simple age equations without previous stability, we observe that the role of age conforms to the ideas I presented, i.e., that there are a set of age-related behavioral stages and that the probability of becoming a stable worker increases in jumps as these stages imply. The last equation tells us that as one ages there is an increasing probability of staying stable once stability is achieved. When the worker gets on the stable "bandwagon" he stays on it. This

¹⁴In another set of equations I estimated the stability relationship separately for the group which had been previously stable and for the group which had not. In the former group the age coefficients displayed the erratic pattern described in the interaction equation. In the equation for the latter group there were no negative signs. The age twenty-six coefficient was significant (.68 with a standard error of .33). This adds weight to the interpretation I am offering.

effect is especially powerful in the early twenties. By the mid-twenties the bandwagon effect loses importance though it remains a significant factor until age twenty-six by which time the coefficient is not different than zero. If one is not on the bandwagon by that age, there remains a strong probability of becoming stable (Equations I, II, and III and the age twenty-six coefficient in Equation IV) but this probability is due to age, not previous stability. This interpretation explains the earlier finding (Table XI) that the proportion of the population which is stable levels off in the mid-twenties. The mid-twenties are thus the crucial years in the young workers' work experience.

In summary, these equations have shown the relationship between stability and age is essentially that predicted by the theory of the behavioral stages. The results also indicate that certain personal characteristics, notably completion of high school, and the labor market variables--wages, wage changes, and unemployment--affect stability in essentially the manner that conventional theory would predict.

CHAPTER IV

THE STRUCTURE OF THE YOUTH LABOR MARKET

The previous chapters discussed aspects of the labor supply of young workers. In Chapters I and II I argued that young peoples' adjustment to the labor market is a process which takes time and that the process tends to fall into three behavioral stages. Chapter III employed the Parnes data to test for the existence of these stages. However, as I have already noted, observed behavior results from both supply and demand side influences. The developmental impulses which lead to the different stages are importantly conditioned by institutional constraints and cultural patterns as well as by the particular economic conditions prevailing at the time of entry and adjustment. The previous chapters discuss some of these constraints.

One particularly important influence on the shape the adjustment process takes and upon its outcome is obviously the kind of jobs through which the young men move. How does the structure of the local labor market--the kind of firms which hire young people at different ages--influence the experience of young men? This chapter will examine this question and will attempt to shed light on the demand for young workers. The argument I will develop is that different kinds of firms specialize in youth of different ages. Young people in the moratorium stage are particularly attractive to one kind of firm, youth in exploration to another, and youth who are settling down to yet another. At the same time

it is also the case that young workers in different stages are attracted to different kinds of firms and that there is a congruence between supply and demand. Thus this chapter will analyze why different kinds of firms demand different "kinds" of young people, and why the young people also supply their labor to the kinds of firms which they do. In effect then, this chapter examines the demand for labor and also makes the argument that the market clears.

Other writers have argued that the demand for young workers varies with the industrial structure of the economy. Kalachek¹ has probably undertaken the most careful evaluation of the impact of industrial structure on youth employment. In an attempt to explain the variation in teenage unemployment rates across cities he ran regressions which included as independent variables two measures of the industrial and occupational structure of the area: the percentage distribution of employment in 15 major industries and 11 major occupations and a "key activities" index which sought to capture the share of especially teenage intensive activities in an area's employment mix. The regressions were run for several different age and sex cohorts. The results of this exercise were mixed. The industry and occupation variables were generally significant but the signs did not follow the expected pattern and they added little to the explanatory power of the equations for older teenagers. The key activities indexes were significant only in the equation for 14-17 year old boys.

¹Kalachek (1969a, 1969b).

Kalachek concluded that "...teenage employment opportunities in any given community appear to be at most, only moderately affected by the relative importance of teenage intensive activities,"² and he went on to argue that in communities where teenage intensive activities do not represent a large share of the employment mix, teenagers capture a larger share of these activities (as opposed to capturing a share of adult jobs). A different interpretation of Kalachek's results is, in my terms, that industrial structure, as measured by his variables, is important for youth in the moratorium period but not for those in exploration and settling down. As I will argue below this would follow from the fact that after moratorium youth begin to move into adult sector jobs.

In another study which sought to understand the determinants of youth employment in inner city areas, Friedlander³ also undertook a cross-city analysis of ghetto unemployment rates and included industrial structure (measured by the percentage of city employment in each of the major industry groups).⁴ He found that youth between the ages of twenty and twenty-four were most sensitive to the area's share of manufacturing employment, with the higher the employment in that sector being correlated with high unemployment rates. Friedlander attributes this to discriminatory and aged related barriers in that sector. Teenagers between sixteen

²Kalachek (1969b), p. 28.

³Friedlander (1972).

⁴Ibid., p. 129.

and nineteen had lower unemployment rates the more important the retail sector was in the area's economy. All workers between fourteen and twenty-four were adversely affected by a large construction sector, a finding which Friedlander also attributes to racial discrimination and other barriers. These findings indicate the potential importance of industrial structure. They raise difficult problems of interpretation, however, because they apply only to inner city predominantly Black groups. For that reason a complete discussion is delayed until the subsequent chapter on racial issues.

The import of the findings described above is that local industrial structure may well be important in determining the success young men achieve in their early years in the labor market. Particularly suggestive are the findings of Kalachek which imply that the importance of particular aspects of the local industrial structure varies with the age of young people, that for example young teenagers have better employment opportunities in communities with a high concentration of retail employment but that such a concentration is less important for older teenagers. Findings of this sort imply that as young people move through the stages which I have described they may well also move through different kinds of jobs.

This line of thought leads to two questions: do young men of different ages work in different sorts of jobs, and if they do what are the dimensions along which the jobs vary? For example, do young men tend to settle in the same jobs in which they work just after leaving high school? How do young men learn skills

needed to land the job in which they eventually settle? What criteria do firms use in hiring young people and how do these criteria affect people of different ages? How do firms differ in the training opportunities they provide? Does the labor market assist the process of adjustment by providing mechanisms which help young people move from moratorium to settling and if so how do these mechanisms operate?

In order to begin to answer these and similar questions I conducted a series of interviews with firms in Boston, Cambridge, and Worcester, Mass. These interviews were described in detail in Chapter I. They were held with thirty-five firms in a wide variety of industries.⁵ In all firms I interviewed the person responsible for hiring new entrants and in many cases I also interviewed other personnel officers and supervisors. The interviews were open ended although I always sought the same basic information on hiring criteria and rules of thumb used in hiring, recruitment practices and patterns, training and promotion procedures, turnover patterns, and wages.

The purpose of the interviews was to examine what kinds of jobs are held by young men as they move through the period of adjustment to the labor market. Preliminary interviews as well

⁵The industries included in the sample were: printing, abrasives, machine tool, construction, refrigeration manufacturing, gas stations, textile machinery, insurance, rolling mill manufacturing, banking, electrical machinery manufacturing, telephone, hospital, retail store, candy, and utilities.

as the work of other researchers had led me to think that a systematic pattern of job holding did prevail and that there is a strong tendency for different kinds of firms to have age preferences with respect to hiring which leads to a pattern of job progression roughly corresponding to the behavioral stages I have described. Specifically, young men in the moritorium years seem to work primarily in secondary jobs, that is unskilled and unstable jobs which provide spending money but little training. Many young men in the exploration years seem to find employment in a certain kind of small firm which I have termed bridge jobs. These firms provide training and contacts for later jobs but they do not seem to be places for permanent employment. Successful settling appears to take place largely in primary firms, that is larger enterprises which have career ladders and which promise stable employment and advancement. The remainder of this chapter will be devoted to describing, based on the interviews, how these firms differ from each other and why each kind finds young men in the corresponding stage particularly attractive.

The Structure of the Youth Labor Market I: Secondary Jobs

Young people in high school and those recently out of school tend to work in the same sorts of jobs. The similarity of the job distribution of students and recent students is demonstrated in Table I. The industrial distribution of seventeen and eighteen year old non-students is more similar to that of students than to twenty-five year olds who are nearing the end of their adjustment process. For example, forty-four percent of in school eighteen year olds work in wholesale and retail trade industries.

In and Out-of-School Industrial Distribution

Industry	17 year old in-school	18 year old in-school	17 year old out-of- school	18 year old out-of- school	25 year old out-of- school
Agriculture	16.2%	10.2%	10.5%	8.0%	6.1%
Mining	0	0.3%	0.3%	0.3%	1.6%
Construction	5.8%	6.5%	11.2%	13.0%	12.7%
Manufacturing	10.9%	17.7%	30.3%	35.2%	39.4%
Transportation	3.0%	5.2%	3.1%	5.4%	8.9%
Wholesale and Retail Trade	42.6%	38.1%	30.7%	25.6%	17.2%
Finance	1.5%	0.9%	2.7%	1.4%	1.2%
Business Services	3.7%	3.4%	3.8%	4.2%	3.9%
Personal Services	4.1%	3.1%	1.1%	1.4%	0.7%
Entertainment and Recreation	2.6%	2.7%	1.1%	1.3%	0.5%
Professional Services	7.1%	9.3%	3.8%	2.8%	2.5%
Public Administration	2.0%	2.1%	0.4%	0.8%	4.6%
N	530	322	257	605	713

and service industries. Thirty-five percent of seventeen year old out of school youth and thirty-one percent of eighteen year old out of school youth work in these industries, while only twenty-one percent of the twenty-five year olds are found in these industries.

These jobs are typically low paid, involve unskilled labor, and have few incentives, such as seniority systems or on the job training, which encourage stability. They are what some economists have termed secondary labor market jobs. Typical examples are work in retail establishments, gas station attendants, light factory work such as packing and sorting, and the like.

The Characteristics of Secondary Jobs⁵

Secondary jobs can be defined either descriptively or in the context of a broad theory about the nature and operation of the labor market. In descriptive terms secondary jobs can best be understood by contrasting them with primary jobs. Piore has made the distinction in these terms:⁶

The primary market offers jobs which possess several of the following traits: high wages, good working conditions, employment stability and job security, equity and due process in the administration of work rules, and chances for advancement. The ...secondary

⁵For a fuller discussion of the definitions, origins, and dynamics of the secondary labor market see Piore (1971), Harrison (1972), and Gordon (1972). For critiques of the theory see Cain (1975) and Wacter (1974).

⁶Piore (1971), p. 92.

market has job which, relative to those in the primary sector, are decidedly less attractive. They tend to involve low wages, poor working conditions, considerable variability in employment, harsh and often arbitrary discipline, little opportunity to advance.

Primary jobs thus tend to have strong internal labor markets and offer opportunities for training and for stable employment. They are jobs into which most young men settle. By contrast, secondary jobs involve few skills and offer few opportunities for skill acquisition. Since workers make few investments in acquiring specific skills in secondary jobs and firms make few investments in workers there is little incentive on either side to encourage job stability. In a sense, from the workers' viewpoints all secondary jobs are alike since there is little to choose among them.

Proponents of dual or segmented labor market theory offer several competing explanations for the differentiation between secondary and primary jobs. Some theorists argue that divergent technological development in different sectors, growing out of differences in the stability, predictability, and extent of product demand, account for the existence of stable employment and strong internal labor markets in primary sector and for their absence in the secondary sector.⁷ Other theorists argue that the development of the two sectors resulted from attempts by capitalists to develop employ technology and labor market structure

⁷Piore (1973b), Vietorisz and Harrison (1973).

to divide the working class against itself.⁸ It is difficult to choose between these theories since many of the events are "col-linear" and because the choice seems to ultimately rest on assumptions about the dynamics of technological change and the relationship of such change to labor market institutions. Fortunately it is not necessary for my argument to make such a choice since I am merely arguing that young people at a certain stage of their careers tend to work in such jobs.⁹

One additional point about segmentation theory does, however, seem important. In the course of the debate about the theory two different arguments have become confused. Dual labor market theory originally developed in the context of several studies of low income labor markets. Early proponents of the theory tended to argue that low income workers, particularly urban minority groups, tended to become trapped in secondary jobs because primary employers strongly preferred not to hire secondary workers. Thus the debate about dual labor market theory became a debate about intragenerational mobility. This seems to me to be off the point. The central issue of dual labor market theory is whether there exist segments of the labor market which operate on different behavioral rules with respect to issues such as wage setting and training and advancement. Such a segmentation

⁸Edwards, Reich, and Gordon (1974), pp. xi-xxi.

⁹For a more detailed comparison of the various theories employed to account for segmentation see Carter and Carney (1974).

could exist is the presence of mobility between the segments. In fact this thesis argues that for most young men such mobility is common. It thus seems important to distinguish the two issues of mobility and behavioral differences between segments.¹⁰

Moratorium Job Patterns

There is considerable evidence that young people do work in secondary jobs early in their working careers. Hugh Folk, in a perceptive analysis of the youth labor market, asserts that

The average youth enters the labor market initially as a parttime or summer job seeker. He is not available for "career" jobs, rather he seeks a "youth" job. The distinction is not precise, only useful. Youth jobs do not necessarily lead to career jobs, but are open to young workers. They include babysitting, farm labor, sales clerks in variety or food stores, and the like.¹¹

Folk's point is correct, however I would amend it in two respects. First, many youth continue to hold these youth jobs during their moratorium period after they leave school. Furthermore, the term "youth job" does not seem quite appropriate. The jobs which young people hold during this period are also held by older workers, particularly older women and, in urban areas, Blacks and Spanish speaking people. They are not simply youth jobs rather they are low wage, low skilled, and unstable jobs. Proponents of dual labor market theory would call them secondary jobs and this is a more powerful description since it helps link the theory of youth employment with a larger view of the labor

¹⁰See Osterman (1976) for a fuller discussion of this distinction.

