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6 Brothers of a Different Color: A Preliminary Look at Employer Treatment of White and Black Youth

Jerome Culp and Bruce H. Dunson

6.1 Introduction

The high levels of youth unemployment that began in the 1960s and have continued into the 1970s and 1980s have created a large body of data and analyses attempting to explain the unemployment experienced by both black and white youths.[1] Many authors have concentrated on the more serious black youth unemployment problem.[2]

The explanations for the large racial differences in unemployment levels fall into two broad categories: demand and supply causes. According to the demand view, the principal reason for this large differential is discrimination. According to the supply view, the principal reason is the differential mix of skills and aspirations in the two groups.

For reasons of theory and data availability, most social scientists, particularly economists, have focused on supply questions—in particular, why black youths seem to be incompatible with the labor market they seek to enter. Some have attributed this incompatibility to young blacks' lack of labor market information; lack of educational skills; low productivity; and inappropriate work attitudes, speech, and dress (Wilson 1982). Investigators have concentrated on these supply issues because it is difficult to explain theoretically how long- run discrimination can persist in a competitive labor market. Since there is some evidence that the labor market is competitive, it seems reasonable to blame unemployment differences on the inability of black youths to bring to the job market labor of equal quality to whites'.

This view is especially inapplicable to the employment of young people, since entry-level jobs are most likely to be noncompetitive. A

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large number of young people seek and acquire employment in small establishments, where the discriminatory preferences of owners and supervisory personnel are not subject to effective governmental regulation and where some measure of monopsony power among employers may exist.[3]

In addition to these theoretical assumptions, there are limitations in the data on employment that are commonly collected. None of the longitudinal or other survey data permits us to ask how employers treat similarly situated black and white labor. Previous investigators have focused most of their attention on the impact of existing employment information on individual employees. This individual information permits a direct investigation of the influence of race and poverty on the individual employee.

This paper is a modest attempt to investigate the other side of the employment picture—the demand side. It will attempt to measure the extent to which employer activities contribute to the plight of black youths in the labor market.

6.2 The Audit Technique and Questionnaire

The research methodology employed in this study is an audit technique. In our audit we sent out teams of job seekers to look for jobs. Members of each team were matched as closely as possible according to such characteristics as family income and general appearance; their only obvious difference was in skin color. The audit was originally designed to send all members of each team to the same firm, at closely spaced intervals, looking for similar jobs; but as noted below, for logistic reasons this was not always possible.

Each audit team in this project was composed of one white and at least two black high school graduates from the class of 1983 in Newark, New Jersey. Each "auditor" recorded his treatment by the potential employer on standard forms immediately after the visit. The items in the audit questionnaire (see appendix B) can be grouped into five categories (each of which contains 25 to 40 items): the courtesy of the job interviewer; the stated terms and conditions of employment; the information requested by the interviewer; the information volunteered by interviewer; and the final outcome of the interview.

This information was then analyzed in an effort to answer the following question: Do blacks experience differential treatment in the interview process? This investigation is thus a first step in determining whether black youths encounter discrimination when searching for a job.

6.3 Previous Studies and Sample Selection

A number of studies have used variants of this audit technique, usually either a correspondence test or an actor test. In correspondence testing, fictitious résumés or applications are sent to prospective employers. In actor testing, actors play the role of job applicants to prospective employers. McIntosh and Smith (1974), for example, employed both methods in a study in Great Britain. They carried out 305 correspondence tests for white-collar jobs in six different towns. Each test involved a pair of matched applications: one for an English person, and the other for an Italian, a West Indian, or a Pakistani. The two résumés always listed similar (British) qualifications and experience.

The second part of the study contracted actors to carry out tests for two kinds of job searches: personal applications for unskilled or semiskilled manual jobs; and telephone inquiries concerning skilled manual jobs advertised in newspapers. Two sets of actors were used, each of which consisted of a white British, a West Indian, an Indian, a Pakistani, and a Greek actor. Two actors from each set participated in each of the two job searches; one of the pair was always the white British actor, while the other was one of the other four. McIntosh and Smith found evidence of substantial discrimination against racial minorities who were viewed as immigrants and evidence that this discrimination was greater than that against white immigrants to Great Britain.

Another correspondence test, by Firth (1981), investigated the British job market for accountants and financial executives. Firth sent out fictitious applicant letters in response to job advertisements in newspapers. The applicants represented seven different nationalities but otherwise had identical qualifications and work experiences. Firth found that considerable discrimination based on race, nationality, and language remains in the British labor market; more specifically, employers treated similarly qualified applicants differently based on differences in their nationality.

In the United States, Newman (1978) studied discrimination in recruitment by analyzing variations in responses from 207 companies to unsolicited résumés from fictitious black and white applicants. The employer responses strongly indicated discriminatory behavior, in favor of blacks at some firms and whites at others, with the black applicants the beneficiary slightly more often than the whites. But as pointed out by McIntyre, Moberg, and Posner (1980), not all of the differential responses that Newman found were necessarily based on racial discrimination. Some responses might have been the result of artifacts of the experiment, such as responses lost in the mail or misdirected to an inappropriate individual or office, or flaws in selection systems inde-

pendent of race. An example of the latter would be lack of standardization in the process of assessing or responding to applications.

One important distinction should be drawn between these studies and our audit reported here. Our study fundamentally differs from any previous audit studies in its observation of people who were actually searching for jobs. A consequence of this was that we could not control as accurately for individual background characteristics as audit studies that use either résumés or actors. Nonetheless, by selecting similar youths and by using standard statistical techniques to control for differences where they existed, we believe we have adequately controlled for background factors.

