

# **Breathing Capital: The Internalization of Cultural and Racial Bias in the Labor Market**

*“The natural aristocracy I consider as the most precious gift of nature, for the instruction, the trusts, and government of society....May we not even say, that that form of government is best, which provides the most effectually for a pure selection of these natural aristoi in the office of government?”*

- Thomas Jefferson

## **Introduction**

It is the start of the 21<sup>st</sup> century and most of life is explained with the help of two crossed lines—supply and demand. Human wellbeing is measured in digits and percents representing production output and economic growth. Everything we do or don't do has a price tag to it; time itself is “money.” People are socialized around the credos of utility and profit maximization as rational and calculating individuals. The proper functioning of the economic system is dependent on them to act in selfishness and pursue their own self-interest. At the end of the day, they are assessed on the basis of their exchange value as human capital in the market system, and are either “bought” or “discarded.” The monetization of nearly everything in the world, including ourselves, has made it ever harder to eradicate the weed of undue discrimination from the labor market and the economy at large, a weed that has slowly been creeping into our backyards and into our consciousness.

Decades after the passage of numerous legislative protections in the United States for groups that have historically been exploited and oppressed, labor market discrimination is still prevalent and decent living standards are a privilege. Wage differentials and occupational segregation along gender and color lines have been depriving minorities and women of equal opportunities for professional development and advancement in life, and continue to do so ever more intricately and clandestinely. Racial, gender, and class affiliations have had unmerciful effects on the ability of many to shape themselves as viable human capital, as these attributes have often rendered human beings unattractive and low-return investment options in the framework and mindset of the neoclassical, capitalist market system. Hence, the staggering education and school funding inequalities, the high unemployment rate, and low-pay segregated jobs that have marked the lives of a multitude of women and people of color.

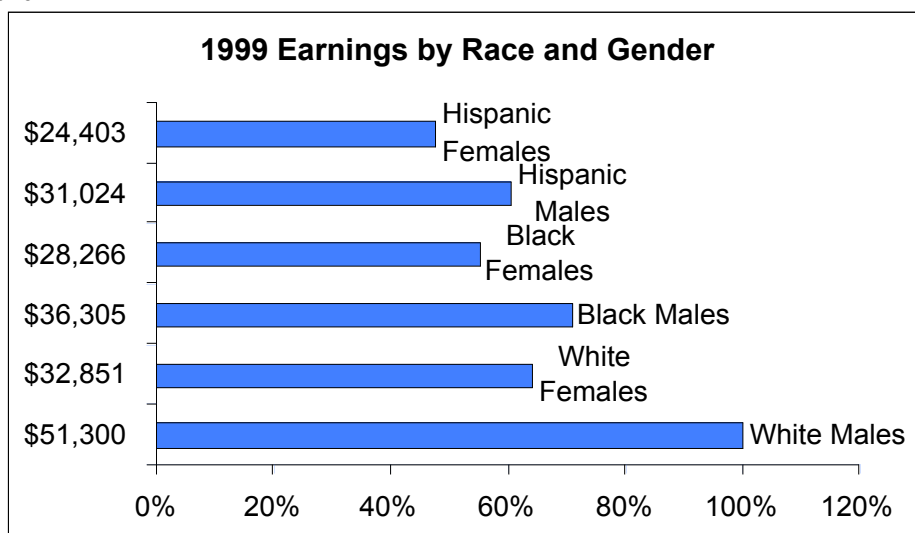
The group these individuals belong to, in terms of their race, ethnicity, gender, sexuality, religion or other, has determined their chance to get a fair shot at the labor market or elsewhere in the economy. The conception of the human being as an “investment portfolio” has lucratively shielded unethical and biased market practices from open criticism, and simultaneously disguised unfairness and prejudice in the face of vigorous anti-discriminatory legislation. As a result, discrimination arising out of cultural, social, or individual circumstances has become increasingly justified on economic grounds. It has thus been institutionalized, normalized, and embedded deeper and deeper in our social mentality.

## **Labor Market Discrimination and Human Capital**

Thomas Hyclak, Geraint Johnes, and Robert Thornton define labor market discrimination in their economics textbook *Fundamentals of Labor Economics* as, “employment, wage, and promotion practices that result in workers who are equal with respect to their productivity being

treated differently because of their race, gender, age, ethnic group, or other characteristics unrelated to their job performance.”<sup>1</sup> Labor market discrimination has manifested itself in different forms: through employers’ prejudice at the hiring stage, denial of promotions on the job, consumer choice, bigoted fellow workers, and many others. The usual result has been higher unemployment, wage differentials, and occupational segregation, with the jobless, or those filling the low-pay and low-rank positions, being predominantly women and people of color. At the end of 2003, according to the Census Bureau, the unemployment rate for blacks, at 10.8 percent, was more than twice that of whites, and the rates for Asians and Hispanics were also higher, at 6 percent and 7.7 percent, respectively (Appendix: Table 1). Furthermore, while females were about 42 percent of the labor force employed in management, business, and financial occupations, they constituted more than 78 percent of the workers employed in personal care and service occupations. The percents of black females were 6.9 and 13.7 for the two categories, accordingly (Appendix: Table 2). Consequently, when looking at a comparison of earnings, by race and gender, the inequalities are substantial (Figure 1).

