

Labor Force Definitions

Labor Force: consists of persons who, in a specific week before the survey, were defined as either employed or unemployed

Employed: civilians who did any work for pay during the survey week, plus self-employed persons and unpaid family workers who worked at least 15 hours in the survey week
plus
those with jobs from which they were absent because of illness, bad weather, vacation, or strike

Unemployed: civilians of working age who were not employed during the survey week but who were available for work and
1) had made a specific effort to find work in the past 4 weeks
or 2) were waiting to be recalled from a job from which they had been laid off
or 3) were starting work within 30 days

Labor Force Participation Rate:

Ratio, labor force/civilian non-institutional population

Not in the Labor Force: everyone else. Sometimes broken down into school, housework, illness, retired

Industry: refers to the principal kind of business done in the firm a person works for

Occupation: refers to the type of work a person was doing. Specifically, a response to the question, "What kind of work was this person doing?"

Labor force data come principally from decennial censuses and Current Population Surveys conducted monthly by the U.S. Census Bureau.

TABLE 4.4 Ten leading occupations of high school and college graduates aged 16-34, by sex, year, and rank: 1980 and 1990.

	Men		Women	
	1980	1990	1980	1990
High School Graduates				
Truck drivers	1	1		
Carpenters	4	2		
Auto mechanics	5	3		
Janitors and cleaners	8	4		
Supervisors and proprietors, sales	12	5★		
Laborers, excluding construction	3	6		
Construction laborers	11	7		
Managers and administrators, nec*	2	8		
Cooks	9	9		
Assemblers	7	10		
(Machine operators, nec*)	6	13		
(Welders and cutters)	10	12		
College Graduates				
Managers and administrators, nec*	1	1		
Accountants and auditors	2	2		
Supervisors and proprietors, sales	9	3★		
Lawyers	5	4		
Sales representatives, mining, manufacturing, and wholesale	4	5		
Computer programmers	13	6		
Electrical and electronic engineers	11	7		
Physicians	7	8		
Computer systems analysts and scientists	23	9		
Teachers, elementary school	3	10		
(Teachers, secondary school)	6	18		
(Managers, marketing, advertising, and public relations)	8	12		
(Supervisors, production occupations)	10	>25		
Secretaries				
Secretaries		1		1
Cashiers		3		2
Waitresses		5		3
Nursing aides, orderlies, and attendants		6		4
Bookkeepers, accountants, and auditing clerks		2		5
Supervisors and proprietors, sales		20		6★
General office clerks		4		7
Managers and administrators, nec*		10		8
Receptionists		15		9
Cooks		17		10
(Typists)		7		17
(Sales workers, other commodities)		8		13
(Assemblers)		9		12
Teachers, elementary school				
Registered nurses		1		1
Accountants and auditors		2		2
Managers and administrators, nec*		7		3
Managers and administrators, nec*		4		4
Secretaries		5		5
Supervisors and proprietors, sales		12		6★
Social workers		6		7
Lawyers		16		8
Computer programmers				
Computer programmers		20		9
Bookkeepers, accountants, and auditing clerks		10		10
(Teachers, secondary school)		3		11
(Clinical laboratory technologists and technicians)		8		23
(General office clerks)		9		>25

* nec = not elsewhere classified.

Decline in manufacturing-type jobs for high school graduates

Big increase in computer programmer and systems analyst jobs, for men and women (college-educated)

Big drop in secondary school teachers for men and women

Increase in sales workers for both sexes and educational groups (*)

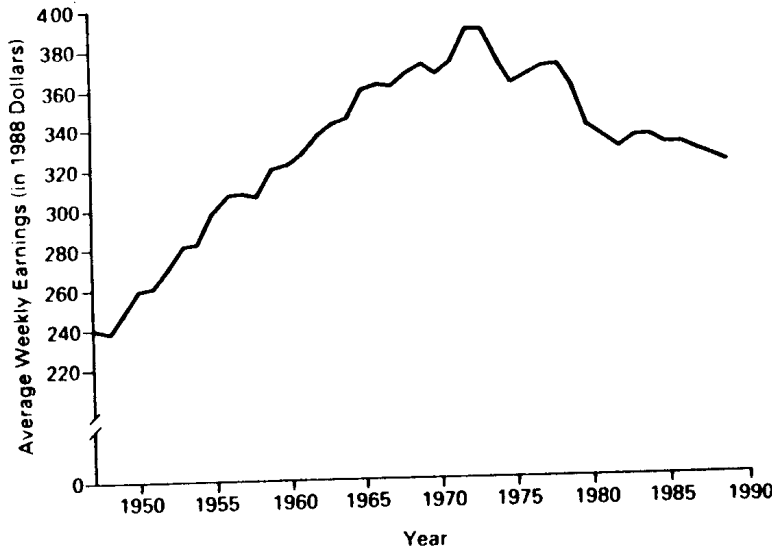


FIGURE 24-2: Real Average Weekly Earnings, 1947-1989 (in 1988 Dollars)