Two other sample biases in our study may, however, be significant. First, the auditors were self-selected to the extent that they were willing to talk to the authors (and their schools were willing to permit us to talk to them). It is not clear how large this bias is or in what direction it lies. Second, we sent the auditors on interviews with the largest employers in the Newark area. Those employers may not have been a random sample of employer behavior (particularly toward young workers). Although it was not possible to eliminate these biases, our sample suggests, as discussed below, that it is more typical than we might have hoped.

To determine whether we had appropriately assured the difference between the individuals, we performed two tests. First, we videotaped all of the students and then examined the tapes with the aid of an outside reviewer who had had extensive experience as an employer.[4] Second, we submitted the personnel data of the auditors, after deleting information on race and high school, to a group of nine experienced employers (primarily in the public sector). The results of this second test are shown in table 6.1. We asked each employer to rate the students for potential managerial and maintenance jobs on a scale of 1 to 5, where 5 was "must hire" and 1 was "never hire."[5] The black and white potential auditors were rated very similarly; the rating employers did not perceive them as being very different.[6]

6.4 Demographics of the Sample Area

This study was conducted in Essex County, New Jersey. Table 6.2 presents the demographics of this county. As of 1980, the total population was 851,116. Whites were the largest racial group with 57 percent of the total population. They were followed by blacks with 37 percent and by the "other" category with 6 percent of the total population. The age distributions of the two major races clearly demonstrate that the blacks were, on average, younger than the whites. For example, 17.4 percent of the total white population were 14 years old or younger,

Table 6.1 Employer Ratings of Potential Auditors

		Average Score for Managerial Job				Average Score for Maintenance Job
All Auditors		2.4				3.1
Blacks		2.4				3.1
Whites		2.3				3.1
		Distribution of Ratings, by Score				
		1	2	3	4	5
Managerial Job	Blacks	34%	20%	25%	17%	2%
	Whites	37%	17%	30%	9%	7%
	All Auditors	36%	19%	27%	15%	5%
Maintenance Job	Blacks	6%	23%	34%	29%	8%
	Whites	9%	22%	30%	30%	9%
	All Auditors	7%	23%	33%	29%	8%

Note: The average scores reflect a possible range from 1 = "never hire" to 5 = "must hire."

whereas 28.9 percent of blacks were in the same age cohort, according to the 1980 Census.

The unemployment rate of individuals 16 years of age and over by race and gender are also presented in table 6.2. Consistent with national patterns, the 1980 unemployment rates for blacks were higher than those of their white counterparts. For example, whereas the unemployment rate for white men was 5.5 percent, the rate for black men was 13.4 percent. Similarly, the unemployment rate for black women was greater than that for white women, by almost six percentage points.

Important differences existed in both the racial composition and the unemployment rates in different localities within Essex County. An example of this diversity is the City of Newark, as shown in table 6.3. Newark, with a total population of 329,248 in 1980, is a black city with a significant white population (a third of whites are of Hispanic origin). By contrast, Essex County is a predominantly white area with a significant black population.

The labor-force status of individuals 16 years old and over by race and gender are also presented in table 6.3. Salient in these data is, first, the difference in the magnitudes of the unemployment rates between Newark and the county as a whole. For example, 8.7 percent of Newark's white men in the labor force were unemployed, whereas only 5.54 percent of the white men in Essex County were without a job. Second is the difference in the magnitudes of unemployment rates between blacks and whites in the city and the county. In Newark, the black male unemployment rate was almost twice the white male rate. On the other hand, in Essex County as a whole the black male un-

Table 6.2 **Demographic and Labor-Force Characteristics of Essex County, New Jersey**

	Population in Households	
	Number	Percent
Whites	482,193	57
Blacks	316,440	37
Others	52,483	6
Total	851,116	100

	Population, by Age and Race			
	Whites		Blacks	
Age	Number	Percent	Number	Percent
0–14	83,425	17.3	91,207	28.9
15–54	308,460	64.0	183,599	58.0
55+	90,308	18.7	41,634	13.1
Total	482,183	100.0	316,440	100.0

	Percentage Unemployed	
Race	Men	Women
Whites	5.5	6.3
Blacks	13.4	12.2

Source: 1980 Census, General Population Characteristics, 32-406, New Jersey.

Table 6.3 **Demographic and Labor-Force Characteristics of Essex County and Newark, New Jersey**

	Essex County		Newark	
	Number	Percent	Number	Percent
Total	851,116		329,248	
Whites	490,199	57	107,465	31
Blacks	316,648	37	191,968	58
Other	30,175	6	26,471	11

	Unemployment Rates (percent)			
	Essex County		Newark	
Race	Men	Women	Men	Women
Whites	5.5	6.3	8.7	10.9
Blacks	13.4	12.2	16.5	15.1

Source: 1980 Census.

employment rate was a little more than two and one-half times greater than the white male rate.

The information presented in table 6.4 illustrates that differences also existed between the two areas in the distribution of workers across occupations and industries. In Newark, the three primary occupations were administrative support, including clerical (19.9 percent); operators, fabricators, and laborers (19.5 percent); and service, except protective and household (17.9 percent of total employment).

Essex County is relatively prosperous; the mean family income of whites in 1979 was $30,000. But in Newark that mean was $17,860. Among blacks the mean family income in 1979 was only $13,283 in the county and a slightly higher $15,682 in Newark. The ratio of black to white mean family income in Essex County (.52) was thus lower than that in Newark (.74).