**Figure 1**



Source: Bureau of Labor Statistics

Mainstream economists believe that only a small part, if any, of the wage differentials and occupational segregation is attributable to intentional discrimination; rather, they claim it is the result of *worker characteristics and human capital*, which imply different *productivity levels*. Specifically, characteristics such as years of education, acquired academic degrees, work experience, special training, communication and other social skills, which could render an individual more or less productive at a given job, have served as ‘signals’ to employers in their hiring decisions. Hence, minority applicants have typically been turned down, or hired at lower pay, for reasons of insufficient schooling and poor job experience. Women, emerging from a history of low-wage, blue-collar, and social work occupations, have ascended in the labor market hierarchy only to become victims of harsh wage differentials and placements at subordinate positions.

<sup>1</sup> Thomas Hyclak et al., *Fundamentals of Labor Economics* (Boston: Houghton Mifflin Company, 2005), 365.

In justification of their decisions, employers have claimed that the higher tendency of women to quit their jobs, for maternal and other reasons, increases hiring and special training costs for their firms. Often, the disproportionate concentration of women and people of color in certain types of (low-paying) occupations has been explained by their own voluntarily choice to be employed in these jobs. As it has been argued on the basis of the “crowding model,” too many women clustered in an occupation will lead to a decrease in their average wage. From a different perspective, however, if employers simply exhibit a preference for hiring men over equally productive women, the demand for male labor would rise and create a wage premium for males. The same dynamic applies to the discriminatory treatment of blacks, Hispanics, and other minorities.<sup>2</sup> Despite the many conflicting views on the subject, most employer decisions to pay lower wages or assign subordinate positions to many women and people of color have largely been justified on the grounds of poor-quality human capital and low worker productivity.

Indeed, the asset of human capital has become defining for the opportunities of professional development and overall economic success. In a recent study by the World Bank of the wealth of 92 countries, in terms of the value of their natural resources and physical and human capital, the United States came in at first place with a per capita wealth of \$401,000, 77 percent of which represented human capital. The same pattern was observed in many other countries. In both Canada and Australia, human capital accounted for more than 65 percent of all wealth, and in the U.K. for 79 percent. In poor countries like Rwanda with just \$5,000 per capita, human capital was only 39 percent.<sup>3</sup>

This comparison has suggested that education (a major factor in the formation of human capital) represents a crucial source of the difference in incomes and wealth across countries. According to Hyclak, Johnes, and Thornton, most of the world’s wealth is so to speak “locked up in human beings.”<sup>4</sup> Human capital formation, however, has been heavily affected, both directly and indirectly, by the human traits of race, gender, and class. Looking at the way the authors define *human capital*—“the stock of knowledge, skills, aptitudes, education, and training that an individual or a group of individuals possess,”<sup>5</sup> makes it easy to see that it depends on qualities and assets hard to acquire in a society permeated with historical and structural obstacles to equality and equal opportunity.

## **Minorities: Historical Roots and Current Examples of Human Capital Deprivation**

The pre-market human capital inequalities between whites and people of color, which are highly pronounced in the United States today, have resulted from a long history of resource deprivation. At present, black workers are much more likely than white workers, on average, to have come from families with lower incomes, to have lived in poor neighborhoods, to have attended inferior schools, to have fewer years of schooling, and low-quality education.<sup>6</sup> The roots of this problem are to be found in the labor/employment history of minorities and the way their relationship to private property has evolved over time.

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<sup>2</sup> Hyclak et al., *Fundamentals of Labor Economics*, 378.

<sup>3</sup> Arundhati Kunte et al., “Estimating National Wealth: Methodology and Results,” *World Bank Environmental Department Papers No.57* (1998): 19-21.

<sup>4</sup> Hyclak et al., *Fundamentals of Labor Economics*, 120.

<sup>5</sup> Hyclak et al., *Fundamentals of Labor Economics*, 118.

<sup>6</sup> Hyclak et al., *Fundamentals of Labor Economics*, 399.

Through the end of the 19<sup>th</sup> century, most workers in the United States were employed in agriculture; however, their race and ethnicity largely determined both the type and conditions of their work and, consequently, their access to land. As the authors of *Race, Gender, and Work* Teresa Amott and Julie Matthaei observe, while Europeans were able to settle on lands stolen from the natives, private property was virtually out of bounds for most African-Americans who, even post slavery, were still kept by Jim Crow laws and racist practices from acquiring land of their own. With the colonization of the Mexican Southwest the majority of American Indians and Mexicans were reduced to the status of landless peasants or subsistence farmers. The concentration of lands in the hands of a few also affected the Puerto Ricans, as many small family farmers from the island were gradually driven into agriculture wage labor for the wealthy ranchers. Chinese, Japanese, and Filipinas/os, who were brought to the United States and Hawaii as plantation laborers and migrant workers, were also prohibited by law from acquiring land in the country. Hence, most of the minority population, whether natives or migrants, were either forced onto smaller, less fertile land areas where they tried to continue their self-sufficient farming practices, or went to labor for whites as sharecroppers or tenant farmers.<sup>7</sup> This process of ownership exclusion has led directly to residential and geographical segregation over time, severely curtailing the access of minorities to private and public resources, thus limiting their ability for self-investment and human capital formation. In the words of Randy Albelda, Robert Drago and Steven Shulman, authors of *Unlevel Playing Fields*:

By dividing communities along color lines, whites have been able to restrict use of their tax dollars to their own communities, particularly with respect to schooling and other public services. Segregation establishes residential and voting patterns that divide the tax base and electoral districts, which in turn allows white to concentrate resources in their own communities.... Given segregation and unequal resources, conflict is certain to follow. These conflicts, both between and within communities, often concern the distribution of public resources: white communities have the good schools, white communities are near the areas of greatest job growth, white communities provide social networks that inform the residents about job openings, white communities have the votes to influence local and state politicians, white communities have basic public services. Black, Latino, and Asian communities in general have few or none of these amenities, nor are they likely to get them in an era of budget cuts and urban fiscal crises.”<sup>8</sup>

In his book, *Savage Inequalities: Children in America's Schools*, Jonathan Kozol documents that the average expenditures per pupil in the city of New York in 1987 were some \$5,500, while in the highest spending suburbs of New York (Great Neck or Manhasset, for example, on Long Island) funding levels were above \$11,000, with the highest districts in the state at \$15,000. Comparing two schools that would fit the above categories, he makes a staggering series of observations:

Public School 24, an elementary school in Riverdale (northwest Bronx), is surrounded by parks, flower gardens, playgrounds for students, beautiful classrooms, and a spacious library of 8,000 books. There are 825 children in the kindergarten through sixth grade, with an average class size below 20. However, a peculiar group of 130 children, most of whom are poor, Hispanic and black, is assigned to one of the 12 special classes. They seem to be almost separated into a different school from the other mainstream students—almost all of whom are white or Asian. There is an additional third track for the “talented” and “gifted.” Public School 79, in contrast, which is in the southeast Bronx, has to fit 1,550 in a space intended for 1,000. The majority of

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<sup>7</sup> Teresa Amott and Julie Matthaei, *Race Gender and Work* (Boston, MA: South End Press. 1996), 331.

<sup>8</sup> Randy Albelda et al., *Unlevel Playing Fields* (Cambridge, MA: Economic Affairs Bureau, Inc., 2001), 132-133.

Hispanic and black students are assigned to “special” classes for “educable mentally retarded” (EMR) or “trainable mentally retarded” (TMR) kids. Many classes take place in the school gym and in what had once been a skating rink.<sup>9</sup>

In Morris High School (South Bronx), Kozol claims, referring to a *The New York Times* article, the blackboards are “so badly cracked that teachers are afraid to let students write on them for fear they’ll cut themselves. Some mornings, fallen chips of paint cover classrooms like snow.” The ceilings leak. Classrooms devastated by fires have not been repaired; windows are missing. 38 percent of the students there are black and 62 percent are Hispanic. Out of 500 freshman students, 150, on average, survive to graduation; out of them about half are skilled enough to take the SATs.<sup>10</sup> However, the problems with poor performance of minority students go beyond geographic segregation and flawed funding programs for schools; students of color are further hampered in their struggle for self-improvement by stereotypical tracking and discriminatory treatment within the individual educational institutions.

Jeannie Oakes and Martin Lipton observe in their paper on “Developing Alternatives to Tracking and Grading,” that in the towns of San Jose and Rockford incoming student placement practices have skewed enrollments in favor of whites over and above levels justifiable by test scores and achievement. According to the authors, while African American and Latino students score lower, on average, than whites and Asians in both school systems, they are much less likely than comparably scoring white or Asian students to be placed in accelerated courses. Latino students scoring between 40 and 49, 50 and 59, and 60 and 69 Normal Curve Equivalents (NCEs) are less than half as likely as their white or Asian counterparts to be placed in accelerated tracks. Even more austere discrimination is observed among the highest-scoring students. While only 56 percent of Latinos scoring between 90 and 99 NCEs have been placed in accelerated classes, more than 90 percent of comparably scoring whites and Asians have gained admission to them. As Oakes and Lipton comment,

In a number of schools, Rockford’s high-track classes included exceptionally low-scoring students; rarely were these students African American. In contrast, quite high-scoring African Americans were often found in low-track classes; this was seldom the case for high-scoring whites. Among several striking examples of skewed placements in Rockford’s junior highs was one school where the range of reading comprehension scores among eighth graders enrolled in Basic (low-track) English classes was from the 1<sup>st</sup> to the 72<sup>nd</sup> National Percentile. Of these, ten students scored above the national average of 50 NP. Six of these high-scoring students were African American, including the highest-achieving students in the class. A seventh was Latino...Interestingly; both school districts defended their skewed placements as fair, given the proportionately higher mean scores for whites than for African Americans and Latinos. However, these averages simply masked the systematic discrimination against individual minority students in the placement process.”<sup>11</sup>

Low-track courses are known to be much less demanding from the students, focusing on rather simple topics and skills, while high-track classes typically include more complex material. Additionally, teachers in low-track classes give less emphasis to basic science concepts, do not encourage students’ interest in math and science, or their development of inquiry and problem-solving skills; instead, they stress conformity to rules and expectations. In contrast, high-track teachers train students to become more competent and autonomous thinkers.<sup>12</sup>

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<sup>9</sup> Jonathan Kozol, *Savage Inequalities: Children in America’s Schools* (New York: Harper/Crown, 1991), 83-89.