¹¹Folk (1968), p. 84.

market. Folk's language implies that there is a separate youth segment of the labor market. In any case, the main point is that Folk agrees that young workers hold secondary-type jobs.

Since the proposition of this section is that young men commence working in the secondary sector it would obviously be preferable to directly test this by looking at the distribution of jobs held by labor market segment. This approach founders on the difficulty of arriving at a generally acceptable classification scheme for occupations. There are no generally accepted criteria for which jobs are secondary and which are not. Several economists have studied various issues related to dual labor market theory and have developed somewhat different definitions of the segments. It is reassuring to note that all of these studies find that a very high proportion of young men do in fact initially work in secondary jobs.

Andrisani,¹² who uses a definition of secondary labor market jobs based on the earnings in occupations, found that 42% of all the young men in the 1966 Parnes sample held their first job in the secondary labor market.¹³ In another study Martin Carnoy and

¹²Andrisani (1973).

¹³Ibid., page 57. Andrisani is not clear about what he means by first job, e.g., whether it's the first job ever held, first job since leaving high school, first full time job since leaving high school or whatever. It is most likely that he means first job since leaving high school. I will take up in some detail in a later chapter the question of the proper "first job" to use in measuring occupational mobility.

Russell W. Rumberger¹⁴ also sought to place occupations in the various labor market segments and to study mobility between the segments. Though they do not report the age distribution by segment they imply¹⁵ that a substantial number of young people start their working careers in the secondary labor market. They go on to report that

the first job in a secondary labor market for young whites, particularly young white males (their emphasis) appears to be a temporary situation. For Blacks, it is likely to be a permanent situation.¹⁶

Why Moratorium Youth Hold Secondary Jobs

Young people in the moratorium stage hold secondary jobs for two reasons: because these jobs are attractive to the young men and because secondary employers are willing to hire youth of this age while other employers generally are not.

For young people these secondary jobs quite adequately meet the requirements of the moratorium period. The jobs are casual and unskilled. Little penalty is attached to unstable or unreliable behavior since all jobs are similar and none lead to career ladders. The jobs provide spending money with very little responsibility or long term commitment.

Secondary firms generally find young workers to be a more than satisfactory source of labor. Because secondary employers invest little in training they have few regrets about hiring an unstable workforce. This is especially true for secondary

¹⁴Carnoy and Rumberger (1975).

¹⁵Ibid., page 15.

¹⁶Ibid., page 15.

jobs which are seasonal in nature as are many retail and entertainment jobs. Young people are plentiful and are willing to work for low wages and secondary employers need have few qualms about laying off young workers when product demand slackens.

Young workers are such a natural source of labor for secondary employers that some of them make special recruiting efforts. For example, one candy factory which normally employs Spanish speaking workers to pack and sort the candy also runs a special afterschool shift for high school students. Large retail establishments also make special efforts to organize work shifts so that they can hire young workers.

The final reason that many youth in the moratorium stage work in secondary establishments is that other kinds of firms are extremely reluctant to hire them. The same characteristics which make them acceptable to secondary employers, their lack of job commitment and willingness, if not eagerness, to accept sporadic employment, make them very high risks to primary firms. I will elaborate this point in considerable detail later in this Chapter.

The Structure of the Labor Market II: Bridge Jobs

Many of the young men who carry out their moratorium period in the context of secondary labor market firms, seem to move into a quite different environment when they commence the exploration stage. During this period they find employment in small business firms such as machine shops, contractors, auto body shops, small printing shops and a myriad of other similar enterprises. These

jobs are essentially bridge jobs from secondary to primary work. They provide training and a decent work environment but they pay only moderately well, opportunities for promotion or career work are limited, they tend not to be unionized, and the employment pattern is not necessarily organized to promote stability. The firms provide young people with some basic training, enable them to get a sense of a field without having made an overly strong commitment, and provide contacts and references for the next step in the adjustment process.

It is important to understand that I do not mean to imply that all small firms are "bridge" jobs in my sense of the word. Smallness, while necessary, is not sufficient. The crucial characteristic of a bridge job is that it provides training for a wide range of job skills in an atmosphere that is conducive to young peoples' learning those skills. Thus, for example, a small retail store is unlikely to fill these functions hence is not truly a bridge job. I will discuss below what characteristics of small firms lead them to perform this bridging function.

The Extent of Youth Employment in Small Firms

It is difficult to convincingly document the assertion that small businesses play the role I have described because national micro data sets which contain adequate information on individuals do not ask questions about firm size.¹⁷ However, a variety of

¹⁷The only data set I know of which contains information on firm size is the Social Security Administration's Continuous Work History Sample. However, these data do not contain information on education, occupation, family status, and other variables which are important for my purposes.

miscellaneous information can be accumulated all of which tend to show that small businesses hire a disproportionate number of young men.

The Worcester, Massachusetts public schools sampled young men who graduated in 1973 and asked them for the name of the firm they worked in the year after graduation.¹⁸ Firm size information was available for forty-six percent of the respondents (firm size was ascertained by using the membership directory of the Chamber of Commerce. To the extent that the Chamber membership is biased toward larger firms, as it almost certainly is, the following data understate the importance of small firms.) In this sample, twenty-eight percent of the young men worked in firms of less than fifty employees, six percent in firms of fifty to one hundred, fourteen percent in firms of between one hundred and five hundred, and fifty percent in firms of greater than five hundred.

These data are striking especially considering the bias mentioned above against small firms. Furthermore, teenagers represent only ten percent of the Worcester labor force,¹⁹ yet in the smaller firms I interviewed in Worcester, teenagers and young men in their early twenties, almost always accounted for between one third and one half of the employment. Clearly

¹⁸These data were discovered by Pat Burnell and collated by her and Susan Burns.

¹⁹New England Regional Manpower Institute (1976), p. 19.

in Worcester, young people disproportionately work in small firms.

Data from a quite different source also support the proposition. Several British sociologists studied the employment patterns of young male labor force entrants in Leicester, England, and found a fairly striking trend towards employment in small firms.²⁰ Their findings are presented in Table II. As is apparent, young men are far more likely to be found in small firms than are older male workers. The authors are uncertain about why they should find such a disparity and they write,

The reasons for this, and for its effects are at present not clear. There is possibly a deliberate refusal on the part of large firms to employ proportionate numbers of young workers; or a lack of suitable jobs in such firms; or a policy decision by Youth Employment Officers to keep young people away from large firms; or hostility to large firms among school leavers...probably each of these factors operates to some extent. A pilot study recently undertaken, suggests that a hostility to working in large firms--because they are seen as "impersonal" does exist among younger workers.²¹ (*italics not in original*)

I shall return later to examine the rationale for these findings at some length.

Impressions about the importance of small firms in youth employment are not limited to Worcester, Massachusetts or Leicester, England. For example, the Haryou report on youth employment in Harlem observed that,

²⁰Keil, Riddell, Tipton (1963).

²¹Ibid., page 411.

Table IV-II

Percentage of Males Employed
In Various Firm Sizes In
Leicester, By Age

<u>Firm Size</u>	<u>All Males</u>	<u>Male Youth Entrants</u>
under 100	34%	54%
100-249	11%	16%
250-999	26%	19%
1000+	<u>29%</u>	<u>11%</u>
	100%	100%

Source: Keil (1963), p. 409.

...not enough is known about jobs in small establishments, but it is in these establishments that most youth..find their place in the labor market.²²

An observer of youth employment in Latin America wrote

in many countries [young people] seem to have a preference for working in small companies. This is partly because they are located nearer to where the person lives and partly because it is possible to maintain a closer and more direct contact with the boss and because the structure of the company is more flexible. Many young people seem to have dislike of working in large companies with their impersonal organizational structures.²³

Characteristics of Bridge Jobs

The bridge jobs in which young people work can be distinguished from small secondary labor market firms and from larger primary firms by the nature of the training opportunities they provide and by the organizational structure in which the training occurs. There are four important dimensions along which bridge jobs differ from other firms;

1. The range of job tasks which workers undertake;
2. The role of the owner in the production process;
3. The operation of the personnel department;
4. The degree of flexibility in production arrangements.

Bridge jobs are often job shops and subcontractors and tend not to specialize in the production of a specific product, rather they undertake a wide range of tasks. For example, a small machine shop may take subcontracts from larger firms on a wide range of products. The employees of such an enterprise work on

²²Harlem Youth Opportunities, Inc. (1964), p.263.

²³Bamberger (1973), p.10.

different tasks over time, they cannot specialize. Similarly, a small auto repair firm cannot permit mechanics to specialize in transmissions, for example, rather the workers need to be prepared to work on different aspects of auto repair.

The fact that bridge jobs are organized to be flexible in their product production implies that workers in such a firm will be exposed to a wide range of tasks and must acquire a wide range of skills. Such firms are thus likely to be excellent training grounds for young workers. It should also be noted that because such skill training is an essential aspect of the definition of bridge jobs small firms which do not provide such training possibilities should not be considered bridge jobs. Other observers have noted the tendency for small firms to provide more extensive training. For example Diamond and Bedrosin note that in firms in New York and St. Louis which hire production machine operators²⁴

Small units tended to provide longer training periods. The field staff reported that the relatively long training time for inexperienced workers was necessitated by the needs of many small shops to have an operator who can tend several different machines. These establishments had insufficient work to keep an employee busy on one machine full time....

The organization of bridge jobs is conducive to the training of young workers. The owners of bridge firms are generally involved in the production process, there is little in the way of formal work rules or a personnel operation, and the structure of the production system is flexible.

²⁴Diamond and Bedrosian (1970), p. 215.

Small firm owners seem almost uniformly active in the production process. In fact it is often the case that they are the most skilled workmen in the firm and are responsible for most of the supervision and training. This arrangement seems to hold regardless of the industry or type of product being produced.

There are two main reasons why this system prevails.

First, small businesses tend to operate on the thin edge between staying afloat and going under, and hence cannot afford a white collar supervisory staff. Second, and probably more important, most of the small firms I interviewed were founded by former production employees of other companies who decided to strike out on their own. It is thus only natural that their owners continue to be active in production.

The owners of these small businesses are also the personnel managers. There is no separate personnel department in the small business²⁵ and hiring, promotion, and firing decisions are made by the owner of the firm (or, not infrequently, by his secretary). The dichotomy between personnel office and production which exists in large firms, and which can complicate the hiring patterns, does not exist in small firms.

Thus in smaller firms the owner does the hiring and also

²⁵Malm has noted that a separate personnel operation develops only in large size firms, and Sherril Cleland found in his Trenton sample that only 20% of firms with less than two hundred employees had separate personnel departments. Fifty percent of firms of less than 500 employees and 100% of firms with more than a thousand had such departments. See Malm (1954) and Cleland (1955).

works in production and provides the supervision and training. This arrangement obviously makes for a very personalistic operation. In all the small businesses I visited the owner knew the workers very well. Not only did the owners have a finely developed sense of each worker's strengths and weaknesses in production, but also the personal life of each worker seemed well known.

The smallness of the enterprise and the presence of the owner in the production process permits a degree of flexibility in production arrangements often absent from large firms which by necessity are locked into routinized procedures. It is characteristic of the small businesses that this flexibility is often used to either take advantage of, or compensate for, the personality traits of workers. In one shop which produced textile equipment, the standard production arrangement was to have men work in pairs on assembly operations. However exceptions were made in three cases: one worker was too fast for the other men and he worked alone and two workers couldn't get along with anyone and they also worked alone. This flexibility can be contrasted with larger firms which do not vary the production arrangements in response to personality quirks but rather seek to assess, through tests or observation, each worker's traits and to place them in the part of the operation where the predetermined procedures best mesh with their proclivities.

This flexibility can also extend to layoff procedures. One firm I visited was faced with the need to temporarily layoff some workers and choose the individuals by considering the life circumstances of each man.

As size increases firms gradually move to a more formal supervisory and personnel operation, and there seems to be a continuum of arrangements. In the small establishments the owner is his own shop foreman and personnel manager. In somewhat larger firms the production manager is not the owner, however, he is likely to be drawn from production ranks and he performs personnel as well as supervisory functions. In large firms, there are clear distinctions among the different departments.

The close personalistic operation of small businesses has important implications for who gets hired. Because people in small businesses work closely together and get to know fellow workers fairly intimately it is important that congenial people get hired. The best rule of thumb for assuring congeniality is to draw upon relatives and friends of the employer or workers for new hires. Therefore small businesses rely very strongly on personal contacts as the source for new employees. This tendency is reinforced by the fact that many small businesses are family operations with several family members owning and working in the business. For example, the boss of one small printing company I interviewed initially told me that he would not hire inexperienced workers or young men without a high school background in printing. However he went on to say that he made an exception if he knew the family. A tool and die shop owner, whose firm has nine employees, has three employees under twenty-five. Only one is being trained to become a master machinist, with the expectation that he will stay, and that person is the only one of three related to the owner. Furthermore,

government Equal Employment Opportunity programs which have increasingly posed an obstacle to personal network hiring in large companies, has not affected the small business sector.²⁶

Why Youth Work in Bridge Jobs

Just as secondary jobs fit the needs of young men in the moratorium stage and secondary employers find these workers to be an appropriate source of labor given their production arrangements, there is a similar congruence between supply and demand of youth labor to bridge jobs. Youth engaged in exploration find the bridge jobs congenial and the firms are willing to hire these youth.