6.5 The Sample

To conduct the audit, we selected a sample of black and white non-Hispanic teenagers who were to graduate from high school in June 1983. These teenagers were students in four high schools in the Newark area. All of the students selected had to express disinterest in continuing their educational experiences in college or other forms of higher education.

Initially, we attempted to enlist black and non-Hispanic white teenagers from the same high schools. But white flight to private schools and residential segregation has left the Newark school system almost entirely black and Hispanic. We called almost all of the high schools in the Newark area, looking for male students who were graduating and who needed to find full-time employment. We had little difficulty finding blacks who fit this profile, but we could find few whites who wanted to participate in the study. In fact, the high school nearest our office (about a half-mile away), Harrison High School, is entirely white and Hispanic. There we met with a group of some 12 non-Hispanic white seniors, none of whom was willing to take the eight-block walk to our office to collect $5.00 and possibly a job, or at least some job prospects.[7] But we had some problems gaining access to students in all locations. It never took fewer than three phone calls to reach an individual who could provide access to the school. Easter holidays, spring recess, and the senior prom all slowed down the responsiveness of the high schools and their students to our requests.

Of the 21 Newark high school seniors who finally participated in the audit, all were male; 14 were black and seven were white. Table 6.5 shows that the social class of these auditors, as indicated by whether the income of their parents was above or below the poverty level in

Table 6.4 **The Distribution of Total Employment, by Occupation and Industry, Essex County and the City of Newark, New Jersey**

	Percentage in:	
Occupation/Industry	Newark	Essex
Employed Persons 16 Years Old and Over, by Occupation		
Managerial and Professional Speciality:		
Executive, Administrative, Managerial,	4.8	11.1
Professional Speciality	7.5	13.6
Technical, Sales, Administrative Support:		
Technicians and Related Support	1.9	2.5
Sales	4.7	8.6
Administrative Support Including Clerical	19.9	21.4
Service:		
Private Household	0.8	0.8
Protective Service	2.9	2.5
Service, Except Protective and Household	12.9	9.9
Farming, Forestry, and Fishing	0.3	0.4
Precision Production, Craft, and Repair	10.2	9.5
Operators, Fabricators, and Laborors:		
Machine Operators, Assemblers, Inspectors	19.5	10.8
Transportation and Material Moving	6.0	4.1
Handlers, Equipment Cleaners, Helpers, Laborers	8.3	4.7
Employed Persons 16 Years Old and Over, by Industry		
Agriculture, Forestry, Fisheries	0.1	0.3
Construction	4.1	3.7
Manufacturing:		
Nondurable Goods	13.9	11.2
Durable Goods	17.2	13.3
Transportation	6.6	5.3
Communication, Other Public Utilities	2.4	3.1
Wholesale Trade	3.7	4.5
Retail Trade	10.3	12.8
Finance, Insurance, and Real Estate	6.8	8.9
Business and Repair Services	4.7	5.2
Personal, Entertainment, and Recreation Services	3.7	3.6
Professional and Related Services:		
Health Services	8.3	8.9
Other Professional and Related Services	3.8	5.2
Public Administration	6.5	5.4

Source: 1980 Census, Detailed Occupation of Employed Persons by Sex, Race and Spanish Origin

1983, was similar to the metropolitan Newark averages in one respect: more blacks were below the poverty level than whites. In our sample 86 percent of the black and only 29 percent of the white youths were from families with incomes below the national poverty level. These percentages were higher, however, than the percentages for the pop-

ulation of the City of Newark who lived below the poverty line. Based on 1979 income 37.7 percent of all blacks and 29 percent of all whites were reported as living with incomes below the poverty level. Our sample is therefore overrepresentative of poor blacks and whites.

Table 6.5 also indicates that the black auditors were more likely than the white auditors to reside in single-parent households. They were also from less-educated families than those of their white counterparts. This difference suggests a potential problem with inferring discrimination based simply on differences in employer treatment of blacks and whites. Unlike audit studies that examine matched pairs of actors, ours examines the experiences of actual job seekers. The auditors obviously differed in many respects.

In fact, as shown in table 6.6, the white auditors were four times as likely as the black auditors to be employed full time by 31 July 1983 and only one-tenth as likely to be unemployed as of that date. The remainder of this paper will attempt to distinguish the differences in treatment by potential employers based on race and those differences based on other specific factors.

6.6 The Firms

We started with a list of the private firms with more than 200 employees in Essex County in 1978. This list presented two methodological problems. First, in recent years Newark and Essex County have experienced a large drop in employment, particularly in the manufacturing sector. A substantial number of firms on our list had therefore ceased operations. Second, when this study began in March 1983, the country was in the deepest recession since the Great Depression of the

Table 6.5 Socioeconomic Characteristics of Auditors

Characteristic	Blacks (%)	Whites (%)
Family Income		
At or Below Poverty Level	86	29
Above Poverty Level	14	71
Living Arrangements		
Two-parent household	57	86
Other	43	14
Parents' Education Level		
Mother	10.7	10.4
Father	11	13.2
Sample Size	14	7

Source: Audit survey data (see appendix A).

Table 6.6 Auditors' Employment Status as of Week of 31 July 1983, by Race

	Whites		Blacks	
Status	Number	Percent	Number	Percent
Enrolled in School Full-Time	1	14.3	2	.143
Military	1[a]	14.3	0	0
Employed Full-Time	2[b]	28.5	1[c]	.071
Employed Part-Time	1[d]	14.3	2[e]	.143
Unemployed	1	14.3	6	.428
Unreachable	1	14.3	3	.214
Total	7		14	

[a]Job in the Coast Guard in Virginia.