Source: Council of Economic Advisers, *Economic Report of the President, 1990* (Washington, D.C.: U.S. Government Printing Office, 1990). Adapted by the authors.

show an index of family income inequality that is zooming skyward. Yet if we look at the numbers on which this diagram is based, we might come to a rather different conclusion. In Tables 24-1 and 24-2, we show income distribution in the United States over the period 1947 to 1988 by quintiles, first for families and then for unrelated

individuals. Looking at these numbers, one does not get a sense of any massive trend toward inequality in recent years. Considering similar numbers (1947 to 1984), University of Maryland expert Frank Levy says that "the most obvious feature of the post-war family income distribution was its stability" and that "the income distribution of

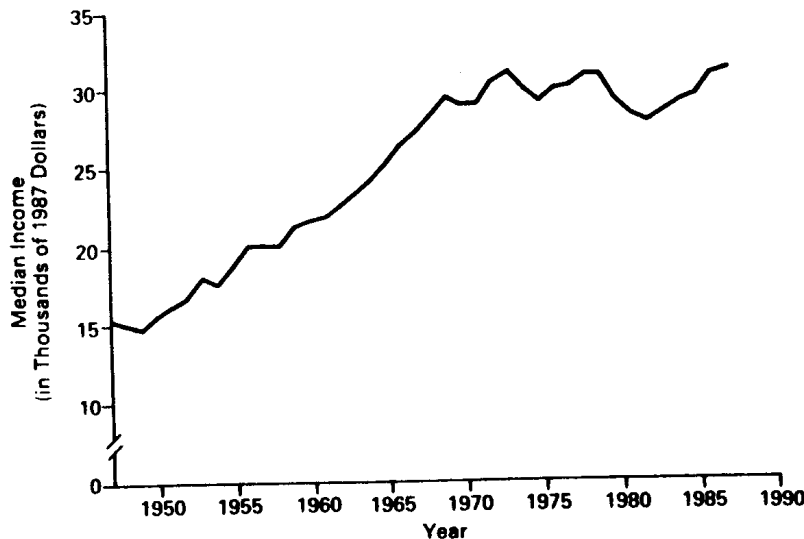


FIGURE 24-3: Real Median Income, Families and Unrelated Individuals, 1947-1987 (in 1987 dollars)

Source: U.S. Bureau of the Census, *Current Population Reports, Series P-60, No. 162, Table 11.*

Earnings per workers are down but income per family is relatively stagnant – due to more earners per family.

Income per capita has risen – due to fewer children per family

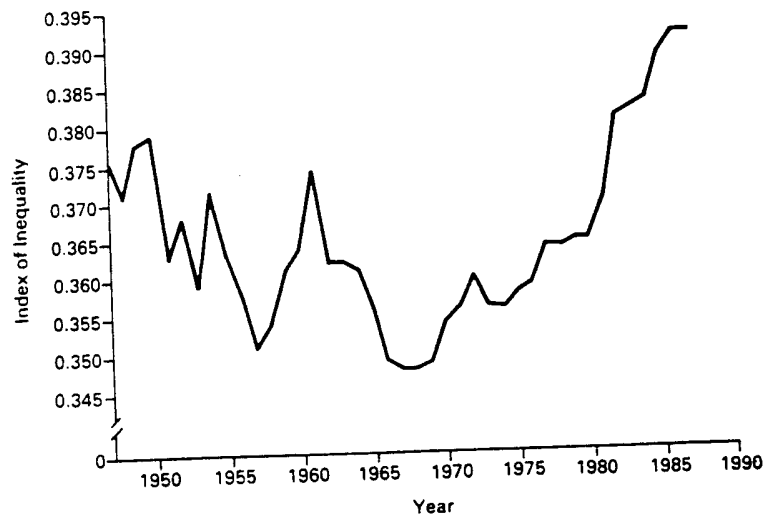


FIGURE 24-4: Family Income Inequality, 1947–1987 (GINI Index)

Source: Adapted from Bennett Harrison and Barry Bluestone, *The Great U-Turn: Corporate Restructuring and the Polarizing of America* (New York: Basic Books, 1988), Figure 1-3.