Turning first to the question of why bridge firms hire young workers, it appears that in a superficial sense the answer is fairly clear: small businesses pay appreciably less than larger firms and they offer fewer career opportunities. Thus they are likely to hire younger workers who need less money and who will move on as they age and enter into more career oriented jobs. This explanation is true as far as it goes but there is also a deeper explanation.

The interviews indicate that small businesses have two major staffing requirements. First, they must hire people who are willing to learn a skill under conditions of fairly close supervision. The small businessman is not necessarily in the market

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Under Title VII of the Civil Rights Act firms under 10 employees are exempted. Massachusetts law exempts firms under 6. However, the realities of enforcement are such that even considerably larger firms are rarely investigated.

for an already highly skilled worker, he probably couldn't afford the wages of that worker if he found him. But at the same time the small businessman is generally not interested in hiring low skilled labor. The best compromise is to hire someone who wants to learn a skill and is willing to accept lower wages than would be available in a large firm. Young workers obviously meet this requirement.

Second, the nature of the product market facing most small businessmen implies an unstable demand for labor. Small businessmen are less able than large firms to smooth out the variations in demand for their product. Their very smallness implies a less extensive demand for their product and a less predictable demand. This is especially true for small businesses which are heavily dependent on subcontracts from larger firms and thus more subject to business cycles than are larger firms. Unlike large firms small businesses cannot afford to keep on skilled but idle labor during a downturn.²⁷ Therefore small business must hire people for whom it is not a major crisis to lose their job and small businesses seem unable to compensate workers for the uncertainty of employment by paying higher than average hourly wages.

This tendency of small firms to pay lower wages has been

²⁷See Oi (1962) for a discussion of why larger firms keep on skilled but temporarily idle labor.

confirmed in several studies. Both Lester²⁸ and Masters²⁹ found that wages vary with plant size, even when controlling for degree of unionization and market structure. Larger firms pay higher average wages. Both authors offer several tentative theories why this should be so. Lester suggests that the differentials may be due to either the presence of increasing returns to scale or to higher quality labor in large firms. Masters suggests that large firms may be able to less afford disruptive work behavior because their production process is more rigidly organized, and hence they must pay higher wages. Little evidence is offered by either author on any of these propositions.

The dual requirements--willingness to learn a skill and not too extreme antipathy to losing the job given the lower than average wages--lead rather naturally to the hiring of young workers. Most adult workers would be unwilling to apply themselves to learning a skill and to accept lower than average wages and at the same time to face a strong possibility of being laid off.

The basic staffing pattern of small businesses is therefore to maintain a small core of permanent employees--the owner, whatever family works in the business, and a few older long time employees--and to supplement this workforce by hiring younger workers during periods of strong product demand. These temporary young employees might be termed "floaters."³⁰

²⁸Lester, (1967).

²⁹Masters, (1969).

³⁰A somewhat similar pattern seems to prevail in Britain. One

This tendency towards hiring young people is supplemented by an equally strong tendency towards hiring relatives and friends. This occurs both because of the natural desire to help out people who are known, and also because of the nature of the working conditions. As I noted above, the close and intimate work arrangements of the small firm make it very important to hire congenial fellow workers and, given the difficulty of acquiring prior information on personality traits, people who are already known to someone working in the firm are the best bet. This impetus toward hiring friends and relatives meshes well with the job search pattern of young people, which I will discuss below, and explains the tremendous importance of personal networks in the entire labor force adjustment process.

Just as there are strong reasons why small businessmen may prefer to hire young people, at least for the "floater" jobs, there are equally compelling reasons why young people in the exploration stage tend to apply to small firms for jobs. There are three reasons why these small business or bridge jobs are especially attractive to young people in the exploration stage: the working conditions are personal, the jobs provide experience, training, and contacts in a relatively risk-free manner and without requiring overly serious commitments, and the jobs can be gotten through the most preferred search mechanism.

observer of small firms reported that they are generally reluctant to take on apprentices, to whom they would have an obligation to provide a full term of training, because these firms are subject to frequent contractions of demand. Large firms do not seem to have this problem. See Venables and Williams (1961), p. 120.

As we discussed in Chapter II, young people early in their working careers are very concerned that their working environment not be impersonal and that they have an informal relationship with their supervisors. This need has grown out of the search for role models which is characteristic of young people at this stage (see Chapter II for a discussion of this point) and the fact that young people of this age are not yet fully accustomed to formal and impersonal patterns of relationships. The most common comment young people of this age make about jobs has to do with their relationship with fellow workers and the boss. Pay and other aspects of working conditions seem to take a back seat to this concern.

As we have seen in this section, small businesses meet these needs admirably. The simple fact of smallness helps set young people at ease and the active participation of the owner in the production and training process naturally permits the close supervisor/employee relationship which young men seek.

Additional evidence that small firms tend to have less bureaucratic and more personal working relationships is presented by Ingham in this study of small firms in England.³¹ He found that large firms paid more and offered fewer non-economic rewards such as work autonomy and opportunity for extensive social relations with fellow workers and supervisors within the firm. On the other hand, small firms paid less but, "The work tasks...were more varied and allowed for greater autonomy than those in large plants and...there was a greater opportunity for

social interaction on both the horizontal and vertical level in the small firms."³²

At the same time that the working conditions are congenial to young people, the bridge jobs provide skill training and exposure to kinds of jobs which young men in the exploration period are seeking. Furthermore the environment in which this occurs appears relatively risk free and without the anxieties which can be provoked by working in larger firms. The application process for jobs is informal because lengthy forms and interviews with the personnel department do not exist in the small business sector. It is easier to leave a small business job if it is not satisfactory without building up a bad employment record than is the case with large firms which keep employment records and whose personnel officers check with each other.

Finally, young people are able to get jobs in small businesses through family connections and through friends. In fact, as we have seen, small businesses prefer to recruit through this mechanism. The heavy reliance of young people on family and friends for help in finding their first few jobs naturally leads them to the small business sector. The role of family and friends in early employment experience seems to be true both across cultures and across time. For example, in Latin America

one's position in the informal social network of the community may be just as important as one's level of skills in...getting a job...the

³²Ibid., pages 142-143.

family is...one of the main channels for obtaining work and often the generator of many small businesses.³³

And in Elmstown in the 1940's

the family enters the job picture in three different but related ways. First, its position in the status structure is connected very closely with what its members do in the economic system. Second, where its members work, if they work, is related to the prestige attached to a place of business. Third, whom an employer will hire is determined quite often by family connections.³⁴

Small businessmen thus find themselves drawn to youth and youth find themselves wanting to work for small businessmen. Thus the finding that a disproportionate number of young people, during their exploration period, work for small businesses is not surprising.

Not only is this situation congenial to the two groups it is probably also economically efficient in two respects. First, by virtue of the informal mode of operation and the role of the owner in the production process small businesses are more efficient at training young workers than are large firms which must rely on less personalized procedures.³⁵ Because on-the-job training by nature is informal and personalistic,

³³Bamberger (1973), pp. 7-8.

³⁴Hollingshead (1975), p. 271.

³⁵This is not to say that training in large firms is mechanistic or impersonal. For evidence and argument to the contrary see Doeringer and Piore (1971). I am simply arguing that some small businesses can be efficient at providing informal on-the-job training than are larger firms.

small businesses do a better job at it than do large firms. Furthermore, the worker at a small business is likely to be exposed to a wider variety of work than he would be at a larger enterprise. Many small businesses are "job shops" for large firms, they do subcontracting over a wide range of specific tasks. Also division of labor is not as extensive in small businesses and hence each worker's task is less specialized. Young workers therefore will receive wider exposure to a range of work tasks in small businesses.

Bridge Jobs and Linkages

We have seen that bridge jobs provide training and exposure to a variety of work tasks in the kind of personal atmosphere most congenial to a young man in the exploration stage. Bridge jobs may also play another role in the settling process: they often provide the contacts which lead to a primary job. Obviously not all young men who land primary jobs do so via this route but a young worker who gets a bridge job is often in a significantly advantaged position for moving to a larger firm when he is ready to settle down (or when the larger firm is ready to hire). This is because the small business, or bridge job, provides key contacts for gaining the next job. This process occurs in a number of ways. Often the owner of the small business had previously worked in a larger firm before striking out on his own. He is known by the personnel people at the larger firm and when they are recruiting new employees they will call him or, occasionally, simply raid his shop. Even in instances where the larger firm is more passive and doesn't actively recruit

it will call the smaller shop for references when a young person who had worked there applies for a job. Personnel people tend not to call people they don't know for references (that is, a recommendation has value only if it comes from a previously known person) and hence the prior linkage between the small and large firm plays an important role.

Very specific and highly personalized employment patterns or flows thus tend to develop. A large firm may have one or two smaller firms whose work they respect and from whom they like to recruit labor. A number of larger firms I interviewed cited particular smaller employers as good recruiting grounds. These small firms are obviously not the only source of labor for the larger firms but they are an important source. Thus any young man who gets into the small business is very well placed in terms of future jobs.

These linkages and flows play an important part in labor market mobility. From the point of view of the larger firm they are mechanisms for economizing on information and assuring that good new workers are hired. From the point of view of the young men the small firms not only help them achieve a successful exploration and skill gaining period but they are also instrumental in gaining a foothold on the next job. The small businessmen tend to be more ambivalent about the process since they cannot compete with the large firms in terms of wages and job security. They may thus lose good young workers before they are ready to let them go (i.e. before the next downturn). However, on the benefit side, the process helps them maintain contacts with the

large firms, contacts which can be important for business reasons and may also be personally important in that they help the small businessman feel part of the larger business community.

Since the small businesses play an important role in allocating young men to the larger firms an important distributional issue arises. Who gets into which small businesses? I will take up this question in more detail in the next chapter, but it is already apparent that since small businesses tend to hire largely friends and relatives of the owner and current employees that certain groups can be excluded from this route to labor market success.

The Structure of the Labor Market III: Primary Jobs

The end of the exploration period comes when young men settle down into primary jobs. These jobs are in firms which are large and stable and which are likely to provide long term jobs, security, and reasonable opportunities for promotion and advancement. These firms are typically large enterprises with well articulated internal labor markets.³⁶

³⁶A complete description of the origins, operations, and importance of internal labor markets can be found in Doeringer and Piore, *op.cit.* Earlier material on the same subject includes Kerr (1954) and Dunlop (1966). Arthur Alexander (1974) provides an econometric investigation of the role internal labor markets play in promoting job stability. Marcia Freedman (1969) examines the determinants of success for individuals who have already managed to get hired into firms with such internal markets. In this section, I will limit myself to discussing those aspects of internal labor markets relevant to the hiring and settling down stage.

Jobs in these firms are generally high paid and the firms provide a strong measure of job security since, regardless of whether or not the firm is unionized, seniority is respected and layoffs occur in the reverse order of seniority. Most of these firms also have reasonably extensive fringe benefit packages. It is for these reasons that I've termed landing a job in a primary firm "successful" setting down.³⁷

The hiring practices of these primary firms are probably the most important determinant of the structure and operation of the youth labor market. These firms provide the best paid most sought after jobs and their decisions about whom and when to hire determine the availability of labor to the other kinds of firms and also strongly influence the job holding and search patterns of young workers.

The central characteristic of these firms, for our purposes, is that they generally prefer not to hire young men just out of high school who are engaged in moratorium or even exploration behavior. Obviously this preference is modified by business conditions and, as we have seen, patterns of settling vary with the

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The term "successful" may grate on the ears of those concerned with working conditions, occupational health and safety, alienation, and other aspects of the social relations of production. It is obviously the case that jobs in many of these firms have one or more of these deficiencies. I do not intend to make any judgments in this section, one way or the other, about whether these are in any larger sense "good" jobs about which young people should feel good and towards which they should be directed. I view landing one of these jobs as success only in the context of other jobs available and in terms of pay and job security.

business cycle. However, on average, the firms prefer to hire youth who have already had some experience in the labor market. This section will examine why primary firms have this preference and will explore their hiring practices in some detail. As in the earlier sections I will draw upon the interviews I conducted (which were described above) as well as upon the relevant literature.

The most important characteristic of these firms, for our purposes, is that once a person is hired (and passes a probationary period, if there is one), that person is likely to stay with the firm for a long time. Because the firm invests resources in training and because the individual has also invested time and resources, both parties have an incentive to maintain a stable employment relationship. Internal labor markets promote this stability and the worker naturally moves up through the internal labor market as he acquires more skills and as openings become available. From the firm's point of view it is expensive and disruptive to train an individual (either formally or through on-the-job training)³⁸ promote that person to an important place in the production process, and then have him leave.