[b]A unionized supermarket job at the wage of $7.75 per hour and a job under father's employ.

[c]Job as a guard secured through the auspices of this study.

[d]Job in a fast-food restaurant.

[e]Jobs in government job-creation programs.

1930s. New Jersey weathered the recession better than the nation as a whole, however. In July 1983, the statewide unemployment rate was only 8.4 percent, well below the national and regional averages. Nonetheless, of the 190 public and private firms we approached, only 32 were hiring recent high school graduates or accepting applications from such applicants. These 32 were not evenly distributed throughout the county. The auditors were first sent to those of the firms in the immediate Newark area. We then supplemented the list of large firms with firms that advertised in the Newark *Star Ledger* in March and May 1983. But of the numerous firms we queried, only four or five said they would accept applications from recent high school graduates.

The recession may have influenced our measure of discrimination in several ways. If the recession requires rationing of scarce opportunities in a market undergoing temporary disequilibrium, the measured level of discrimination could be much higher than normal because the firms would have greater freedom to exercise hiring prejudices. On the other hand, a poor labor market may encourage some potential job applicants who want a job out of high school to exit the labor market either as full-time enrolled students or simply as temporary labor market dropouts. It is possible that these influences would not affect white and black graduates in the same way. If white graduates are more likely to go to school in a recession than are similarly situated black graduates, the sample of students in the labor market will be biased, which in turn will skew our perception of employer responses. We partially controlled for these sampling differences by carefully selecting the students.

We chose to sample large firms instead of small retail or service firms, such as McDonald's, because large firms are less likely to rely

on internal referrals of family and friends in selecting employees. If we had sent auditors to small firms, we would have been less sure whether applicant failure was based on employers' hiring internal referrals. Accordingly, we expect our measurement of treatment differences to be an underestimate of the average effect if all firms were included.

6.7 Attitudes Toward Jobs and Reservation Wages

This section examines the auditors' responses to two questions from our audit background survey (appendix A), which was designed to investigate the attitudes of the auditors toward the world of work. The first question queried job preferences and the second, reservation wages.

The first question asked, "What is most important to you for a permanent job? Wages? Safety? Promotion prospects? Enjoyment of the job? Status of the job in the community?" The implication suggested by table 6.7, which displays the results for this question, is that black and white youths differ in what they want from a job. Whites were concerned with the more tangible aspects of a job. Forty-three percent of the white youths in our sample listed wages as their primary concern; 14 percent checked promotion prospects; and 43 percent chose enjoyment of the job. Among the black youths in the sample, 7 percent listed wages; 21 percent, safety; 14 percent, promotion prospects; 43 percent, job enjoyment; and 14 percent, status of the job as their primary concern.

Although this evidence suggests that blacks are more concerned with the nonfinancial aspect of employment than are their white counterparts, such a conclusion would be incorrect. For example, some of the black auditors were later questioned as to their preferences for a specific job generally thought to be held in high status but to pay low wages versus a more undesirable job paying a high wage. In each case the high wage was chosen. Further conversations suggested that wages were also important to the young black men, but they had lower expectations than their white counterparts of obtaining employment at a high wage. It seems that as a result of their low wage expectations, they focus their sights instead on the prestige of the job. Further indirect support for this conjecture is provided by their response to the second

Table 6.7 Characteristics of Jobs Desirable to Black and White Auditors

Characteristic	Blacks (%)	Whites (%)
Wages	7	43
Safety	21	0
Promotion Prospects	14	14
Enjoyment	43	43
Status	14	0

Source: Audit survey data (see appendix A).

question of relevance here, namely, "What is the minimum wage at which you would consider accepting a job." The mean acceptance wage for blacks was $3.75, whereas for whites it was $4.26.

Different reservation wages between whites and blacks is a factor commonly believed to influence differential rates of unemployment between the two races. Both Osterman (1980) and Stephenson (1976), using different data sets, found no evidence to support this hypothesis, though Holzer (in this volume) does find major reservation wage effects.

To investigate this issue using our sample, we estimated a simple equation. The results of this estimation appear in table 6.8. The independent variables were the high school grade-point average, previous job experience in months, and race. Initially, poverty status was also included in the equation, but it was almost perfectly related to race, making the estimates highly unstable. The results show that for our sample minimum acceptance wages, though slightly less for blacks, statistically speaking were equivalent for the two races. The only variable that shows any effect is the number of months of previous work experience.

6.8 Personal References

We asked the auditors to give us three personal references whose names they would have provided to a potential employer. Table 6.9 illustrates their responses to that question and offers two very interesting results. First, both white and black students rely inordinately on friends and relatives as references. One white student gave only one reference—his mother. It is clear that all the auditors, but particularly the black auditors, were reference poor. For example, eight of the 14 black and one of the seven white auditors had some experience with a summer youth employment program, but none of these students could give one person associated with these programs as a reference. Most could not remember the name of anyone they had worked for,

Table 6.8 **Determinants of Auditors' Reservation Wages**

Variables	Coefficients	t-Statistics
Black	−.213	(.509)
Grade Point Average in High School	.118	(.342)
Job Experience	.027	(1.43)
Constant	3.55	
R^2	.23	

Source: Audit survey data (see appendix A).

and the one person who came up with a name did not know how to reach that reference.

This finding suggests at least one reason why poor and black youths are unable to translate their summer job experiences into future employment. How can a hardworking young person convince a potential employer that he knows how to work when he can provide no corroboration from a previous employer? There is no obvious reason why, as an adjunct to the income-transfer function of government jobs programs (probably their most important function), these programs cannot be better designed to encourage youths to maintain contact with their supervisors.