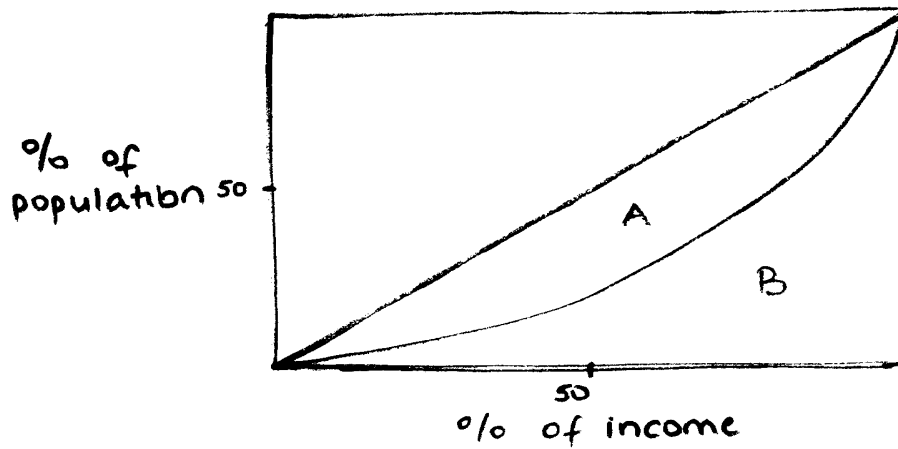
The GINI coefficient is used to measure income inequality.

The distribution of income across the U.S. population has become more unequal since the early 1970s.

GINI COEFFICIENT

- a measure of income distribution
- Varies from 0 to 100

0 = completely equal dist'n
100 = " unequal "



$$\text{Gr. C.} = \frac{A}{A+B}$$

The Victimless Income Gap?

By Robert H. Frank

PITHACA, N.Y. residential aspirants since Ronald Reagan have urged us to ask whether we're better off now than we were four years ago. At any time from 1945 to the early 1970's, the answer for most Americans would have been a resounding yes. Throughout that period, incomes grew at about 3 percent a year for families up and down the income ladder.

Today, however, this question is more difficult to answer. Although the

Revisionists are wrong. When the rich get richer, the rest *do* suffer.

top 1 percent of earners now have more than twice as much purchasing power as in 1979, the real earnings of families in the middle have scarcely grown since then. The "income gap" between the rich and the middle class has thus grown sharply, and the conventional wisdom says that's bad.

But the conventional wisdom is now under challenge. Some revisionists, respected economists among them, are arguing that inequality doesn't really matter so long as no one ends up with less in absolute terms. They invoke the venerable Pareto criterion, first proposed by the Italian economist Vilfredo Pareto, which holds that a change in circumstances must be counted as a good thing if it makes at least some people better off without harming any others.

Using income levels to measure the well-being of individual families (standard practice among economists), the inequality optimists argue that since the rich now have much more money than before and the middle class doesn't have less, society as a whole must be better off.

But income level isn't everything. What the revisionists ignore is that increased spending at the top causes real, unavoidable harm to families in the middle, even those whose incomes have risen slightly. It harms them by raising the cost of achieving goals that almost every family cherishes.

Robert H. Frank, an economist at Cornell University, is the author of "Luxury Fever" and co-author of "The Winner-Take-All Society."

Few middle-income parents, for example, would rest easy with the knowledge that their children were attending below-average schools. But since the quality of public schools is closely linked to local property taxes, which in turn are closely linked to local real estate prices, you cannot send your child to a public school of even average quality if you buy in a school district whose house prices are well below average.

The problem is that the average house built in the United States today (some 2,200 square feet) is roughly 50 percent larger than the average house in 1970, which means that the buyer of the average-priced house must now carry a much larger mortgage than before.

Increased income inequality is the reason that the average house has gotten so much bigger. The process starts when sharply higher incomes prompt top earners to build larger houses. Perhaps you don't really care if your neighbor's house is bigger than yours. But — just as you know that half of all drivers are below average (even though more than 90 percent of us insist that we're above average) — you also realize that many others *do* care about relative house size. Thus when top earners build 25,000-square-foot houses, others just below them find their own 10,000-square-foot houses no longer adequate, and so on all the way down the income ladder.