<sup>10</sup> Kozol, 99-106.

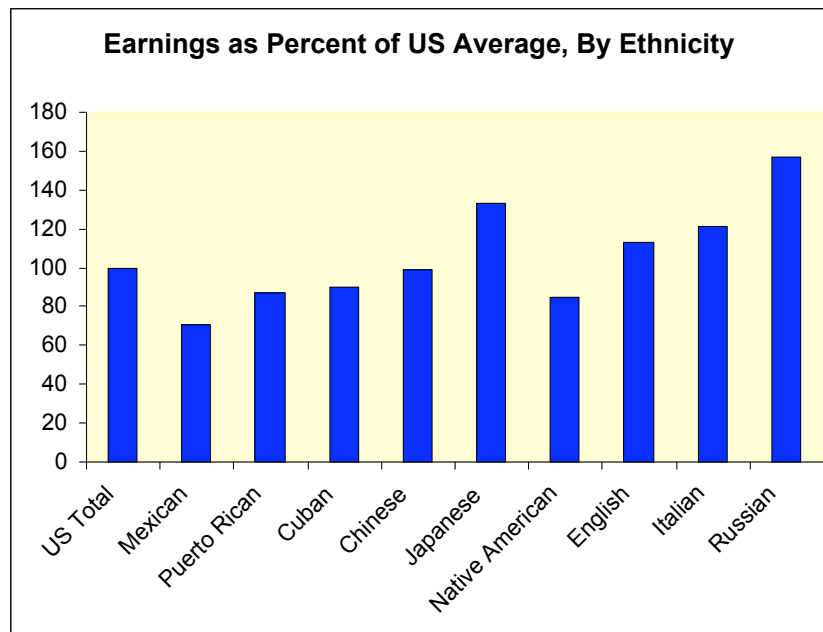
<sup>11</sup> Laura Rendon and Richard Hope, *Educating a New Majority* (San Francisco: Jossey-Bass, 1996), 174-175.

<sup>12</sup> Rendon and Hope, 175-176.

Given these numbers and tendencies, it is hard to explain away discrimination and segregation of people in today’s labor market on the grounds of merit and ability without looking at the subtle relationship between human capital, race, and class. The massive inequalities in school funding, in living and working conditions, and in bargaining power—all key factors in one’s potential for human and professional development, and thus determinants of wages and income—are largely the product of racial and ethnical differences. Based on her comparisons of test scores from the Armed Forces Qualifications Test (AFQT) for the years 1977 through 1987, June O’Neill estimates that the actual black-white wage ratio of 0.829 would have risen to 0.877 if blacks had the same years of education, region, and potential work experience as whites. As she concludes, “Differences in school quality or family and social background that lead to differences in the acquisition of human capital...now have even a greater impact on economic outcomes than they did in the past.”<sup>13</sup>

In this reality of large inequalities in school funding and educational attainment as a result of social background, it can hardly surprise one to learn about the high degree of occupational segregation and income gaps that characterize the employment and relative earnings of blacks and Hispanics in the U.S. labor market. “In 2000 blacks comprised 11.3% of the U.S. labor force and Hispanics 10.7%. People of both ethnicities are underrepresented in many occupations, and disproportionately represented in many service and low-skill jobs....black males employed full time have average annual incomes that are about 75% that of white males. The income gap is slightly larger for Hispanic males when compared to white males. Surprisingly, not much progress has been made in closing these racial income gaps over the last several decades”<sup>14</sup> (Figure 2).

Figure 2



Source: Bureau of Labor Statistics

<sup>13</sup> June O’Neill, “The Role of Human Capital in Earnings Differences between Black and White Men,” *Journal of Economic Perspectives* 4 (1990): 42.

<sup>14</sup> Hyclak et al., *Fundamentals of Labor Economics*, 374-378.

With the gradual monetization of individuals, historical legacies and cultural luggage of racism and bigotry have implanted themselves deep into the market mechanism and capitalist mentality of the present, as minorities have come to be perceived by both governmental and private institutions as something analogous to ‘investment stock.’ While it may no longer be a matter of pure prejudice and hard feelings, it has become a question of which individuals can bring the highest return; therefore, a question of “Who shall be educated?”, “Who shall reside and work in a healthy environment?”, and ultimately, “Who shall live a decent life?” Regardless of the fact that racial and ethnic minorities have in many instances been written off as unworthy investments, they still contribute extensively to society’s structure and function. It is mostly the poor people who join the military and risk their lives in the name of the freedom and wellbeing of their wealthy counterparts. It is the poor that bear the burden of cleaning and recycling most of the waste society creates. It is the poor who work the dirtiest and most hazardous jobs, and it is their manual labor that provides the bulk of people with many essential commodities, including food, clothes, and others. It is the poor who get few to none of the benefits of industrialized modern society, but as compensation they receive much of the harm. Not only are the wealthy ignorant of these realities, but they fail to see the overall drag on society that their own discrimination creates. Through the words of a doctor from the South Bronx, we can easily see his work experience as a microcosm of this greater reality in which prejudice and discrimination fuel each other in a vicious cycle caused by capitalist alienation and dehumanization.