Most of the literature on references has to do with who referred the successful applicant to his job. The U.S. Department of Labor (1980) has collected data for more than 15 years on methods used to look for jobs, data summarized in table 6.10. This focus on methods fails to distinguish between the issue of youths' lack of references and the issue of how they find jobs. Among those who do find jobs, a significant majority rely on familial and job experience ties to obtain employment. Black men are more likely than white men to try to get job information through the public sector of the job market, and they are one-third more likely to use public and private employment agencies. Black men

Table 6.9 References Given by Potential Auditors

Type of Reference/ Number Given	Black Students		White Students	
	Percent	Number	Percent	Number
Friends				
0	35.71	5	28.57	2
1	42.86	6	28.57	2
2	21.43	3	0	0
3	0	0	0	0
Relatives				
0	57.14	8	65.71	6
1	28.57	4	14.29	1
2	14.28	2	0	0
Teachers				
0	35.71	5	65.71	6
1	28.57	4	14.29	1
2	21.43	3	0	0
3	14.29	2	0	0
Previous Employers	92.86			
0	7.14	13	31.43	5
1	0	1	0	0
2	0	0	28.57	2

Source: Audit survey data (see appendix A).

are less likely than white men to apply directly to an employer or to count on the help of relatives or friends. Since information on which employers to approach is generally likely to come from friends, blacks' overlooking of friends as a source of information may reflect a lack of information on employment in the black community.

An example of how important this lack is emerged in our research. A large, semipublic employer was seeking several employees for maintenance jobs at the time of our study. The firm did not publish its openings because doing so would have produced, in the words of its personnel manager, a line of applicants that would stretch around the block. Instead, the employer posted the jobs internally and relied on word-of-mouth referrals to solicit applicants. None of our auditors was aware of these jobs. These procedures obviously work against those who are information poor and whose friends and relatives are information poor. It appears from the responses of our auditors that not only do they have trouble producing job references, but they also have difficulty acquiring job market information.

The second interesting result from our question about references was the failure of white students to use teachers as references. Only one white student in this sample used teachers as a reference, and he used only one. Nine of the 14 black students used at least one teacher as a reference and five used at least two. This difference could be caused simply by the better access that white youths have to job market information through parents and friends. Nonetheless, it is hard to understand why the white auditors, who like the blacks had spent a majority of their time in school, had no references from school. When giving references to the companies audited, the students also gave their potential employer a similar selection of teachers and relatives as references.

Our tentative conclusion is that white students who are not going to college or other advanced educational institutions are more alienated from society than black students. The guidance counselors in the three

Table 6.10 **Job-Search Methods Used by Unemployed Male Job Seekers Nationwide, 1979**

Percent Using	Black	White
Public employment agency	35.7	26.4
Private employment agency	7.0	6.3
Employer directly	68.7	73.3
Friends or relatives	15.5	16.4
Placed or answered ad	23.1	29.2
Other	7.1	8.1
Average No. Methods Used	1.6	1.60

Source: U.S. Department of Labor (1980, 90, table 43).

predominantly white high schools we visited invariably had had to discipline the white students who fit into this category. Less discipline was required in the high schools visited that were predominantly black. Theoretically, a black high school graduate is as likely to go to college as a white high school graduate. This means either that the tails of the two distributions of high school students differ in their approach to work and work habits or that we are not in fact examining the tail of the black distribution.

It is clear from this analysis that black and white youths are not able to bring much in the way of personal references to the job market. All of the auditors relied primarily on friends and relatives, and among the black auditors, on teachers, as references.

6.9 Aspirations

A frequent explanation for the poor labor market outcomes of black youths is their "unrealistic" expectations for high paying jobs. In our limited sample, we found no expectation that could be characterized as "unrealistic." When asked what jobs they wanted, the black youths tended to be very general in their responses: for example, "a well-paying job" or "a job with prestige." But when pressed about what jobs they would accept, the black auditors almost without exception were willing to take any job that paid the minimum wage. This shift in their answers is consistent with other recent research findings that have shown that the way the reservation-wage question is asked of black youths influences the nature of their responses (Holzer, in this volume).

The minimum wage seems to play a curious role in the formation (Holzer 1984) of job expectations. Almost all of the auditors knew approximately what the minimum-wage level was. A few thought it was slightly higher than its actual level ($3.50 instead of $3.35 per hour). They used the existence of the minimum wage as a rationale for not accepting a lower wage. This suggests that even if the purpose of the minimum wage is to redistribute income, young people use it to help form their reservation wages. We found no interest in jobs paying less than the minimum wage, even if they had significant promotion possibilities. Nor should this be surprising. Some part-time jobs at the minimum wage do exist for black youths in their neighborhoods. But any minimum-wage job that requires a significant investment in travel time (the average commuting time in Newark is 27 minutes) and bus or train fare is unlikely to be worthwhile to any job seeker.

6.10 Audit Results

Having established that our subsamples of black and white youths were in many respects similar to each other, we now turn to the question

whether they were treated similarly in their search for employment. In undertaking this phase of our study, the attrition rate for our original group of 21 individuals posed some difficulty. After we selected the original group of auditors, we sought to send them on interviews with various employers. But the addresses and telephone numbers of the students often changed, so that we could not reach many members of our sample. Furthermore, after having been referred to employers, many of the white students, in particular, were no longer interested in using our services as employment brokers or had already obtained jobs (as indicated in table 6.6). We ultimately sent five students, of whom one was white, to a total of 45 audits. The types of industries and frequencies with which they were audited are presented in panels A and B, respectively, of table 6.11. We constructed an index of treatment for each employment application, based on the sum of the number of times an auditor responded in the affirmative to questions 12(a) through 12(c) and 15(a) through 15(f) in appendix B. These questions elicited information on the employer's treatment of the auditor during the job interview.