Because of the importance of stability in employment, it appears to me that the key issue in understanding the hiring process is how firms judge who will and who will not become a stable

³⁸Piore (1968) has argued that on-the-job training is essentially costless. He points out that most training is accomplished through informal observation and practice and that most firms do not sponsor formal training nor do they cost out the informal training. My sense from my interviews is that firms are quite

worker. This concern is often more important to the firm than prior skills or relevant experience. Essentially, the firms seeks to evaluate the reliability and maturity of the individual.³⁹ The other important issue firms consider is the ability of applicants to learn future jobs, not necessarily the job they are being hired for, since this job is simply the first rung on the bottom of the internal ladder.⁴⁰

These considerations explain why a rather nebulous attribute of job applicants, their attitude, was cited consistently by firms as the most important consideration in the hiring decision. This term seems to encompass several attributes: a neat appearance and respectful manner during the interview, a clear interest

aware of the magnitude of even informal training costs--costs which arise through downtime, wasted material, and the time more experienced workers must spend in assisting new employees. While it is largely true that firms do not keep accurate records of these costs, they are, nevertheless knowledgeable about their general magnitude. Managers often make remarks such as "it takes a new employee six months before he is breaking even for the firm." Furthermore some large firms periodically make careful studies of the cost of on-the-job training. One firm I interviewed had recently costed out its training in order to determine whether it was cheaper to layoff experienced workers during the recession and train new ones when times got better, or to keep on idle experienced workers in order to save later training costs.

³⁹As Lester pointed out in his study of hiring in Trenton, New Jersey, "Managements with a fairly long perspective tend to consider an applicant, not in terms of his qualifications for an initial job, but for the job he (or she) is likely to hold during his working life with the firm, and to emphasize psychological traits, such as, cooperativeness, dependability, adaptability, and loyalty to the firm." Lester (1954), p. 28.

⁴⁰The importance firms assign to the "trainability" of the applicant is the driving force behind the "queue theory" of income distribution. In this model firms rank applicants on the basis of their ability to learn the jobs within the firm at the lowest training costs. See Lester Thurow (1975).

in the proferred work, willingness to learn the job, and a general alertness. Virtually every firm interviewed cited "attitude" as the central issue in hiring.⁴¹

Because firms engaged in hiring have to make judgments about the potential stability of the applicant and their ability to mesh well with the work group it is not too surprising that "attitude" would be such an important determinant of hiring. In effect attitude is a proxy for maturity and is a way of screening out moratorium stage applicants and those who, for other reasons, are judged unlikely to be stable and reliable. Proper attitude is clearly likely to be age related and its importance implies that moratorium and exploration stage workers are less likely to be hired by primary firms. This inference is supported by the findings of other studies of industrial hiring practices. For example, Lester writes that:

Managements generally have a definite conception of the type of worker they prefer to hire from among their applicants. That is particularly true of well established firms with a sizeable investment in plant

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The importance of "attitude" indirectly supports the proposition argued by Bowles and Gintis (which in turn is based upon work by Edwards) that a major function of the school system is to inculcate proper attitude in youth, and that this attitude is an important determinant of labor market success. However, the results I have presented here also raise a serious difficulty for this proposition. Since there tends to be a period of several years between school leaving and entrance into primary firms--much of which is spent in the secondary labor market where attitude is not so important--there is something of a mystery about how the lessons of school get translated to the workplace. It appears to me that the labor market experience of youth, particularly their inability to get primary jobs without the proper "attitude" plays at least as important a role as the schools in creating "proper" personality characteristics. See Bowles and Gintis (1976) and Richard Edwards (1976).

and equipment. Such firms would, for the most part, prefer to hire men twenty-five to thirty years of age, who are married and ready to settle down, after they have, so to speak, sowed their industrial wild oats in other plants.⁴²

Finally, Malm⁴³ found in his study of hiring in San Francisco that smaller firms, firms in construction, and firms hiring large numbers of clerical workers tended to hire younger workers while large manufacturing firms with skilled blue collar jobs preferred to hire older workers.

Compared to their unanimity on the importance of attitude, primary firms exhibit wide diversity in the importance they attach to previous job related experience. In part, the firms preferences with respect to prior skills depend upon the nature of the job. For example, firms are unwilling to teach typing, this seems to be a general skill that the firms insist the applicant already possess. On the other hand, in computer related fields, for example for jobs such as computer operators, the firms prefer to do their own training and will not hire someone who has had proprietary school training or who has had a similar job elsewhere. The firms explain this by arguing that too much time would have to be devoted to the person unlearning the old mode of operation and relearning the company's. This is clearly congruent with the findings of other studies of internal labor markets and is similar to what Lester found in many firms in Trenton. He quotes a representative employer:

⁴²Lester (1954), p. 53.

⁴³Malm (1954).

We would rather hire a young man with no moulding experience and train him ourselves, than to hire a man with moulding experience from another firm and have to break him of acquired habits and really retrain him.⁴⁴

Both typing and computer skills are white collar jobs.

In manufacturing firms there is also considerable variety in the attitudes management takes toward previous experience and the most important variable seems to be the structure of the internal labor market and the nature of the local industrial structure rather than the kind of skill or job at stake.

There are two issues with respect to previous skills: whether the firm will hire skilled workmen into a non-entry job and whether the firm requires that new workers hired into entry jobs already have some training in relevant job skills. I will discuss only the latter issue here.

It is clear that there is also considerable variety among industrial firms with respect to their preferences about previous experience. One company, representative of those which do not particularly seek prior skills, has an internal labor market and a relatively short job ladder. With the exception of 1% of the firm's jobs, very highly skilled machine repair people, the firm hires everyone at the bottom and does its own training. This firm takes the view that previous skills are unimportant and all that is required is some aptitude and interest. At the other extreme is a large firm with a highly skilled work force and a longer job ladder. This firm keeps careful track of training

⁴⁴Lester (1954), p.36.

costs and in general seems more sophisticated than the other firms (it also has a personality inventory test which it uses to assign new hires to different parts of the operation depending on such personality traits as ability to sit still, accident proneness, etc.). This firm takes previous skills much more seriously. Though it does not expect that new hires at the entry level be fully skilled machinists it does seem to require that they have some basic knowledge about how to operate machine tools, as well as shop math and how to read blueprints. The skill requirements for entry here seem considerably higher than at the other firms.

Another firm I interviewed falls between the two extremes. This firm, which is unionized, has three general grades of labor: unskilled, semi-skilled, and skilled. One line of progression is to be hired into the unskilled category and work up the ladder, eventually entering the skilled category. On the other hand, the firm will directly hire skilled machine workers from the outside. However, it will not hire into the semi-skilled categories. Thus all employees have either worked their way up the ladder or come directly into the firms at a high level from the outside.

The diversity of views regarding previous experience can, I think be explained as follows: In general, previous job related experience is not as important as attitude or "trainability" for the reasons I have discussed previously. However there are two reasons why some firms do look for some relevant previous experience. First, a history of stable work in a related firm shows maturity and interest in the field. Thus previous experience is

in part another proxy for maturity and stability. Firms like to hire young people who have worked in bridge jobs in related fields and about whom they can get good references.

It is however, in general not possible to hire people already skilled in the job for which the firms have vacancies and thus substantial prior experience is not that important. The firms cannot hire directly into the vacancies since they must promote someone from within the firm into the vacancy and hire at the entry level to fill the spot created by the bidding up process which results.⁴⁵ Firms do however want to shift as much of the general training costs as possible to other institutions. General training is for skills which are relevant to a wide range of jobs and firms, not just to the one doing the hiring. As originally formulated⁴⁶ general skills are those which can be used by virtually any firm in any industry. It appears to me however that there are a class of skills which might be termed industry specific general skills. For example in the machine tool industry knowing how a lathe works or being able to read a blueprint outlining the steps in the production of a particular part might be termed industry specific general skills. The firms do not want to have to teach these skills if they can avoid it. The strategy followed by the larger firms is to shift the costs of this kind of training to the school system and to other firms.

⁴⁵See Dunlop (1966).

⁴⁶See Becker (1964).

Firms adopt two kinds of strategies to shift these industry specific general skills. Whenever possible they seek applicants who have had some previously relevant work experience. The extent of a particular firm's interest in doing this depends, obviously, on how important these industry specific general skills are to the job at hand. The local industrial structure is also important since a firm which is part of an industry with a number of similar firms and subcontractors in the area can more easily insist on previous experience than can a more unique operation. Firms which are isolated in this sense may still seek to identify other industries which require similar skills and a number of firms I talked to identified completely different industries which had similar job patterns and hence which provided some reasonably helpful training. In addition to using other firms as training grounds, whenever possible, some firms make use of the local vocational education system. Many of the manufacturing firms I interviewed were reasonably active in supporting public school vocational education programs and, at the minimum, stayed in touch with the schools and instructors, and in some instances, provided equipment and initiated new programs. They did this despite the fact that they rarely hired people directly out of high school.⁴⁷ Essentially the firms want the schools to teach

⁴⁷ Lester also found that "only a very small number of managements seek to recruit production workers through the high and vocational schools. The reason many do not is because they hesitate to hire youngsters for fear they may be lacking in responsibility and dependability." It should be noted that firms do not hesitate to hire clerical workers right out of high school. Lester (1954), p. 45.

these general skills and then hope that the young men will sharpen their skills in other firms (especially bridge jobs) and then come to work in the larger firms. Thus the firms which do require previous experience require industry specific general skills and do not really expect that the new hire will have the skills necessary to step in directly into a high level production job.

The behavior of these primary firms towards the vocational schools raises an interesting puzzle. As I just noted, firms, especially large ones, do expend some time and resources on supporting vocational programs. They do so in part for the reason noted, to shift some industry specific general skill training to other institutions. However firms rarely hire people directly out of vocational schools. Furthermore there is a growing body of evidence which suggests that vocational high school graduates do no better than graduates of general high school programs, either in terms of wages or in terms of jobs placements.⁴⁸ Why then do firms support, even to a limited degree, vocational programs? I think many firms do so in order to enlarge their general labor pool. A number of firms I spoke with felt that good young workers were no longer applying to them for jobs but instead were going into other fields. Firms complained that construction for example, is more attractive to the new generation of workers despite its allegedly lower expected annual earnings because if

⁴⁸See for example, the summary of research on the effectiveness of vocational programs provided by Reubens (1974).

offers more flexible hours (new workers did not have to work on the night shift), greater variety, more opportunity for conviviality on the job, etc. Industrial employers seem to try to fight back by supporting vocational programs with the hope that high school students will become oriented towards applying to the firms at some future date. By providing some equipment and advice to the schools and by "showing the flag" at career days the firms are making a modest investment in their future labor pool. Seen in this light the firms' interest in vocational programs is less a concern for skill training (which virtually all observers would agree that the schools are unable to successfully provide) than it is in orienting young workers in certain directions with the hope that the effort will pay off several years after graduation.

This point illustrates an interesting general phenomenon, namely that many firms do not take their labor pool to be exogenous but rather attempt, with varying degrees of seriousness and of effectiveness, to influence the supply facing them. A more extreme example in Worcester is the "More Machinists for Massachusetts" campaign which seeks to proselytize high school students into becoming machine tool workers. This effort is well funded and seems to be vigorously supported by local machine tool firms. Obviously the campaign is not expected to turn out skilled machinists since it takes years of experience to learn the trade. Rather I would argue that it's an effort to enlarge

the labor pool of applicants for training and to drive down wages.⁴⁹

This chapter has sought to argue that there is a structure to the youth labor market. As young people age they pass through different kinds of firms which vary along a number of dimensions including hiring procedures, production arrangements, training conditions, and the like. Each kind of firm is particularly suited for young people of a different age: secondary firms offer casual unskilled work which provides spending money and requires little responsibility; bridge jobs offer a personal atmosphere in which training can occur and through which future job contacts can be made; and primary firms offer the opportunity to settle down into a stable work pattern. I have tried to argue that the labor market clears (in a loose sense of the phrase) because the characteristics of workers desired by each kind of firm meshes well with the needs of interests of the young workers at each stage. Labor market structure (demand) and worker interests and characteristics (supply) come together.

I have also argued that the process is a natural one, that patterns of flows through the labor market have been established which naturally lead someone, once "injected" into the stream, to move through the successive stages and firms and to eventually settle into a stable job at the end of the line. Obviously

⁴⁹ Another example of employers' active efforts to influence labor supply is the attempts of secondary employers in Boston and elsewhere to attract immigrants from Puerto Rico to fill secondary jobs left vacant by upwardly mobile young Blacks. See Piore (1973a).

this process is dependent in important ways on economic events such as national business cycles which are exogenous to the local economy, and the previous chapters provided some partial evidence on this relationship.

Important issues are raised when one considers who gets injected into the stream and who doesn't. I have argued that friends, relatives, and neighbors play an important role, particularly in the small business sector. This raises an obvious question about how the process varies with race. We know that unemployment rates are consistently higher for young Blacks than young Whites and we also have reason to suspect that the local industrial structure, particularly a healthy small business sector tied to larger firms, is absent in many Black communities. At the same time many economists are arguing that discrimination has disappeared in the labor market for young Blacks. The next chapter will take up these issues.

A perhaps broader question is how the structure of the labor market helps establish and maintain social class or stratification patterns. The important role of neighborhood, friends, and relatives as well as the importance of role models which was discussed in the first chapter all imply that local economic structure meshes with personal contact networks in such a way as to maintain certain employment patterns over time. I will briefly take up this issue in the conclusion.

It may be instructive to close this chapter with an observation made in Elmstown's Youth;

The economy has had need for the labor adolescents; and just as important, the vast majority of the adolescents need the jobs the economy provides to earn the money they have to have in order to participate in the commercialized forms of recreation available to them...there are no union pressures to keep them out of any small business or off the farm...the demand of the retail trades and services for part-time employees synchronizes well with the high school student's needs and desires.⁵⁰

It is remarkable how much about the American economy has changed in the thirty-five years since Elmstown's Youth was written, and how little has changed with respect to the employment of young workers.