So what? If you're an average earner and don't envy your neighbor's larger house, you can simply buy the same 1,500-square-foot house that people in your position bought in 1970. That would be a fine solution — unless your goal is to make sure your children attend schools of at least average quality, in which case you'll have to spring for the bigger house, even if you don't care about the extra space. Or, worse, you may end up with an existing 1,500-square-foot house whose price has been bid up sharply because of its location in a good school district.

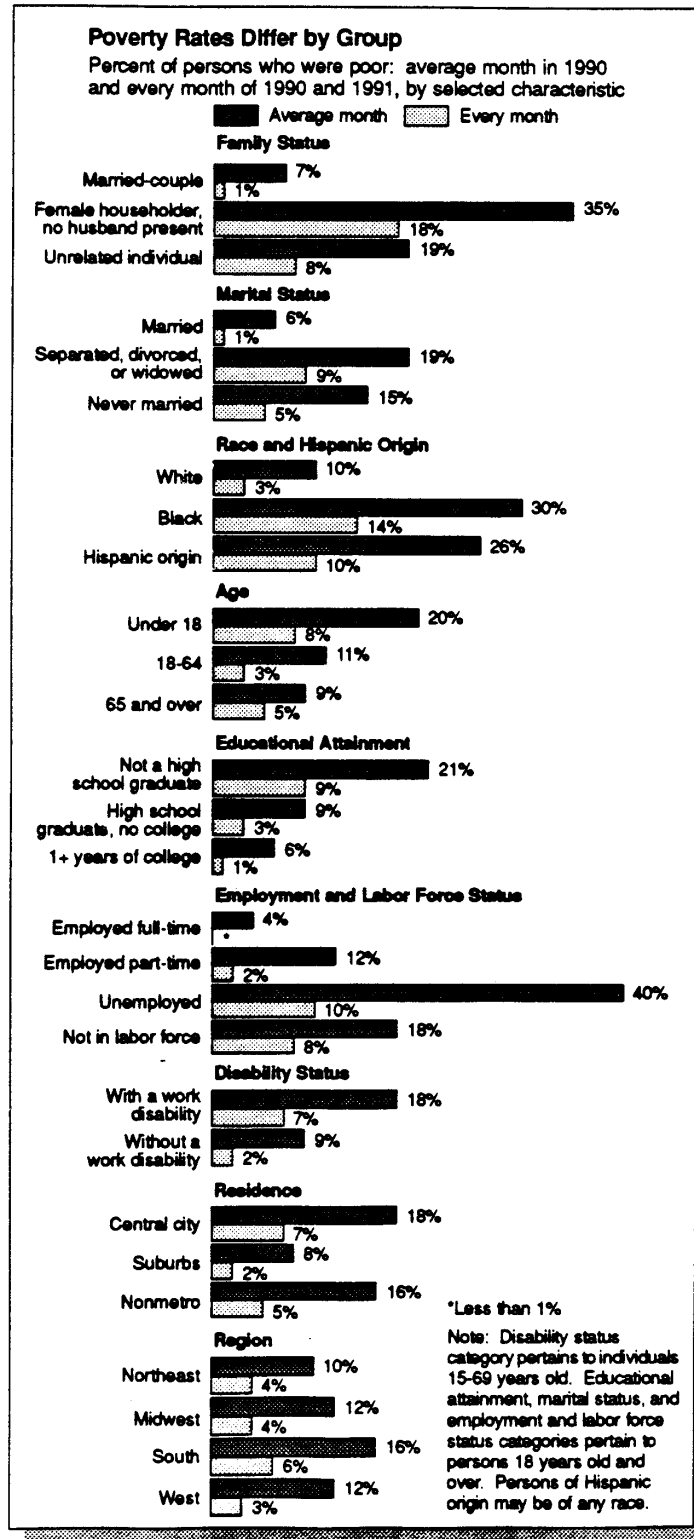
Increased spending at the top also imposes other costs on those below. If you buy a typical 3,000-pound sedan, your family will incur risks that didn't exist in the 1970's, since you'll now be sharing the road with 6,000-pound Lincoln Navigators and 7,500-pound Ford Excursions. So in self-defense, you may want to spend more for a bulkier vehicle.