For example, question 12(a) asked, "Did anyone in the office tell you of other job openings?" and 12(b) asked, "Did anyone in the office engage you in a conversation?" A mean treatment value for each auditor was computed, and these values are presented in the second half of table 6.11. As expected, the mean treatment varied across auditors.

Table 6.11 **Treatment Indexes: Means and by Selected Industries**

A. Index of Treatment

Auditor	Mean Treatment	Number of Audits
Auditor 1	2.00	18
Auditor 2	2.40	5
Auditor 3	1.27	11
Auditor 4	1.33	3
Auditor 5 (white)	2.87	8

B. Index of Treatment, by Selected Industries

	Retail Trade	Finance, Insurance, and Real Estate	Manufacturing
Auditor 1	2.85	2.20	1.89
Auditor 2	2.00	2.67	
Auditor 3	1.00	2.00	1.20
Auditor 4		1.33	
Auditor 5 (white)	5.33	1.4	

Source: Audit survey data (see appendix B).

It should be noted, however, that the mean treatment index for the white auditor was slightly higher than that of the four black auditors.

An interesting finding was that differences in treatment varied by auditor across the major industry categories. Ranking those industries by the average hourly wage, we find that differential treatment by race was greater for those industries with jobs paying closer to the minimum wage. For instance, the February 1983 average hourly wage in retail trade was $5.71, and in finance, insurance, and real estate it was $7.75. The differential treatment indexes for the former were more pronounced than those for the latter industry.

The discussion of treatment effects has so far been very general. Although data limitations severely reduced the usefulness of more refined statistical procedures, a more precise measurement of differences in treatment was desired. The variance in treatment can be thought of as consisting of two principal kinds: one arising from individual-specific effects, and the other arising from industry- or firm-specific effects.

We first estimated an equation in which the dependent variable was the index of treatment by a particular firm. The independent variables were individual-specific dummy variables, with the white auditor as the excluded category. The results are in table 6.12. Although differences did exist among the blacks in each instance, the four black auditors on average were treated less favorably than the white auditor. Moreover, the magnitude of the difference in treatment in each instance was greater between the blacks and the white auditor than among the black auditors. Since the auditors did not all interview with the same employers, if some employers typically treated job applicants with less courtesy, part of the difference attributed to differences in individuals was caused by these employer or industry effects.

The audited firms were then grouped into five industry types: retail trade; manufacturing; transportation; public institutions; and finance, insurance, and real estate. These dummy variables, coupled with the individual-specific dummies, were placed into one equation and our treatment effects reestimated. The excluded industry category was retail trade. The results were generally as expected. The magnitude of the individual-specific coefficients in all but one instance decreased. The one exception resulted from the fact that auditor 4 did not have any interviews in retail trade. The major point nevertheless remains. The black auditors, although not significantly so, in most instances were treated less courteously than the white auditor.

6.11 Conclusions

Despite the very limited sample that we have been able to gather, we believe we can draw a number of tentative conclusions from this study.

Table 6.12 Regression Estimates of Treatment Effects

Variable	Individual-Specific Effects	Individual and Industry Effects
Constant	2.87	3.35
Auditor 1	−.75	−.587
	(1.24)	(.770)
Auditor 2	−.475	−.428
	(.505)	(.461)
Auditor 3	−1.60	−1.37
	(2.07)	(1.67)
Auditor 4	−1.54	−1.62
	(1.38)	(1.45)
Public Sector	—	.547
		(.530)
Transportation	—	−2.37
		(1.60)
Finance and Insurance	—	−.864
		(1.22)
Manufacturing	—	−.837
		(1.07)
R^2	.114	.24

Note: t-statistics in parentheses.

First, the black auditors were treated with less courtesy by the potential employer than the white auditor. They were less likely to be addressed as "Mr.", to be informed of job prospects, or to be asked to be seated.

Second, black and white youths who are seeking jobs without the benefit of a college education appear, absent race, to be similar in their potential attractiveness to employers. Nevertheless, some differences did exist between blacks and whites in this study, namely, blacks typically had less work experience.

Third, retail establishments treated the white auditor better than the black auditors, but manufacturing establishments treated the two races similarly.

Fourth, the black auditors did not seem to have unreasonable expectations or aspirations. They stated they were willing to work at any job that paid the minimum wage.

Fifth, the difficulty in finding white youths to participate in the audit in itself suggests that black and white youths, at least in Newark, New Jersey, do not face the same job prospects.

Sixth, both the white and black auditors were reference poor, that is, they were unable to name appropriate-personal references to give to potential employers. White auditors were reluctant to use teachers as references.

Finally, although nine of the auditors had extensive experience in summer youth employment programs in Newark, none of them could provide a person from the program who could give them a reference. Summer jobs programs do not appear to teach youths to cultivate references as a critical part of the employment process.

Researchers often ask for more information in order to examine in greater detail the results of their studies. We urge others to continue the efforts that we and others have made to determine if racial discrimination in employee selection still exists. The results of black youth unemployment are obvious, as is its simple existence, as recorded in everything from social science research to decisions of the Supreme Court.[9] Yet many observers believe that demand issues can be safely ignored. If nothing else, this paper suggests that employer behavior is an important topic that begs further inquiry by research on black youth unemployment.