Once these babies, damaged by denial of sufficient health care for their mothers, have been born impaired, we hook them up to tubes and place them on a heated table in an isolette and do our best to save their lives. It seems that we do not want them to die. Much is made in press reports of our provision for these infants; it may even be that we are prone to praise ourselves for these expensive efforts. But, like the often costly savage programs of teen-age remediation for the children we have first denied the opportunity for health care, then for preschool, then for equal education, these special wards for damaged infants are provisions of obligatory mercy which are needed only as a consequence of our refusal to provide initial justice.<sup>15</sup>

### **Women: Back-up Labor Supply, “Glass Ceilings,” and “Sticky Floors”**

It is a curious fact that the Old Testament Book of Leviticus (27: 2-3) states that “if anyone makes a special vow to dedicate persons to the LORD by giving equivalent values, set the value of a male between the ages of twenty and sixty at fifty shekels of silver, according to the sanctuary shekel; and if it is a female, set her value at thirty shekels.” The ratio of women’s wages to men’s wages had remained around or below this 60 percent level well into the late twentieth century (Appendix: Table 3).

Many women and people of color have climbed up the ladder of economic success—filling in the rank of corporate executives, legislators, doctors, and others (Appendix: Table 4)—and this has led people to the hurried conclusion that race and gender are no longer obstacles in the labor market or contributors to inequalities in the economic system. Nevertheless, discrimination, although more subtle and masked behind internal labor mechanisms, has remained prevalent in the work place. At the top of the labor market, this discrimination has been referred to as “hitting a glass ceiling” —an invisible barrier halting entry into the highest levels of executive status. In 1995, a bipartisan Federal Glass Ceiling Commission released a comprehensive study of the obstacles to promotion. According to the

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<sup>15</sup> Kozol, 117.

report, besides facing a number of stereotypes in the workplace and being subject to “special and different standards for evaluation,” white women and people of color do not receive mentoring and support from their employers or white male colleagues, they lack management training, and “opportunities for career development, tailored training, and rotational job assignments that are on the revenue-producing side of the business.”<sup>16</sup>

Furthermore, there has been extensive evidence that most women still work in women-dominated jobs which pay less than men’s jobs requiring comparable levels of education and responsibility. Also, that Blacks, Chicanas/os, and U.S. Puerto Ricans continue to be segregated into ghettos with inferior schooling and few employment opportunities “other than the corner McDonald’s, the local hospital or convalescent home, or the underground economy... For most women and men of color, the metaphor that best describes their place in the labor market is not a glass ceiling; rather it is a “sticky floor,” symbolizing their inability to rise above low-wage secondary-sector jobs.”<sup>17</sup>

To understand the current status of women in the labor market, the transformation of their jobs must be viewed within the larger framework of the history and growth of the U.S. economy. Through a combination of immigration and childbearing, the total U.S. population grew more than sevenfold between 1870 and 1990, from almost 40 million to over 248 million. This population growth helped fuel the rapidly industrializing economy, as the labor force grew from 13 to 125 million. In 1900, white men made up 72 percent of all workers, but by 1990, their share had fallen to 43 percent. However, women have remained a relatively disempowered group, and as such have been concentrated in jobs with lower pay, less job security, and more difficult and dangerous working conditions.<sup>18</sup> Many of them unemployed, and others occupying the lower ranks of the labor market, they have constituted what has been termed a labor “reserve army,” and thus have often become victims of market fluctuation and economic downturns. As Amott and Matthaehi elaborate:

Members of this reserve army are available to be drawn into the labor force during periods of expansion, but can be readily expelled when they are no longer needed....White women and people of color have been disproportionately represented in all parts of the reserve army (married women working as full-time homemakers, an important part of the latent reserve army, have been drawn into the labor force during the two World Wars, and expelled at peace time....foreign workers, most of them people of color, brought into the U.S. economy by the Bracero Program, and Asians and Puerto Ricans who traveled to the U.S. and Hawaii on contracts as agricultural workers have been an important part of the reserve army)....Thus, job growth and downward mobility during recessions and depressions have not affected all workers, or all occupations, equally.... In some cases, the process of job loss has been institutionalized in labor market practices that protect those workers with the most seniority. In general, the last hired have been the first laid off. During the twentieth century, white women and people of color have gradually gained entrance to occupations from which the previously had been excluded. Since they are thus more likely to be the “last hired” in these jobs than are white men, white women and people of color are more likely to be “first fired” during an economic downturn.”<sup>19</sup>

On top of being used as a back-up labor force, women have seen a decrease in the skill level, qualification, and pay of almost every job they have ventured to conquer in an attempt to

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<sup>16</sup> Federal Glass Ceiling Commission, “Good For Business: Making Full Use of the Nations Human Capital,” *The Environmental Scan, A Fact-Finding Report of the Federal Glass Ceiling Commission* (1995): 8.