And if you managed to choke down the cost of a home in a good school district, you'll need to spend more on your children's clothes or else endure the embarrassment in their eyes as they mingle with wealthier classmates. Your own clothes might have to come up a notch as well, since others are wearing more expensive clothes now and in job interviews you'll want to make a good impression. The gifts you give, the night out at the theater, the family vacation — all are affected by the upward pull exerted by the sharply higher affluence of top earners.

So it's little wonder that our national savings rate is now negative, or that American families now carry an average of more than \$7,000 in credit card debt. Even though our economy is in the midst of the longest sustained boom in history, with the unemployment rate at a 29-year low, 1 American family in 68 filed for

personal bankruptcy last year, more than seven times the rate in 1980.

No, it would not be great to turn back the clock to the 1970's. But let's not sugarcoat the prosperous present. Because the plain truth is that expansion of the income gap causes trouble after all — even for middle class people who earn a little more than they used to. □



How do we define poverty?

Note poverty levels of children in the U.S.
Other patterns: by region of country, area

The Index of Dissimilarity is a measure of residential segregation in the United States. African-Americans are more residentially segregated in the U.S. than any other ethnic or income group.

INDEX OF DISSIMILARITY

Suppose there are three "census tracts" in a city and that blacks and whites are distributed in the following way:

Tract # (i)	# of Blacks (B_i)	# Whites (W_i)	$\frac{B_i}{B}$	$\frac{W_i}{W}$	$\left \frac{B_i}{B} - \frac{W_i}{W} \right $
1	20	600	.2	.6	.4
2	50	200	.5	.2	.3
3	30	200	.3	.2	.1
Total	100	1000	1.0	1.0	0.8

$$\begin{aligned} \text{Index of Dissimilarity} &= 50 \cdot \sum_i \left| \frac{B_i}{B} - \frac{W_i}{W} \right| \\ &= 50(.4 + .3 + .1) = 40 \end{aligned}$$

Interpretation:

- 1) Segregation is 40% of its maximum value (100) in this city
- 2) A minimum of 40% of blacks (or 40% of whites) would have to move to achieve an equal spatial distribution of the races.

Table 1. Trends in black segregation and isolation in 30 metropolitan areas with largest black populations: 1970-1990.

Metropolitan Area	Dissimilarity Indices		
	1970	1980	1990
<u>Northern Areas</u>			
Boston	81.2	77.6	68.2
Buffalo	87.0	79.4	81.8
Chicago	91.9	87.8	85.8
Cincinnati	76.8	72.3	75.8
Cleveland	90.8	87.5	85.1
Columbus	81.8	71.4	67.3
Detroit	88.4	86.7	87.6
Gary-Hammond-E. Chicago	91.4	90.6	89.9
Indianapolis	81.7	76.2	74.3
Kansas City	87.4	78.9	72.6
Los Angeles-Long Beach	91.0	81.1	73.1
Milwaukee	90.5	83.9	82.8
New York	81.0	82.0	82.2
Newark	81.4	81.6	82.5
Philadelphia	79.5	78.8	77.2
Pittsburgh	75.0	72.7	71.0
St. Louis	84.7	81.3	77.0
San Francisco-Oakland	80.1	71.7	66.8
Average	84.5	80.1	77.8
<u>Southern Areas</u>			
Atlanta	82.1	78.5	67.8
Baltimore	81.9	74.7	71.4
Birmingham	37.8	40.8	71.7
Dallas-Ft. Worth	86.9	77.1	63.1
Greensboro-Winston Salem	65.4	56.0	60.9
Houston	78.1	69.5	66.8
Memphis	75.9	71.6	69.3
Miami	85.1	77.8	71.8
New Orleans	73.1	68.3	68.8
Norfolk-Virginia Beach	75.7	63.1	50.3
Tampa-St. Petersburg	79.9	72.6	69.7
Washington, D.C.	81.1	70.1	66.1
Average	75.3	68.3	66.5

SOURCES: For 1970 and 1980: Douglas S. Massey and Nancy A. Denton, "Trends in the Residential Segregation of Blacks, Hispanics, and Asians: 1970-1989," American Sociological Review 52(1987):802-25.
 For 1990: Roderick J. Harrison and Daniel H. Weinberg, "Racial and Ethnic Segregation in 1990," Paper presented at the Annual Meetings of the Population Association of America, Denver, 1992.

Northern cities tend to be more residentially segregated than Southern cities.

Residential segregation has been declining slightly over the past two decades.