Appendix A
Auditor Survey

1. High school presently attending _____
   Course of study _____
   High school class standing _____
   Total number in senior class _____

2. List references (specify relationship)
   (Check one)
   _____ Friend __ Relative __ Teacher__ Employer __
   (Telephone) _____
   _____ Friend __ Relative __ Teacher__ Employer __
   (Telephone) _____
   _____ Friend __ Relative __ Teacher__ Employer __
   (Telephone) _____

3. Where did you go to sixth grade? _____

4. Family income per week _____

5. Highest grade in school of: Father _____
   Mother _____

6. What jobs are you looking for and at what wage per hour? (List jobs)
   _____ _____
   _____ _____

7. What is most important to you for a permanent job? (Check one)
   (a) Wages _____
   (b) Safety _____
   (c) Promotion prospects _____
   (d) Enjoyment of the job _____
   (e) Status of the job in community _____

8. What is the lowest wage you would accept for permanent employment? (Check one)
   $2.00____ $3.00____ $4.00____ $5.00____
   $2.50____ $3.50____ $4.50____ $5.50____
   Other (Specify $/Hour)_____

9. Father employed? yes ____ no ____
   Mother employed? yes ____ no ____
   Father's occupation _____
   Mother's occupation _____

10. Your education _____

11. Living status: a. at home _____
    b. with other relative _____
    c. with nonrelated friend _____
    d. alone _____

12. Family a. both parents present _____
    b. mother absent _____
    c. father absent _____
    d. both parents absent _____

13. # of other children _____

14. # of persons in the household _____

15. Your age _____

16. Married? Yes ____
    No ____

17. # of your children _____

18. Residence Town _____
    Ward _____

19. Do you have any training?
    Yes ____
    No ____
    If yes, specify _____

Vocational? Yes ____
No ____
If yes, specify _____

Summer Youth? Yes ____
No ____
If yes, specify _____

Other _____

20. Place of birth (State) _____

21. Previous job experience

Employer	Job Title	Wages/Hour	Length of Time

22. Do you have access to a car?
Yes ____
No ____

23. Race
Black ____
White ____
Hispanic ____
Asian ____
Other ____

Appendix B
Job Practices Audit Survey

Employer Name _____
Address _____
Telephone _____

Auditor Name _____
Auditor # _____

1.1 *Timing and Logistics*

1. Date of audit _____

2. Did you telephone first? Yes ____ No ____

3. If yes, did the person say:
   (a) They were hiring?_____
   (b) Taking applications _____

(c) They weren't taking applications and you could leave your name and telephone number _____
(d) They weren't taking applications but they would not take your name and telephone number _____

4. How did you get to the interview?
Your car _____ Bus _____
Friend's car _____ Walked _____
Taxi _____ Subway _____

5. How long did it take to go to the job interview?
Number of minutes _____

6. Where did you leave from to go to the audit?
(a) Home _____
(b) School _____
(c) Other (specify) _____

7. Time of the day and day of the week you arrived at interview (Specify A.M. or P.M.) _____

1.2 *Office Interaction*

8. When you entered employer's office were you:
(Check all applicable items)
(a) Welcomed by secretary or receptionist and referred to personnel manager (interviewer) _____
(b) Welcomed by secretary or receptionist and told there are no jobs _____
(c) Welcomed by the interviewer _____
(d) Had to start conversation _____
(e) Other (Specify) _____

9. From when you entered the personnel office how long before you were interviewed? (In minutes) _____

10. How many employees were visible in the office? _____

11. Were any of these employees black? _____
If yes, how many? _____

12. Did anyone in the office:
(a) Tell you of other job openings
Yes ____ No ____
(b) Engage you in a conversation
Yes ____ No ____

(c) Ask you to be seated
Yes ____ No ____
(d) Offer you some water or a beverage
Yes ____ No ____
(e) Other act of courtesy (Specify) _____

13. How many other job applicants were there in the office?____
How many of the applicants were: Black _____
Female _____

1.3 *Interview*

14. Who interviewed you?
Name _____
Job Title _____

15. Did the interviewer:
(a) Give his/her name when introduced to you
Yes ____ No ____
(b) Give you business card
Yes ____ No ____
(c) Ask your name
Yes ____ No ____
(d) Address you as Mr.
Yes ____ No ____
(e) Offer you a seat
Yes ____ No ____
(f) Shake your hand
Yes ____ No ____
Other acts of courtesy (Specify) _____
_____

16. Did the interviewer request any of the following information?
(a) Previous employment
Yes ____ No ____
(b) Job training
Yes ____ No ____
(c) High School
Yes ____ No ____
(d) Location of home (where you are from)
Yes ____ No ____
(e) Special job skills (Typing, etc). (Specify) ____
Yes ____ No ____
(f) Parents' occupation
Yes ____ No____

(g) Parents' income
Yes ____ No ____
(h) Your marital status
Yes ____ No ____

17. What was the race and sex of the interviewer? _____
_____

18. Did the interviewer request any of the following:
(a) References
Yes ____ No ____
If yes, specify who you gave:
Teacher _____ Employee of interviewer _____
Friend _____ Employer _____
(b) Telephone number
Yes ____ No ____
(c) Address
Yes ____ No ____
(d) Date of availability
Yes ____ No ____
(e) Other (Specify) _____

19. How did the interviewer take this information:
(Check relevant items)
(a) Permitted you to complete an application
Yes ____ No ____
(b) Interviewer took notes
Yes ____ No ____
(c) Interviewer completed a form
Yes ____ No ____
(d) Made no apparent notation
Yes ____ No ____
(e) Permitted you to write down your name and address but not on a standard application form:
Yes ____ No ____