⁵⁰Hollingshead (1975), p. 199.

CHAPTER V

RACE

The previous chapters described what might be termed a paradigm of settling down. We saw the stages through which people pass and how labor market institutions interact to help channel the process. It is certainly the case, however, that many young men do not smoothly move through the labor market and eventually settle into primary jobs. There are a variety of idiosyncratic personal reasons why some young men do not achieve successful settling but, for some groups in society, there also appears to be systematic patterns of failure. The most obvious example is young Blacks, and this chapter will examine the labor market for Black youth.

Young Blacks are clearly disadvantaged relative to Whites. Their unemployment rates are considerably higher, for example in October, 1975 the unemployment rate of high school graduates between sixteen and twenty-four with no college education was 12.3% for Whites and 24.1% for Blacks. Furthermore, Black earnings are lower and their industrial and occupational distribution is skewed toward low paying and unstable employment. We shall see later in this chapter that a remarkably high percentage of young Blacks remain in the secondary labor market even as they get older.

It is thus easy enough to demonstrate that young Black men fare on average considerably less well than whites in the labor market. The difficult question is why. This question

would not have been so difficult ten years ago when it was generally accepted substantial labor market discrimination operated against Blacks. This discrimination was demonstrated in several ways, most frequently via estimated earnings functions which showed that the return Blacks received to various characteristics such as education was considerably below that received by Whites. Recently, however, a growing number of economists have argued that for a variety of reasons discriminatory practices have eased in the labor market and that young Blacks now receive equal treatment compared to whites. In this view any remaining differences in earnings and other labor market outcomes are due not to unequal treatment in the labor market but rather to pre-labor market differences in years of education, family background, and other endowments.

The bulk of this chapter will be devoted to analyzing this issue. I will argue that while it is true that rates of return in earnings functions have been equalized there remains considerable labor market discrimination in other aspects of employment, particularly in hiring and firing procedures. I will document this using the Parnes data.

Recent evidence has tended to show that labor market discrimination against Blacks has eased. In order to understand the thrust of this argument it is important to realize that economists have a fairly narrow definition of discrimination. Most economists would argue that if two individuals receive the same rate of return to productivity generating characteristics, such

as ability or education, then they are treated equally without discrimination. For example, if the rate of return to an additional year of schooling was equal for Blacks and Whites then economists would argue that labor market institutions were non-discriminatory. Note that it may well be the case that Blacks have on average less education than Whites and lower earnings but this is not considered to be labor market discrimination, but rather some form of pre-labor market discrimination. The test, therefore, for discrimination is not whether Blacks and Whites earn the same but instead whether they receive the same rates of return on their characteristics. There is thus an implicit assumption that measured personal characteristics such as education are validly related to productivity and hence to earnings and do not serve as screens to permit discrimination to occur with a facade of legitimacy. Although this assumption seems, at the minimum, open to debate I will not pursue the point here but rather will examine the issue in the traditional framework.

Data drawn from periods prior to the mid-sixties show clear evidence of discrimination. Blacks clearly show lower rates of return to education and other characteristics than Whites. However, more recent data seem to indicate that discrimination has substantially eased, if not ended. One of the first studies which found evidence of a turnaround was the analysis of the Survey of Economic Opportunity data undertaken

by Finis Welch.¹ Welch estimated income functions² and found strong evidence that for younger workers the rates of return to schooling between Blacks and Whites had become equal by the midsixties. Welch made an important distinction between estimates of the rates of return to younger and older workers. At any particular date at which crosssectional data are collected we will observe a group of older workers, Blacks and Whites, who entered the labor force some time ago whose education was acquired earlier and whose early career was determined by a previous labor market. In the same sample are younger workers who were educated more recently and entered into a "new" labor market. We would thus expect to observe a vintage effect with older workers benefitting less than young ones from any improvements in educational quality and diminished labor market discrimination. It is the returns to education for young workers, recent entrants, which show the equality between Blacks and Whites.

Several studies subsequent to that of Welch have essentially

¹Welch (1972).

²He regressed income on a number of variables. The preferred approach is to estimate equations using hourly earnings as the dependent variable since income confounds earnings and labor supply decisions. Welch attempted to control for this by decomposing the return to schooling into direct, productivity augmenting, and indirect, labor supply, effects.

confirmed the finding that young Blacks and Whites now receive comparable rates of return.³

The Economic Status of Young Blacks

The Parnes data clearly demonstrate that young Blacks are disadvantaged compared to whites with respect both to background characteristics and labor market outcome. Tables I to III show that Blacks have lower educational attainments, poorer family backgrounds, lower wages, and higher unemployment rates. The central question is to what extent the unfavorable labor market outcomes experienced by young Blacks are due to their low endowments of wage generating characteristics (education, family background, etc.) and to what extent they are due to discrimination in the labor market.

Traditional analysis of this issue has focused on wage determination. All of the studies cited which argue that discrimination has eased base their analysis on a study of earnings and income. Although I will argue that this sort of analysis presents an incomplete picture I will first undertake a standard examination of wage determination. Using data from the 1970 Parnes interview I estimated the following wage equation:

$$\ln (E) = \alpha + \sum \beta_i X_i + \sum \delta_i X_i^B + \varepsilon_i$$

³Freeman (1972), Hall and Kasten (1973).

Table V-I
Educational Attainment in 1970 by Race

<u>Grade</u>	<u>White</u>	<u>Black</u>
0	0.3%	0.4%
1	0%	0%
2	0.1%	0.3
3	0.1%	0.4%
4	0.4%	0.6%
5	0.1%	2.0
6	0.5%	3.1
7	2.0%	4.1
8	5.2%	6.6%
9	4.6%	9.0%
10	7.7%	13.2%
11	10.3%	12.4%
12	<u>68.6%</u>	<u>48.%</u>
	100%	100%
N	1654	824

Note: In this Chapter the weighting procedure was altered to produce the original sample sizes by race. Thus the total sample sizes will appear to differ from those in previous chapters.

Table V-II

Mean Hourly Wage Out-of-School Youth

<u>Age</u>	<u>White</u>	<u>Black</u>	<u>B/W</u>
17	\$1.98	\$1.86	.93
18	2.11	1.94	.91
19	2.34	2.13	.91
20	2.62	2.08	.79
21	2.72	2.04	.75
22	2.79	2.17	.77
23	3.00	2.19	.73
24	3.10	2.18	.70
25	3.26	2.46	.75
26	3.55	2.58	.72
27	3.75	2.84	.75
28	3.92	2.87	.73

Table V-III

Unemployment Rates Out-of-School Youth

<u>Age</u>	<u>White</u>	<u>Black</u>	<u>Ratio B/W</u>
17	8.0%	15.7%	1.9
18	8.8%	10.9%	1.2
19	5.7%	10.6%	1.8
20	5.0%	7.9%	1.5
21	2.9%	7.1%	2.4
22	2.6%	7.7%	2.9
23	2.7%	5.2%	1.9
24	1.3%	6.7%	5.1
25	2.7%	3.0%	1.1
26	0.7%	4.0%	5.7
27	2.7%	4.7%	1.7
28	1.7%	1.4%	.8

Where

X_i = vector of independent variables defined in Table IV

X_i^B = the same vector of variables interacted with race

Note that all variables are fully interactive with race. The advantage of this procedure is that it both provides an estimate of the marginal contribution to earnings of each variable for both races and it provides an automatic significance test for differences in coefficients by race. Thus marginal contribution of variable x_i to earnings for Whites is

$$\frac{\delta \ln(E)}{\delta X_L} = \beta_i$$

and for Blacks it is

$$\frac{\delta \ln(E)}{\delta X_i} = \beta_i + \gamma_i$$

If the t statistic for the term which interacts with race is significant then the return which Blacks receive to that characteristic is significantly different than that received by Whites.

This analysis, though basically repeating that of the earlier studies cited, has some independent interest because of the nature of my sample. The sample is limited to high school graduates and the authors have generally noted that the largest gains for Blacks occur for college graduates.⁴ It is

⁴See Freeman (1973b), page 281 for his statement that Black college graduates do better compared to Whites than do Blacks who do not continue to college, and Kasten (1975), pp. 77-82, for his finding that a high school degree does not pay equally for young Blacks and Whites.

possible, on the basis of previous work, to conclude that the newly equalized racial rates of return are the result of an averaging of high school and college graduates in which Black college graduates do well compared to Whites while high school graduates continue to suffer discrimination, with the averaging effect leading to an appearance of equal returns for all. The regressions reported here will resolve this question.

The results of this equation, which are presented in Table V, are clearly supportive of the argument that discrimination has strongly diminished if not disappeared. None of the coefficients for the racial interaction terms are significant. It is easy to see in the context of this equation why Blacks have lower earnings than whites: they are less likely to have a high school degree, are more likely to come from the South, have less seniority on the job, and come from poorer family backgrounds. This equation tells us that earnings for Blacks and Whites are "generated" by the same function and that earnings differences are due to differences in endowments.⁵

Powerful as these results appear to be, especially given the fact that they confirm several other studies which observed the same tendency towards equality of earnings functions,

⁵ Another study which strongly argues that unequal endowments are the major source of earnings inequality between races is Richard Freeman (1974b). This analysis pays special attention to family background factors such as parents' education and educational resources in the home which have their effect largely through schooling. Other studies, such as Sewell and Hauser (1975), have also argued that family background operates largely via schooling.

Table V-IV

Dependent variable: ln (hourly earnings 1970)

note: All variables are interacted with race.

Thus Edcom70 = 1 if completed high school
0 if not

and

B Edcom70 = (Edcom70) (1 if Black
0 if not)

Edcom70 -	1 if completed high school 0 if not
Drop -	1 if completed grades 9-11, but not 12 0 if not
Trn -	1 if enrolled (ever) in formal training program 0 if not
South -	1 if live in south 0 if not
Exxxp -	Years since left school
Exxxp ²	(Exxxp) ²
Ten70 -	months on current job
Popdonc -	fathers duncan score when respondent in high school

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Table V-V

Hourly Earnings Regressions

Dependent variable: In (Hourly earnings)
(standard errors)

Edcom70	.27211 (.04865)
Bedcom70	-.01732 (.06426)
Trn	.04729 (.02639)
Btrn	.05508 (.05563)
Drop	.22246 (.05142)
Bdrop	-.09450 (.07383)
South	-.12742 (.02758)
Bsouth	-.08796 (.05191)
Exxxp	.06224 (.01204)
Bexxxp	.00636 (.02076)
Exxxp ²	-.00287 (.00103)
Bexxxp ²	-.00065 (.00165)
Ten70	.00255 (.00048)
Bten70	-.00126 (.00104)
Popdunc	.00166 (.00061)
Bpopdunc	-.00009 (.00202)
Constant	5.15745
R ²	.258
F	21.91 (16,1006)
S.C.	.35397

they tell only part of the story. Blacks and Whites have considerably different experiences with unemployment and it remains to be determined whether these differences are also due to unequal endowments or rather to racial discrimination in the labor market.

Black unemployment rates could reflect discrimination, even in the presence of equal wage treatment if, for example, employers faced with affirmative action strictures to pay equally for equal work respond by limiting Black employment opportunities. This pattern could prevail provided that equal pay for equal work aspects of affirmative action are more effective than are racial quotas or hiring requirements.

Modern analysis of unemployment has focused on the distinction between spells of unemployment and duration of each spell.⁶ Blacks may have higher unemployment rates than Whites because they suffer more spells of unemployment although each spell lasts no longer than the average white spell, because they suffer no more spells but each spell is of a longer duration, or because they both have more spells and longer durations. The distinction between spells and durations is important because they may result from different causes. For example, there may be racial differences in spells because Blacks are more concentrated in industries and occupations which are seasonal or which offer few incentives for stability. Racial differences in durations

⁶See Perry (1972), Barrett and Morgenstern (1974), and Hall (1972).

might be caused by differences in search behavior (for example, some economists have argued that Blacks have unrealistically high reservation wages) or by employer reluctance to hire Blacks. Determining whether the differing unemployment experience of Blacks and Whites is a function of spells or duration is thus important because it addresses the question of whether high Black unemployment is due to the inability of Blacks to get jobs, i.e. to the existence of a "hardcore" group of jobless people, or to failure to hold jobs. Virtually all of the work done in this area has concluded that racial differences in unemployment experience are due to more frequent spells rather than to longer durations.⁷

The Parnes data support the conclusion that Blacks suffer more spells of unemployment than do Whites, there are .52 annual spells per White and .61 per Black. Furthermore a higher percentage of Blacks than Whites experience two or more spells. However, while it is clear that Blacks are considerably more likely than Whites to experience at least one spell of unemployment, among those who are unemployed at least once the difference in the number of spells between Blacks and Whites is not that great. Table shows the distribution of spells of unemployment for those who experience some unemployment during each year. In 1968 and 1969 the differences were negligible and they are not overwhelming in the other years.

Duration of spells also varies by race. In 1970 the

⁷Hall (1970), Barrett and Morgenstern (1974).

mean duration of completed spells of unemployment in 1970 was 5.2 weeks for whites and 7.1 weeks for Blacks.⁸ In other words the Black duration was almost 40% higher than white.

It thus appears that young Blacks both suffer more frequent spells of unemployment and longer durations. The next step is to determine whether the differences in personal characteristics can explain the adverse unemployment experience in a manner analogous to wage determination or whether part of the unemployment differentials is due to labor market discrimination.