<sup>17</sup> Amott and Matthaehi, 347.

<sup>18</sup> Amott and Matthaehi, 317-318.

<sup>19</sup> Amott and Matthaehi, 320-321.

escape from the bottom of the labor market. The increased female presence in the high-end job sector has been paralleled with the creation and expansion of a multitude of new job titles and job assignments, almost all of which have been subordinate to the jobs of white male managers and executives, who have been paid more for doing the “difficult” or “challenging” or “supervisory” work. Standing behind arguments of seniority and productivity, employers have been able to cut costs from wages to new entrants “while maintaining the morale of their scarce superior workers.”<sup>20</sup>

There are many examples in the modern economy of poorly paid women replacing men of higher job ranks and nominal salaries. In the recent revolution in health care, Samuel Cohn testifies, HMOs (Health Maintenance Organizations) and insurers have tried to reduce medical expenses by expanding the number of services provided by nurses and medical assistants and restricting the number of services provided by doctors. While “physician” is a predominantly male occupation, nurses and medical assistants are generally female and work for far less than doctors. Similar has been the shift of counseling jobs from psychiatrists to social workers (a heavily female and less well-paid occupation). Furthermore, the author claims, many offices have offloaded managerial functions to secretarial or administrative staff. The old managerial jobs have been typically performed by males, while the clerical and administrative workers who have come underneath them have been predominantly female.<sup>21</sup>

In banking, for example, loans often were made by bank presidents or branch managers who were important figures in their communities and these presidents and managers had intimate knowledge of their most important commercial and residential customers and were thus in a position to apply their personal understanding of individual circumstances to the approval or denial of credit. Some high-level officers were typically male. Currently, loan approvals are centralized in large national credit offices, where most of the discretionary work is handled by an administrative staff... The job of branch bank manager has not got away; it has simply become deskilled; most of the decision-making functions have been removed to administrative and data processing centers, leaving the branch managers with limited sales and supervisory functions. As the status and pay of the bank manager has declined, the job has become progressively female.<sup>22</sup>

Feminization of the labor market, however, has not necessarily required a change in job title. Often, in the process of reorganizing production, employers have just added female workers for the sake of savings. Pharmacy work has been steadily losing status in the last twenty years, as pharmacists who once ran their own businesses and compounded their own prescriptions have been replaced by new workers who are typically employed by a large retail chain, such as a supermarket or a discount store, and who merely dispense premade medications. Their advisory function has also been taken away, with medical warnings and recommendations now stored in computer databases and automatically dispensed with each new prescription. Therefore, the deskilling of the pharmacist’s job has been paralleled by a change of gender as “relatively inexpensive women have been replacing more expensive men.”<sup>23</sup>

If people with power have an interest in discrimination and firms adapt to oppressive relations elsewhere in society, we would expect the capitalist firm to continue discriminating in the face of changing conditions and challenges to discrimination. The firm may integrate its managerial structure if necessary, but, in the process, shuffle female and minority managers off to personnel and public relations—areas with small budgets and little real decision making power. Workgroups may

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<sup>20</sup> Samuel Cohn, *Race Gender and Discrimination at Work* (Boulder, CO: Westview Press, 2000): 45.

<sup>21</sup> Cohn, 46.

<sup>22</sup> Cohn, 46-47.

<sup>23</sup> Cohn, 47.

be integrated on the shopfloor, but a *new division of labor* may emerge that maintains the subordination of women and minorities. And, one way or the other, firms will strive to keep the wages, benefits, and promotional opportunities of *all* their workers—especially their female and minority workers—as minimal as possible.<sup>24</sup>

As demonstrated, both women and racial-ethnic minorities have increased their presence in the labor market over time; however, for historical, cultural, and political reasons that have heavily affected their work characteristics and quality as human capital, they have remained subject to wage differentials (horizontal discrimination), occupational segregation, and internal job subordination (vertical discrimination). Despite those facts of reality, also backed by substantial amounts of statistical data, mainstream economists have remained very optimistic about the labor market situation. Many of them have naively relied on the promises of their colleague, Gary Becker, and his theory about the unsustainability of discrimination in the free market environment. A peculiar aspect of the story of discrimination, however, which has not yet been addressed, deals with the macroeconomic circumstances under which the majority of women and people of color entered the labor market, and the consequences of the possibility that Becker's theory, though largely misunderstood and critiqued for its failure to reflect reality, might indeed turn out to be true.

### **Buffering from Competition**

Chicago University economist and Nobel Prize winner Gary Becker has theorized about the adverse effects of discrimination to a firm's profits in the market, claiming that there is a "taste for discrimination" that an employer is willing to indulge in only for a certain price. His theory is well-known and has been subjected to extensive discussion and criticism, mainly because of his claim that the free market has the capacity to eliminate discrimination. In his *Economics of Discrimination* (1957), Becker concluded that since an employer had to pay to indulge in his taste for discrimination, sooner or later the pressure from market forces would render his firm uncompetitive, and that he could either have to start hiring blacks (whose labor is cheaper than that of whites), thus lower the firm's wage rates and restore its profitability, or risk to be driven out of business. His theory has come in conflict with the facts of reality. Nevertheless, the clash between his claims and the extensive evidence of discrimination in the labor market shed light on some important aspects of the economy that have been underplayed in the simple and limited dynamic of supply and demand.