In order to answer these questions two equations were estimated. One equation regresses the weekly probability of experiencing a spell of unemployment upon a number of personal characteristics and the local unemployment rate of the respondent.⁹ The other equation regresses the average duration of completed spells of unemployment upon the same set of independent variables. In order to abstract from the impact of labor market entry and reentry cause by school leaving people who were in school in either 1969 or 1970 were excluded from the regressions. People

⁸Duration of completed spells is calculated by dividing total weeks unemployed in 1970 by the number of spells. In order to arrive at a figure for completed spells only those who were working at the time of the 1970 interview were included in the calculation. There may be some understatement of mean duration since people experiencing a spell of unemployment which began in 1969 and continued without interruption into 1970 have only the 1970 weeks of unemployment counted.

⁹See Hall (1972) for a similar model.

employed in the construction industry in 1970 were also excluded. All variables are defined in Table VI and the results of the regressions are presented in Table VII-VIII.

Looking first at the results for the weekly probability equation it appears that three variables are the most important: whether the person had finished high school, the amount of labor market experience, and the local unemployment rate. Completion of high school and increased labor market experience both reduce the probability of becoming unemployed in a given week. High local unemployment rates imply higher probabilities of becoming unemployed. For our purposes the most important finding is that Blacks gain significantly less than whites from labor market experience. Each additional year of experience reduces the weekly probability of a white becoming unemployed by .001 while it reduces the corresponding probability for Blacks by only .0005. The magnitude of these coefficients and of the difference between Blacks and whites might appear small, but it is important to remember that these are weekly probabilities. Small differences in weekly probabilities may loom large over the course of a year. Thus if α is the probability of becoming unemployed in any week then $(1-\alpha)$ is the probability of not becoming unemployed that week and $(1-\alpha)^{52}$ is the probability of not becoming unemployed over the year. The "small" weekly Black/white difference becomes a large yearly difference.

Thus this equation, which controls for differences in endowments, implies that some labor market discrimination may be at work in generating unemployment. The duration equation, whose

Table V-VI

Dependent Variables

Equation VII =	$\frac{\text{\# of spells in 1970}}{51}$
Equation VIII =	Mean Weekly Duration of Completed Spells = weeks unemployed 1970/# of spells

Independent Variables

All previously defined plus

U70- local unemployment rate, 1970

Table V-VII
 Weekly Spell Probability
 (Standard error)

Dependent Variable: Weekly probability of a spell of unemployment

B(S.E.)

Edcom70	-.00669 (.00170)
Bedcom70	.0073 (.00211)
Drop	-.00351 (.00184)
Bdrop	.00057 (.00229)
South	-.00153 (.00115)
Bsouth	.00183 (.00181)
Exxxp	-.00107 (.00015)
Bexxp	.00057 (.00022)
Trn	.00131 (.00109)
Btrn	.00143 (.00185)
U70	.00004 (.00002)
Bu70	-.00005 (.00004)
Constant	.01794
R ² =	.05
F =	7.2 (12, 1564)
S.E. =	.01696

Table V-VIII

Average Duration of Completed Spells

Dependent Variable: Average Duration (in weeks)
of Completed Spells

Edcom	-3.93547 (1.52423)
Bedcom	4.39575 (1.84247)
Trn	.04077 (1.05651)
BTrn	2.54352 (1.58906)
Drop	-1.71864 (1.58473)
BDrop	2.99587 (1.86224)
South	-1.31040 (1.09150)
BSouth	-1.89255 (1.67885)
Exxxxp	-.17155 (.14524)
Bexxxp	-.08794 (.19401)
U70	.04585 (.01958)
Bu70	.00536 (.02591)
Constant	7.19
$R^2 =$.14
F =	3.5 (12,253)
S.C. =	6.26

results are presented in Table VIII, suggests that once unemployed Blacks, even after controlling for personal characteristics, have more trouble than whites in finding their next job. In particular, having a high school degree decreases duration of white unemployment by just under four weeks while it increases the duration of Black unemployment by half a week. Whites thus benefit from having a high school degree while Blacks essentially gain nothing from it.

Taken together these two equations suggest that labor market discrimination persists in the realm of job getting and job keeping. Experienced Blacks have a higher probability of becoming unemployed than experienced whites and Blacks with a high school degree take longer to find jobs than whites with a high school degree.

Unemployment clearly has adverse effects upon an individual's economic well-being and thus to the extent that discrimination leads to higher Black unemployment rates it is difficult to argue that Blacks and Whites have equal opportunities. The difficulty Blacks have in getting and holding jobs also, however, affects their earning. As we saw earlier, job seniority or tenure is an important determinant of earnings. Each additional year on the job increases hourly earnings by 2.5%. It is reasonable to expect that Blacks' adverse experience in keeping and finding jobs would be reflected in them having less seniority and hence lower earnings. To test this idea I regressed job seniority on the now familiar set of personal characteristics and the local unemployment rate. The results are presented in Table IX. As is

Table V-IX
Tenure Equation
(Standard errors)

Dependent Variable: Months on 1970 Job	
Edcom70	18.66360 (3.41454)
Bedcom70	-15.66626 (4.79094)
Trn	-3.07297 (2.05936)
Btrn	-1.35449 (3.68203)
Drop	9.76716 (3.57752)
Bdrop	-8.24677 (5.01319)
South	1.12510 (2.13775)
Bsouth	-3.61471 (3.64522)
Exxxp	2.93340 (.29037)
Bexxxp	-.73672 (.44609)
U70	.04226 (.04044)
Bu70	.23611 (.06794)
Constant	-6.19680
$R^2 =$.17
F =	7.26 (12,1100)
S.E.	26.81564

apparent, and as one would expect from the previous equations, Blacks and Whites receive different returns to high school completion. Possession of a high school degree increased white seniority by a year and a half but Black seniority by only three months. The difference of fifteen months of seniority translates into an hourly earning differential of three percent.

The other striking aspect of the seniority equation is that high local unemployment rates imply longer seniority for Blacks but not so for Whites. Since we have already seen that Blacks lose their jobs more often than do whites this result raises the question of whether the explanation for job loss differs for Blacks and Whites. To put the issue more broadly, are the higher rates of job loss for Blacks due to greater propensity to quit or rather to more layoffs? To what extent are racial unemployment differences the result of voluntary behavior?

One approach to answering this question is to look at reasons why people left jobs. For 1970 the Parnes data permit us to tabulate the reasons for all job changes which occurred that year. The results are presented in Table X. As is apparent, while Blacks have both higher quit rates and higher layoff rates than do Whites--as would be expected from their more frequent spells of unemployment--the quit to layoff ratio is lower for Blacks than it is for whites. That is to say, a given job change is more likely to be due to layoff for a Black than it is for a White. Of course, not all job changes result in unemployment. If we limit the analysis to job departures which resulted in unemployment the results of Table XI tell a

Table V-X
Reason For All 1970

	Job Changes	<u>Whites</u>	<u>Blacks</u>
Layoff Rate= $\left(\frac{\# \text{ of Layoffs}}{N}\right)$.119	.197
Quit Rate= $\left(\frac{\# \text{ of Quits}}{N}\right)$.201	.263
$\frac{\# \text{ Quits}}{\# \text{ Layoffs}}$		1.6	1.3

Table V-XI
Cause of Most Recent
Spell of Unemployment, 1970

	<u>Whites</u>	<u>Blacks</u>
Layoffs	63	56
Quits	<u>114</u>	<u>75</u>
N	177	131
<u>Quits</u> <u>Layoffs</u> =	Whites: 1.8	Blacks: 1.3

a similar story. Blacks are more likely to both be laid off and to quit, however Blacks have a lower quit to layoff ratio than whites. Thus a white job change which results in unemployment is more likely to be a quit than is a comparable Black job change.

Other observers have reported that Blacks quit no more often than do whites. Hall found that for mature men the white and Black quit rates were equal and that differences in unemployment probabilities were due to higher layoff rates for Blacks.¹⁰ It remains true however that, although the data show that a given job departure is more likely to be a layoff for a Black than for a white, Blacks do also have higher quit rates. This higher quit rate could be due to the nature of the jobs in which young Blacks find themselves, jobs which "encourage" quitting by virtue of their low pay and poor conditions. On the other hand the quit could be due to unrealistic expectations which lead young Blacks to quit and search for better jobs even though they do not have the "endowment" necessary for those jobs.

One crude way of getting at this issue is to examine data on future job expectations. The Parnes interviews asked the young men what job they expected to hold at age thirty, and the responses were coded on the Duncan scale. If young Blacks held unrealistic expectations then we would expect these to be reflected in the scores. Table XII presents data on the Duncan score of the expected age 30 job for each race. As is apparent, Blacks have

¹⁰Hall (1972), p. 723.

Table V-XII
 Mean of Duncan Score
 Desired For Age 30
 By Age and Race

Age	<u>Mean Score for Blacks</u>	<u>Mean Score for Whites</u>
14	53.3	57.7
15	49.6	52.5
16	45.9	50.7
17	45.1	50.0
18	43.7	49.0
19	38.7	47.1
20	36.7	48.3
21	42.9	46.0
22	40.0	46.0
23	37.5	43.9
24	36.7	43.0
25	37.9	43.4
26	35.2	42.4
27	36.6	40.4
28	35.6	40.9
% change age 14 to age 28	-33.2%	-29.1%

consistently lower expectations than do whites. The expectations for both races decline with age at roughly the same rate. Between age fourteen and age twenty-eight Black expectations fall by 33.2% and white expectations by 29.1%. Thus Blacks start off with lower expectations and their expectations fall slightly more rapidly. These data provide no evidence of unrealistically high Black expectations.

Thus the pattern of quits and layoffs and the supplementary data on expectations imply that the experience of Blacks with unemployment is not largely voluntary. The pattern which we observed--Blacks having higher probabilities of unemployment spells and longer durations of spells--is partly due to differences in endowments but is also in part due to discrimination along the dimensions of experience and education.

The picture which emerges is that Blacks are treated equally on the job in terms of earnings, but lose their jobs more often than do whites of comparable characteristics and have more difficulty finding the next job than does a comparable white. Discrimination seems to operate in the area of job access rather than in wage determination.

It is very difficult to develop a completely convincing explanation of why wage discrimination seems to have disappeared while discrimination with respect to access continues. The major source of the difficulty is that the literature is remarkably silent on patterns of discrimination at the firm level. Virtually all studies of employment discrimination are based on national samples, data which show overall patterns but which reveal little

information on the institutional patterns of discrimination.¹¹

Therefore the explanation which I will offer is tentative and requires considerably more research before it is fully convincing.

There is good reason to believe that in general it is easier for firms to discriminate in entry decisions than in wage setting. As Doeringer and Piore point out¹²

In enterprise markets, recruitment, screening, and hiring procedures are among the most loosely constrained instruments of manpower adjustment available to management. These instruments have not generally been the subject of review by either Federal agencies or trade unions and thus, unlike standards for internal promotion or wage determination, have been largely a management prerogative. As such, they have only rarely been evaluated against an objective standard and depend for the most part upon the judgment of personnel managers and foremen.

It may well be that the patterns which have developed in the enforcement of equal employment opportunity programs have reinforced this tendency to discriminate at the entry level rather than in wage setting. Federal equal employment efforts operate on several fronts. Affirmative action plans which set goals and timetables for hiring minority groups (and women) are established at the direction of federal contracting agencies under the supervision of the Office of Federal Contract Compliance.

¹¹There has been considerably more micro level research conducted on patterns of discrimination in the crafts than about discrimination in industrial and white collar firms. It seems reasonably clear that the major source of discrimination in the crafts is in fact access into the various unions. See Marshall and Briggs (1967).

¹²Doeringer and Piore (1971), pp. 137-138.

These affirmative action plans should have their greatest impact on hiring and firing. The Equal Employment Opportunity Commission also establishes affirmative action plans as the result of either voluntary or court ordered compliance but the bulk of its enforcement activity is in investigating individual complaints about discrimination.

Although most large firms and state and local government agencies now have affirmative action plans these plans are rarely monitored.¹³ Thus while firms may be compelled to develop goals and timetables for hiring they are rarely compelled to produce evidence that they have met these goals. On the other hand, there are a great number of individual claims filed with the EEOC. In 1974 over 56,000 individuals filed claims of employment discrimination.¹⁴ It may well be far easier for a claimant to prove that he is not receiving equal pay for equal work than it is to prove that he was not hired because of racial reasons or was fired for racial reasons. It appears to me that the failure to adequately monitor affirmative action plans combined with the relative ease which individuals can file complaints to EEOC is likely to lead to equal treatment on the job but unequal access, i.e. to the pattern observed in the data.¹⁵

¹³See for example the Report of the United States Commission on Civil Rights, The Federal Civil Rights Enforcement Effort, 1974, July 1975. This report documents that monitoring of affirmative action plans by both the OFCC and the EEOC is virtually nonexistent. See pages 631-637.

¹⁴Ibid., p. 510.

¹⁵It is true, of course, that there is a large EEOC backlog

There are other reasons, in addition to discrimination, why young Blacks may have difficulty gaining access to well paying jobs. In this thesis I have developed some ideas which imply that many young men who land primary jobs do so by injecting themselves, or being injected, into a pattern of information and contacts which provides them, after a period of search, with access to those jobs. It is more than likely that young Blacks have considerably more difficulty in entering this job stream. For example, young Blacks whose parents, relatives, and friends do not have primary jobs cannot make use of this traditional source of job information and are thus driven to rely upon more formal means of job search, such as the employment service, which generally are less effective than informal routes.¹⁶

I have also emphasized the role that linkages between certain kinds of small businesses--bridge jobs--and larger firms can play in assisting the settling process. There is at least some tentative evidence that the structure of ghetto economies mitigates against this process working for young Blacks. Haryou compiled an inventory of all businesses in Central Harlem, the results of which are presented in Table XIII. As is apparent,

of individual complaints. However an individual complaint is far more likely to be followed through on by EEOC than is an affirmative action plan to be monitored. Furthermore, when the EEOC investigates an individual complaint it has access to all of the firm's employment records and may interview all firm employees. Such actions can be both time consuming and potentially embarrassing for the firm.

¹⁶See Bullock (1973), and United States Department of Labor (1971).

Table V-XIII

Number of Businesses in Central Harlem, 1961

Bakeries	13
Ballrooms	7
Banks	5
Barber Shops	110
Beauty Parlors	187
Caterers	3
Cleaners	141
Dancing Schools	5
Department Stores	5
Dressmakers	14
Employment Agencies	20
Florists	16
Funeral Homes	63
Furnished Rooms	26
Furniture Stores	70
Furniture Exchanges	14
Gift Shops	13
Grocery Stores	107
Hotels	25
Insurance Co. & Agencies	69
Jewelry Stores	32
Liquor Stores	73
Locksmiths	8
Luncheonettes	105
Pharmacies	67
Printers	20
Restaurants, Bars	264
Stationery Stores	136
Theatres	9
	<hr/>
	1,617

Source: Haryou (1964), p. 113.

these businesses are overwhelming service and retail, there are few manufacturing or small contracting firms. Harrison and Vietoriz also surveyed the industrial structure of Harlem and found that the predominance of small service and retail firms exceeds that which would be expected from the residential character of the area.¹⁷ Finally, Heilbrun and Conant found that the larger more financially secure firms in Harlem tend to be owned by whites.¹⁸

Earlier I presented the findings of Friedlander that the unemployment rate of inner city young Blacks is worsened by a strong local construction and manufacturing sector and lowered by a strong local retail sector. These results can clearly be best explained in terms of access: in cities which have industrial concentrations which typically discriminate Black youth have more difficulty finding jobs and thus have higher unemployment rates. It is thus possible that the nature of the industrial structure of some areas makes it difficult for young men to enter into the kind of job stream which I have described for young whites.

This Chapter has thus far argued that while wage discrimination against young Blacks has eased in recent years difficulties of job access remain. Blacks do not receive equal returns as whites to experience and education with respect to getting and

¹⁷Vietorisz and Harrison (1970), p. 34.

¹⁸Heilbrun and Conant (1972).

keeping jobs. I also argued that these findings are by and large not the result of voluntary behavior. Finally, I offered several tentative reasons why this sort of discrimination has persisted and why the process which I have described in earlier chapters is less likely to work for young Blacks. We will now discuss how manpower programs might intervene to help alleviate these problems.

Manpower Policies for Black Youth

The unemployment rates of young Black workers are almost unbelievably high: in 1971, for example, the rate for 16-17 year old males was 33.4% and for eighteen and nineteen year olds it was 26%. Because these rates are so high they easily capture our attention and bid strongly to become the focus of public policy with respect to Black youth. However, just as the introductory chapter of this thesis argued that unemployment of youth in general is a poor policy focus so this section argues that manpower policy would be poorly advised to make a lower unemployment rate for Black teenagers the central goal. The arguments in support of this proposition are similar to those made earlier and need not be repeated. The central point is that the unemployment rates of young Blacks trace out the same pattern as the rate of Whites and that by age twenty-five unemployment sharply drops. Thus in 1971 the unemployment rate of twenty-two to twenty-four year old Black males was 11.1% and that of twenty-five to thirty-four year olds was 7.4%. These unemployment rates are still too high--they are roughly double those of comparable Whites--and as the previous chapter argued this is the result of discrimination. Nonetheless the central policy issue should not be the high teen

unemployment rates but rather difficulty young Blacks face in achieving successful settling.

It is important in this context to distinguish between the proper goals of manpower and income maintenance programs. Manpower programs should be directed towards creating circumstances which enable young people to successfully gain and keep stable well-paying primary employment. In effect manpower programs should be directed towards a lifetime of work. Income maintenance programs should seek to provide support for people during times of economic hardship and difficulty. Although I will argue that manpower programs would be poorly advised to focus on young teenagers suffering heavy unemployment, it does not follow that income maintenance programs should have the same limitation. Many of the Black teenagers experiencing unemployment come from poor families and require support. Furthermore other social goals -- such as reducing crime -- may imply an income maintenance strategy. Programs such as Neighborhood Youth Corps which are nominally manpower programs but which are in reality primarily income maintenance may be defended on these grounds. However, this section will analyze possible strategies of manpower programs more properly defined, i.e. those aiming to influence the long term work experience of the target group.

The first step in thinking about the direction manpower policy should take is to identify the problem in terms of the analysis developed in this thesis. The success achieved by young Black men in the youth labor market should be measured by the extent to which they move through the behavioral stages

and achieve successful settling in primary firms. The success or failure of a process of adjustment is the central criteria. This process is partly a function of personal development and partly of the nature of labor market demand.

In general it seems apparent that young Blacks are not "maladjusted" in the sense that they fail to settle down. As Table IX indicates, from the age of twenty-four onwards Blacks are essentially as stable as young Whites. This essential equality holds despite the adverse educational, occupational, and family backgrounds of young Blacks relative to young Whites. In effect, Blacks settle as readily as do Whites.¹⁹ On the other hand, as Table X demonstrates a major problem faced by young Blacks relative to Whites is that they are unable to make the transition from secondary to primary jobs. Thus we observe a great deal of unsuccessful settling down.

It is, unfortunately, too easy and probably incorrect to argue that manpower programs should aim to move this entire group from secondary to primary work. Within the group of stable secondary workers there exists two sub-groups: those whose skill levels and training make the secondary jobs seem appropriate, and those who hold secondary jobs as a result of discrimination

¹⁹The considerably larger early differences in stability probably reflects the finding discussed in Chapter III that the very young workers who are stable possess a considerably more favorable set of characteristics relative to unstable workers than do older stable workers relative to their unstable age mates. This follows from the finding that the key determinant of stability is aging.

Table V-IX

Percent Stable Year to Year by Age and Race
(out-of-school)

<u>Age</u>	Percent of Whites <u>stable</u>	Percent of Blacks <u>stable</u>	B/W
17	50	33.9	.67
18	56.0	44.0	.78
19	60.4	48.5	.80
20	71.6	61.0	.85
21	69.4	59.9	.86
22	71.4	61.2	.85
23	75.6	64.5	.85
24	77.6	74.3	.95
25	74.8	70.9	.94
26	83.6	77.7	.92
27	79	75	.94

Source: Parnes data. See Chapter III for the definition of stability.

Table V-X
 Percent of Workers Holding Secondary
 Labor Market Jobs

<u>Age</u>	<u>Whites</u>	<u>Blacks</u>
14	25%	33%
15	12%	25%
16	12%	21%
17	18%	27%
18	28%	40%
19	30%	54%
20	29%	59%
21	28%	49%
22	27%	54%
23	22%	49%
24	24%	56%
25	23%	52%
26	23%	52%
27	19%	51%
28	19%	54%

Note: This table employs a definition of secondary labor market jobs developed in Osterman (1975). This definition was quite restrictive and resulted in only 5% of the adult population holding secondary jobs. The apparently low percentages in this table should be seen in this perspective.

Another way of posing the question is to ask whether programs should be designed to assist those who possess sufficient "human capital" to work in primary jobs but for one reason or another have not landed these jobs, or whether the programs should attempt to augment the skill levels of young men in order to generate the sufficient level of human capital among those who lack it. Should manpower programs be training operations or placement operations?

The thrust of this thesis as well as the conventional wisdom of labor economists, which holds that primary firms prefer to do their own training, argue for the placement approach to policy. A placement strategy implies that the target groups should be both the stable secondary workers who possess the personal characteristics which should enable them to hold primary jobs, and the unstable frequently unemployed group. This latter group is heterogeneous with respect to personal characteristics and readiness to settle.

Settling into a primary job, the thesis argues, involves both personal maturation and a process of movement through different kinds of jobs which culminates in finding a primary job. The previous sections on racial discrimination argued that the major difficulty facing young Blacks is lack of access--due both to discrimination and to the structure of ghetto economies--to the job stream leading to the primary job. From this it follows that manpower programs are best advised to act as placement agencies seeking to inject young people into the job stream. In effect these programs should act as surrogate parents,

in access to primary jobs of the sort referred to in the previous chapter. The former group "deserve" secondary jobs only in the same sense that the economists' strict definition of discrimination assumes a valid relationship between certain personal characteristics and earnings. Whether the actual requirements of primary jobs or notions of equity validate this distribution of jobs is another question entirely and will be taken up at the conclusion of this section.

A third possible target group--in addition to the two groups of stable secondary workers--is the considerably smaller group who are unstable and experience relatively frequent unemployment. We have already seen that while this group appears strikingly large among teenagers that by the mid-twenties it has shrunk considerably. However, this may be the group in need of greatest assistance. This is the group which is the "hardcore unemployed" in the modern sense of the term: they experience frequent spells--though not necessarily long durations--of unemployment.

At this point the issue starts to seem muddled. We have three potential target groups: (1) young men who have settled into secondary jobs and whose personal characteristics make these jobs seem appropriate (in the very narrow sense of the word); (2) young men who have settled into secondary work but whose characteristics should imply better jobs and (3) young men who have failed to settle. Should manpower programs address the needs of all three groups, or should they focus on one? What strategies and programs are required?

relatives, and friends and play a role similar to that played by the parents et al. of young men for whom the natural process works.

There seem to be two approaches manpower programs can take towards playing this placement role. They can either place young people in bridge jobs or directly into primary firms. Manpower programs could place young workers in bridge jobs by making use of OJT subsidized employment funds. Such subsidized employment is far more readily accepted by smaller firms for whom the money can be important than by large firms for whom the leverage is weaker.

The expectation of such a program would be that these small firms would play the same bridging function for the trainees that they do for most other young men. Great care would be required to assure that the small firms are truly bridge jobs as distinct from small secondary employers. The training opportunities afforded by the firm would need be carefully examined, and it would also be desirable to get a sense of the success of the firm in "placing" former workers in primary firms. One possible approach would be to work backwards by interviewing primary firms to discover their recruitment patterns and then seek to place trainees in the small firms thus identified.

The strategy of placing young people in the bridge jobs is attractive because it seeks to harness normal labor market forces. The strategy is based on the expectation that once the barriers preventing access to normal recruitment channels are overcome young Blacks will benefit from the same training and

recruitment mechanisms which enable young Whites to settle down. This optimistic view may founder in several respects. Although financial exigencies may make small firms receptive to subsidized placements other considerations may argue against such cooperation. As I discussed in Chapter IV, one of the hallmarks of bridge firms is the importance of personal ties and close interaction on the job. These considerations lead bridge firms to hire friends and relatives, and they could lead to considerable reluctance to hire disadvantaged minority youth who are certain to appear considerably "different" than the work group. Even if such young people were hired the highly informal nature of the referral mechanism to primary firms may permit easy subversion of the process.

The other major alternative strategy is to direct placement in primary firms. In this model the manpower program seeks to act as a surrogate for the standard recruiting mechanism. In order for it to play this role the program must certify to the primary firm that the young worker will be stable and reliable. Such certification is normally provided by the work history of the potential new worker but for the group under consideration such work histories are unlikely to be reassuring. In order to provide such certification the training program should emphasize attitude and work behavior. However, programs must also be prepared to assume a continuing responsibility to trainees. Successful manpower programs which emphasize the placement strategy generally contract with primary employers to maintain continuing contact in order to help work out problems and keep up pressure

for responsible behavior. In effect the programs play the role of fathers in father/son recruiting networks. Firms are generally anxious to recruit via this mechanism because the presence of the father in the workplace exerts a natural disciplinary pressure upon the son.

Direct placements into primary firms can succeed only if openings are available. Primary firms must be prepared to hire young people whom in normal circumstances they would avoid. The surrogate parent and bridge function of programs should help allay fears but is unlikely to be sufficient. It appears to me that the best hope for programs is to operate in tandem with strong Equal Employment Opportunity (EEO) pressure designed to create the openings which manpower programs would fill. Perhaps because different bureaucracies are responsible for EEO and manpower training there appears to have been little cooperation between the two activities, however such coordination appears to have considerable potential for increasing the effectiveness of both activities.

Regardless of which approach is selected--bridge or primary placement--programs will need to have a set of criteria for choosing trainees. One of the most important lessons of this thesis is that age should be an important criteria. Although the unemployment rates of teenagers are high this young group should not be the target group. The moratorium stage is not the time to identify those young people who need help because the employment patterns of most young workers will appear casual and sporadic. Furthermore, the attitudes characteristically associated with the

moratorium stage are not conducive to stable and responsible work behavior and thus the young people will pose very high risks for placement.

Manpower programs should thus focus on an older group, i.e. young people in the exploration stage who are having difficulty gaining access to good bridge jobs, and young men who are ready to settle down but who cannot find employment in primary firms. Programs should also be sensitive to different needs of youth in the same age bracket. Many, probably most, young men who are having difficulty settling successfully are in trouble because of job access problems. The emphasis for this group should be on placement. However, some young workers are doubtless having difficulty making the transition from moratorium behavior and before a placement strategy can succeed counseling will be required.