To begin with, we have obviously not been living in an environment of perfect competition, as Becker had assumed. Hence, more and more attention has been given by economists to the relationship between discrimination and what has been called "organizational slack." Organizational slack, or the inefficiency of firms, whose managers are not constantly on the lookout for every opportunity for profit and growth that may present itself (i.e. they do not always behave "rationally"), has been caused by, among other things, a peculiar "buffering from competition" that has emerged at various times and has been experienced by various entities in the market framework. The phrase refers to the ability of a firm to avoid or delay the pressures from market competition, and this ability has been influenced by factors like overall

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<sup>24</sup> Albelda et al., *Unlevel Playing Fields*, 190.

macroeconomic performance, international trade, domestic policies, labor rules and regulations, labor force participation and composition, and others. Samuel Cohn argues that the all-white-male labor forces of the 1950s and 1960s were fostered by such buffered economic environment that prevented many large firms from having to economize on labor costs. Nevertheless, Cohn suggests, such policies became less and less viable in the more open and competitive economic markets of the following decades. As the author describes,

The 1970s brought significant competition to U.S. manufacturers from Japanese and Korean competitors. The 1980s and 1990s brought about offshore production in which it became increasingly viable to transfer production to the third world, dramatically reducing labor costs for the plants that were transferred and intensifying the pressure to lower wages for the plants on U.S. soil that remained. As a result, many large firms in the 1980s and 1990s began to cut labor costs relatively aggressively. Plants were closed or transferred overseas. Workers were laid off. Unions were decertified. Union contracts were renegotiated, gutting wages. Even white-collar workers and managers were not immune because downsizing eliminated job and wage security for workers of all income brackets, social classes, and occupations. Because firms were under pressure to lower personnel costs through whatever means they could, it became important to substitute cheap labor for expensive labor whenever possible. In the downsizing environment of the 1980s, discrimination became more economically unviable than it had been in earlier eras. This discouraged the employment of white adult males and created opportunities for groups who were willing to work for less.<sup>25</sup>

On the one hand, the increased competition helped bring discrimination down, and created new opportunities for employment of the poor. On the other hand, there seems to be something rotten about people being hired just because they were willing to work for less. Pressured by unemployment and poverty, the previously-discriminated-against have succumbed to the white employers, ratifying the ideology of wage differentials, occupational segregation, and subordination; thus becoming employed just to continue to be discriminated against, only now with a pinch of hypocrisy. The pressure of increased competition on the capitalists has decreased their discriminatory practices only to make discrimination the norm and internalize it as an integral part of social and economic dogma. Indeed, Becker's theory appears fragile in the hypothetical context of a free market. It can persist, as economists have argued, only in a situation where *everybody discriminates*; i.e., where discrimination has become such a central part of the structure and function of the labor market, that competition is no longer a threat to its existence.

### **Discrimination: Individual Choice or Institutional Convention?**

In view of the presented evidence and argument, it appears that the most fundamental notion of mainstream economics, with regard to labor market discrimination or any economic phenomenon in the market system—namely that everything is a function of individual decisions and tastes—is a largely misconstrued idea. As Albelda, Drago, and Shulman assert, we cannot overlook the reality that institutions in society, such as firms, unions, schools, and the government, have rules and regulations that are discriminatory, even if the individuals in those institutions do not exhibit a personal preference for discrimination. Prejudice fostered by social and cultural forces creates discrimination and discrimination in turn reinforces prejudice through market mechanisms. Thus, discrimination and inequality are not a simple issue of “us-against-

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<sup>25</sup> Cohn, 44.

them;” rather they are deeply embedded in the systems in which all of us live and work—the market system, the production system, the reproduction system.<sup>26</sup>

Consequently, individuals cannot be taken as the basic unit of analysis when looking at labor market outcomes because their tastes, interests, knowledge, judgment, and, ultimately, their actions, are substantially a product of their social experiences and circumstances. While their choices may be “self-interested,” their self-interest is highly context-dependent, given the way individual decisions are influenced by factors such as social background, community standards, job expectations, advertising, the judgments of friends, and ideologies of consumerism or religion.<sup>27</sup> We may all have our own individual “taste for discrimination,” however, as was shown, it is allowed to persist only because of the greater framework of rules and incentives of social or private organizations, such as firms, markets, and the government. Whether discrimination is overt (like the Jim Crow laws), or covert (like the employer screens), conscious (taxes and school funding), or unconscious (personal difficulties in socializing), rational (exclusion of minorities from labor unions to minimize job competition) or irrational (unions refusing to organize female workers)<sup>28</sup>, is it always the product of cultural, social, or political interests and clashes. Our individual choices are simply an echo of the larger social mentality.