The programs envisioned here are of limited scale. They are intended to assist young men who face difficulty settling due to racial discrimination, either intentional or institutional, in job access. They are based on the premise that Blacks generally settle as readily as do Whites and that of the great number of young Blacks who might appear to be in difficulty in the teenage years, a considerably smaller number need assistance later.

There is however, a large group of young Blacks who are settled stably in secondary jobs, and whose educational attainments and skill levels make these jobs appear appropriate. An important and difficult issue of public policy is whether attempts to alter this situation are warranted. The disproportionate representation of Blacks in these jobs guarantees that income,

security, prestige, and economic power are unequally distributed by race.

The conventional economic approach to this question is to argue that pre-labor market interventions designed for example to augment the educational attainment of young Blacks are the appropriate remedy. This viewpoint is based on the assumption that the labor market accurately matches individuals with jobs based on productivity generating characteristics. In effect this approach is based on a human capital theory of earnings and jobs acquisition. However, there is a growing school of thought which doubts the accuracy of human capital theory. This is not the appropriate place to review this debate, however once the legitimacy of the link between the distribution of jobs and the distribution of certain personal characteristics is broken a much wider scope of public policy becomes appropriate. Such policy would extend beyond seeking to help workers who are having difficulty settling or identifying and remedying cases of racial discrimination in the human capital sense. Policies designed to transform the characteristics of secondary jobs, to place considerable numbers of secondary workers in primary jobs, and to create new employment situations via public employment or community economic development are all possible candidates. Such policies extend well beyond the scope of manpower programs traditionally defined and require considerable commitment of resources and political fortitude. They are however, the direction society must take to assure racial equity in the labor market.

CHAPTER VI

CONCLUSION

The central purpose of this thesis has been an attempt to understand how the labor market for young men operates and how it is influenced by psychological, cultural, and historical considerations. The central questions posed by the thesis were how young people adjust to the prospect of a lifetime of work and how the nature of the demand for their labor shapes and channels this adjustment.

The thesis began by arguing that the best approach to understanding the youth labor market is to view it as an arena for a fairly lengthy adjustment process. Short term indicators, such as the unemployment rate, are inadequate. The unemployment rate is inadequate both because of its peculiar composition when applied to young workers -- the high proportion of entrants and re-entrants -- and because the sharp decline in unemployment which occurs in the mid-twenties seems to indicate that high unemployment in earlier years is followed by stronger job attachment later. It is this process of growing job attachment which is the focus of the thesis.

In order to understand how young people adjust to the labor market I conducted interviews with young people, youth workers and educational officials. As a result of these interviews it appeared that most young workers pass through three stages of adjustment. During high school and for some time afterwards young people's attitude toward work can be characterized by the term "moratorium". During this stage work is not a central concern and tends to be viewed as a way of gaining spending money.

Peer group relationships, travel and adventure seeking, and sexual relationships are all more interesting than jobs and careers. This period is characterized by high unemployment rates and weak labor force attachment.

As young people age the pattern begins to shift and young people enter into a new stage, exploration. Work has become considerably more important but the young workers are not sure what it is they want to do. They characteristically begin to move among jobs, often switching industries and occupations. Work is a serious concern for young people in this stage, but they are not sure what they want to do and what they can do and hence there remains a good deal of movement among firms and also high unemployment rates.

The final stage is settling down. Settling occurs in the mid to late twenties and is the result of several forces including the emotional and social maturation process, the dynamics of social relationships such as peer groups, and the intensity of the demand for labor. Workers can settle successfully into primary jobs, however others may settle but into less desirable jobs. We saw, in Chapter V, that many Blacks settle into secondary jobs.

The central notion behind the stages is that aging and maturation are important determinants of labor market behavior. As people age their interests and perspectives change and these changes get reflected in labor market behavior. Often for example the influence of age is so powerful that it leads people to settle into jobs that are more conducive to instability.

The data supporting the stages came primarily from the interviews alluded to above and described in detail in Chapter I. However, another and quite different source of data also supported the concept of stages. Chapter III contains an analysis of a national longitudinal survey, the Parnes data, which demonstrates that a measure of job stability can be explained by age in a manner consistent with the stage hypothesis.

The labor market adjustment process -- the stages -- is rooted in three influences: the institutional structure of the youth labor market and secular changes in that structure, the psychology of adolescence, and the nature of the demand for youth labor.

The historical section of Chapter II argues that the basic structure of the youth labor market as we know it today was in place early in the twentieth century. Prior to that time there had been two distinct periods in which youths' relationship to the economy had been considerably different; a pre-industrial revolution period in which farm work dominated the economy but when outside that sector young workers were able to gain considerable responsibility at an early age, and the post industrial revolution period in which youth worked at the core of the economy in a variety of manufacturing enterprises. By the beginning of the twentieth century young workers had been pushed out of the core of the economy. This structural shift, symbolized by the widespread introduction of compulsory education, resulted from new sources of labor which competed with young workers for unskilled factory work, technological changes which began to diminish the importance of such work, and reformist ideologies

which pressed for the extension of schooling. The consequence of these forces was that young people spent more time in school and less at work. Equally important, the nature of their work changed as they began to increasingly work in causal jobs in firms which could accommodate the rhythm of the school day and year.

Thus the youth labor market of today was in place very early in the century. Over the years the age of school leaving was extended, but the essential pattern was little altered. This institutional structure contributes to the stages since the nature of the demand for youth labor permits and encourages the moratorium behavior. However, this institutional structure is an incomplete explanation of the stages, they are also embedded in the psychology of aging.

The second Chapter argues that the characteristic behavior of young people as they pass through the stages can be understood by reference to the theories of adolescence developed by Erik Erikson. Erikson argues that adolescence is a period of "psychosocial moratorium" marked by a search for personal identity. Such a search leads young people to be deeply concerned with personal relations and to exhibit hesitancy about premature work commitment. Thus both the diffusion of interests and the unattached character of my moratorium period can be understood in these terms. Furthermore, the importance adolescents attach to personal relationships can help explain why peer group interactions are so important in the process of settling and why the nature of personal relationships on the job loom so large in young people's job preferences.

The juxtaposition of the psychological foundations of the stages with the historical context in which the states are enacted raises a difficult question: are the stages an artifice of the modern institutional setting or do they have a more universal validity? Erikson certainly would argue that although the particular forms or expression of the stages varies with cultures and with institutional settings that the needs embodied by the stages are universal and must find some expression in all settings. In the historical section I offer examples of the early labor market careers of people in an earlier era which seem similar to the patterns uncovered in the interviews. Nonetheless, this remains a difficult issue since it raises the questions about the constancy of human behavior across institutional settings and also about whether labor market structures and the general demand for labor are adjusted to more general human needs or whether the behavior we observe, in this instance the stages, are simply responses to economic dictates. These issues remain unresolved in the thesis.

Long run secular changes in institutional patterns and the nature of labor supply are not alone sufficient to understand the youth labor market. Cyclical labor demand must be considered. This topic is introduced in Chapter II where regression analysis of the ratio of the unemployment rates of eighteen and nineteen year olds to that of twenty-two to twenty-four year olds revealed that the source of cyclical change in the ratio is changes in the unemployment rates of the older group. In other words, when the economy is slack the younger group gains relative to the older group with the reverse occurring when the economy is tight, and

this result is explained by the greater sensitivity of the older group to the cycle. In effect, the age of settling is younger when the economy is tight and older in bad times. Clearly then labor demand plays an important role in the process.

In order to gain a deeper understanding of the nature of the demand for youth labor I interviewed thirty-five firms in a variety of industries. These interviews were designed to explore the hiring procedures and criteria of firms, the sources of labor to the firms, and the previous experience of young applicants.

The interviews revealed a striking pattern of job movement in the youth labor market. During the moratorium period, the young workers find jobs in secondary labor market firms, jobs which are low paid and casual. These jobs meet the needs of moratorium workers for casual spending money with little responsibility and at the same time the firms find in these youth a ready source of cheap unskilled labor. Some time later the pattern shifts and during exploration the youth work in small firms which provide considerable training and oftentimes job contacts. I have termed these "bridge jobs." Finally, successful settling down occurs in primary firms.

Chapter IV contains considerable elaboration of these ideas and seeks to explain both why young people at each stage find the particular kind of job congenial and why the different firms are attracted to youth of different ages.

The image of the labor market which emerges from the thesis is not one of atomistic firms competing for labor and interacting via wage signals. Of course, this sort of competition exists but there is another side to the picture. Firms are

linked to one another through customary labor recruiting mechanisms which create pathways through the labor market. Sometimes these mechanisms operate through a third party, for example the vocational education system with which several similar firms may cooperate in a joint effort to influence their labor pool. In other instances firms link together through their personnel offices with, for example, a large firm preferring to recruit new hires from particular smaller firms. Thus the interlocking structure of the labor market channels young entrants.

The bulk of the material in the thesis examines the job patterns of young men who eventually succeed in successfully settling down. However, it is clear that certain groups have a considerably more difficult time. Young blacks in particular suffer from high unemployment rates. This fact poses the question of where the process I have described breaks down for Blacks. This question is made particularly troublesome by the recent findings by some economists that by the end of the 1960's labor market discrimination against Blacks had disappeared. These issues are taken up in Chapter V.

The findings presented in Chapter V are that while wage discrimination (treatment on the job) seems to have been equalized in recent years, access to jobs is still subject to considerable racial discrimination. This fact can help explain the higher unemployment rates of young Blacks. The chapter concludes with a discussion of possible directions manpower policy might take to help remedy the situation.

Future Directions

The research embodied in this thesis has probably opened up as many questions as it has answered. Two issues seem most prominent.

The first of these is, surprisingly enough, the issue of youth unemployment. The thesis began by arguing that teenage unemployment is the incorrect focus for studying the youth labor market and as a result the thesis sought to describe and analyze a variety of other aspects of that labor market. However, some questions about unemployment remain outstanding. Given that it is expected and understandable that youth will have higher unemployment rates than adults when is youth unemployment too high? What are the consequences of abnormally high rates? What do young people do while experiencing unemployment? What structural changes are possible and/or desirable to lower unemployment rates? These and other questions need to be explicitly addressed in the context of the explanation of the youth labor market developed in the thesis.

A second set of issues for future research has to do with questions focused around the idea of social class.

The bulk of this thesis has examined the experience of working and lower class youth. The criteria which I employed -- education up to but not beyond high school graduation -- is strongly correlated with variables such as family income and parents' occupational and educational background. These variables are in turn central to class definitions.

Young men who continue to college probably share some of the experiences I have described. When in high school they work in

a similar set of casual secondary jobs. Many also work on the jobs during college, both in the summers and during the school year. It is also true, however, that there are crucial differences in the experiences of the two groups. I strongly suspect, though I cannot document this, that college serves as a moratorium period for this group and that moratorium is thus carried out in the context of schooling rather than in the labor market. In fact, it may well be that working class youth who do not continue to college perceive college as a moratorium period for others and that this legitimizes their own moratorium experience.

If it is true that college serves as an arena for moratorium then it would follow that college graduates become more quickly attached to serious work than do high school leavers. The lower unemployment rates for the former group lends credence to this point. It is also probably the case that the pattern of the job structure differs considerably for the two groups. College students do not go through the largely blue collar pattern of secondary, bridge, and primary jobs which I have described. They do tend to rely on personal contacts for job finding,¹ much as does the high school group, but patterns of job progression most likely differ. Just what patterns are followed is a matter for additional research.

There is also a middle group -- college dropout and graduates of community colleges -- and the experiences of this group will probably be a mixture of the two extremes. Again, research along the lines of that undertaken here for the high school group is needed.

¹See Mark Granovetter, Getting a Job, Cambridge: Harvard University Press, 1975.

To say that the experiences of the different groups vary begs the question of why some young men end up in one group and some in the other. This is the issue of occupational choice and of the influence of social class.

One set of arguments about how social class influences the outcomes relies on the impact of class on aspirations and attitudes. In a sense this is a reduction of the social class argument to one of personal choice. Social class may affect choice but the primary variables are these choices. In contrast to this are the arguments that economic constraints, differences among schools attended by different classes and channeling patterns within schools, and other externally imposed constraints are the determinants of the sorting process. Although much research has been undertaken on both views there does not appear to me to be a fully convincing explanation of how the process works.

It is clear that for some groups, notably minorities, that external constraints imposed by the labor market strongly influence outcomes. The evidence of racial discrimination in job access presented in the previous chapter spoke to this point. It also seems clear that even for other people there are important ascriptive constraints. The central importance of personal contacts in getting into a job stream leading to a primary job implies that young men whose families, relatives or friends cannot help them are at an important disadvantage. Thus young men from certain social groups or neighborhoods may well find their opportunities limited and the job holding patterns may become replicated across generations. Considerably more research is needed on the role of contacts and neighborhood in intergenerational occupational transmission.

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Paul Osterman was born in Washington, D.C. on December 6, 1946. He graduated from Oberlin College in 1968. Between 1968 and 1971 he taught public school in New York City, served on the staff of an educational consulting firm, and was Assistant to the President of Brooklyn College of the City University of New York. In September 1971 he entered M.I.T. and completed a joint degree from the departments of Economics and of Urban Studies and Planning. He is currently Assistant Professor of Economics at Boston University.