Accordingly, the anti-discrimination struggle has emerged as a result of complex interaction between individuals, groups, and greater political mechanisms. The Civil Rights Movement, the labor unions, or the environmental protection movement have not come as the result of rational, selfish behavior and individual decision making in the purely economic framework of market interactions. These coalitions have emerged from a political context, have been informed by a communal relationship to others, and have resulted from a clash of interests between various groups and classes of people. This side of the story has had much more relevance to the reality of our lives than the dynamics of the two crossed lines representing the so called “supply” and “demand.”

Eventually, it appears unreasonable to rely on individual pieces of legislation or neoclassical fantasies to protect us from the discriminatory practices that are customary in today’s labor markets. Initiatives like Affirmative Action have had only a limited impact on making the labor market struggle fairer, since they have not been able to change the underlying structure and mindset of the system. When Thomas Jefferson spoke about the natural aristocracy and the meritocratic ideal of society, he was not concerned with the outcomes in terms of the race, culture, gender, or inheritance of those who would lead society forward, but with the processes of finding the most qualified individuals by giving all the equal opportunity to participate and to realize their potential to the fullest, so that at the end of the day society’s benefits are maximized and no human worth is lost or sacrificed. It only takes a little bad faith to turn his idea around and make it the cause for detrimental class prejudice, which cuts people off before ever giving them a chance to prove their worth, a chance to live a meaningful life. Many have argued that change has to be brought about by collective struggles which must challenge the labor market hierarchy itself, as well as the social institutions within society that reproduce discrimination and inequality. It will likely require a long time before such change is realized. In the meantime, we must not allow the discriminatory practices and the racial and gender-biased mentality completely transform themselves into unwritten law, which we may never be able to erase.

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<sup>26</sup> Albelda et al., *Unlevel Playing Fields*, 7-9.

<sup>27</sup> Albelda et al., *Unlevel Playing Fields*, 125.

<sup>28</sup> Albelda et al., *Unlevel Playing Fields*, 182

## Appendix

**Table 1**

Year, sex, race	Employed		Unemployed	
	Population (thousands)	Percent	Population (thousands)	Percent
White				
2001	114,430	64.2	4,969	4.2
2002	114,013	63.4	6,137	5.1
2003	114,235	63	6,311	<b>5.2</b>
Black				
2001	15,006	59.7	1,416	8.6
2002	14,872	58.1	1,693	10.2
2003	14,739	57.4	1,787	<b>10.8</b>
Asian				
2001	6,180	64.2	288	4.5
2002	6,215	63.2	389	5.9
2003	5,756	62.4	366	<b>6</b>
Hispanic				
2001	16,190	64.9	1,138	6.6
2002	16,590	63.9	1,353	7.5
2003	17,372	63.1	1,441	<b>7.7</b>

Source: U.S. Bureau of Labor Statistics, Bulletin 2307; and Employment and Earnings, monthly. January 2004 issue.

**Table 2**

Employed Civilians by Occupation, Sex, Race					
Occupation	Total Employed (1,000)	Percent of Total			
		Female	Black	Asian	Hispanic
Total	137,736	46.8	10.7	4.2	12.6
Management, business, and financial operations occupations	19,934	42.1	6.9	4.2	5.9
Healthcare practitioner and technical occupations	6,648	73.7	10.1	7.4	4.9
Combined food preparation and serving workers, including fast food	259	72.4	13.3	5.1	13.3
Personal care and service occupations	4,232	78.4	13.7	5.4	13

Source: U.S. Bureau of Labor Statistics, Bulletin 2307; and Employment and Earnings, monthly. January 2004 issue.

**Table 3**

Dispersion of Earnings By Gender and Age			
1999 Dollar Earnings			
	Men	Women	Ratio
80th Percentile			
1975	\$58,655	\$30,058	<b>0.51</b>
1980	\$58,456	\$30,528	<b>0.52</b>
1985	\$58,645	\$43,657	<b>0.74</b>
1990	\$55,682	\$34,826	<b>0.63</b>
1999	\$60,585	\$38,856	<b>0.64</b>
20th Percentile			
1975	\$22,701	\$6,819	<b>0.30</b>
1980	\$20,844	\$7,518	<b>0.36</b>
1985	\$18,227	\$8,175	<b>0.45</b>
1990	\$16,383	\$7,578	<b>0.46</b>
1999	\$17,153	\$9,194	<b>0.54</b>

Source: Bureau of Labor Statistics

**Table 4**

Changes in the Occupational Distributions of Men and Women, 1983-2000			
	% of Workforce in Occupations		
	1983	1990	2000
Men			
<b>Highest-Paying Occupations</b>	<b>24.5</b>	<b>25.8</b>	<b>29.5</b>
Executive, Managerial, Administrative	12.8	13.8	15.6
Professional Specialty	11.7	12	13.9
Women			
<b>Highest-Paying Occupations</b>	<b>21.9</b>	<b>26.2</b>	<b>32.3</b>
Executive, Managerial, Administrative	7.9	11.1	14.6
Professional Specialty	14	15.1	17.7

Source: Bureau of Labor Statistics

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