20. What jobs did the interviewer say were available:
_____
_____
Were any of these jobs covered by union contract?
Yes ____ No ____

21. Did the interviewer make it clear that you could apply for all these jobs?
Yes ____ No ____

22. Specify any wage rates and jobs that were explicitly mentioned during the interview:
Dollars/Hour _____
_____

23. Did you get a job offer? Yes ____ No ____
If yes, for how much? (Specify Dollars/Hour) _____

24. Did the interviewer mention whether blacks worked at this job-site now?
Yes ____ No ____

25. If so, was the mention positive ____
or
Negative ____ (Specify) _____

26. Did the interviewer make any comments about race using code words? (Specify)
_____
_____

27. What was the approximate age of the interviewer? _____

28. When did the interviewer tell you that you were likely to hear whether you got the job? (Time) _____

29. Did the interviewer say he would contact you or that you should contact them? _____

30. How would you evaluate how well you did during the interview? (Circle one)
1 2 3 4 5 6 7 8 9 10
Poor Excellent

31. What qualifications do you think the employer found most important? (Check all relevant ones)
(a) High school you attended _____
(b) Parent's job _____
(c) Previous job experience _____
(d) Race _____
(e) Personality _____
(f) Grades _____
Other (Specify) _____
_____

1.4 *Other Comments about the interview*
_____
_____
_____

[For Office Use Only]

32. One month after audit did you get an:
    (a) Interview? Yes _____ No _____
        If yes, did you go? Yes _____ No _____
    (b) Job? At what wage?_____

33. Two months after audit did you get an:
    (a) Interview? Yes _____ No _____
        If yes, did you go? Yes _____ No _____
    (b) Job? At what wage? _____

34. June 1. Did you get an:
    (a) Interview? Yes _____ No _____
        If yes, did you go? Yes _____ No _____
    (b) Job? At what wage? _____

Notes

1. See, for example, Freeman and Wise (1982).

2. See Freeman and Wise (1982). These studies by and large have concentrated on the role of unemployment. Differentials for teachers have not adequately been explained. But see Wallace (1975).

3. Title VII of the 1964 Civil Rights Act, 42 U.S.C. § 2000E *et seq.*, which prohibits discrimination in hiring, does not apply to employers of 15 or fewer employees. In addition, there is effectively little enforcement for the smallest employers who are covered by Title VII because of the statistical difficulty in proving group discrimination in small groups and because of the larger costs associated with bringing such suits against a small employer.

4. We would like to thank Art Hilson, who at the time of the study was Executive Director of a New York City agency and had more than ten years' experience in hiring, and Steven Brown and Rodney Stenlake for their assistance in this project.

5. See appendix B, which contains the survey instrument used, and question 7 of auditor survey, contained in appendix A.

6. Some characteristics that we did not control for were height, weight, and other personal characteristics. Some of these, but not all, were partially controlled for by the use of the videotapes. None of the auditors who went on interviews were particularly tall, heavy, or handsome (or, conversely, short, thin, or ugly).

7. Two Harrison High School students signed up to come to Professor Culp's office, but they did not keep their appointments.

8. For further discussion of the audit study method in the housing context, see Wienk, Reid, and Simonson (1979).

9. See Wilson (1982) and Texas Department of Community Affairs v. Burdine, 450 U.S. 248 (1981).

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Comment

Paul Osterman

Virtually all studies of racial differences in labor market outcomes treat discrimination as a residual. That is, all legitimate factors that might explain a particular difference in wages or unemployment are given their full due and any unexplained remaining difference is attributed to discrimination. The problem with this indirect technique is that there is always uncertainty whether omitted considerations might reduce the residual or, from another perspective, whether the weight given some of the "legitimate" explanatory variables might really proxy a discriminatory pattern.

The paper by Culp and Dunson is an effort to overcome this uncertainty by employing a technique often used in housing studies. By sending teams of matched blacks and whites to real estate agents, apartment owners, or employers, actual differences in treatment can be observed. Virtually all studies of the housing market that have employed this procedure have found considerable discrimination. As Culp

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and Dunson note there have been few comparable labor market studies, and the difficult issue of employment differentials between black and white youths is a promising topic to examine along these lines.

The research strategy the authors employed seems to me a good one, although I find their case for using actual job seekers instead of actors unconvincing. Unfortunately, in the end only five youths participated and only one of these was white. Given this sample size few conclusions can be drawn from this effort. Nonetheless, the authors did conduct more extensive interviews with a larger group of 21 youths, and these provide some insight into the youth employment problem and racial differences in outcomes.

Most striking from these interviews is the paucity of references black youth can bring to the job market. Other studies have asked employed youths how they located their jobs, and their responses have suggested that black youths are forced to rely on formal employment systems, such as job training programs, since their parents and relatives are in no position to help help. Culp and Dunson improve on this research by avoiding the selection bias inherent in data drawn only from youths who have been successful in finding work. When young job seekers are asked about who they can draw upon, the situation of blacks appears even more serious. It seems that most cannot even turn to formal government programs such as schools and training programs. This suggests a rethinking of the placement activities of those institutions.

The interviews also confirm earlier findings that racial differences in reservation wages and aspirations are not important explanatory variables. It is also striking that many of the white youths the authors sought to enlist were sufficiently confident about their job prospects that they were reluctant to participate, despite financial incentive for participating. The considerable attrition in the white sample also speaks to this point.

In summary, the authors undertook a commendable effort and have reported their results clearly and honestly. Although somewhat disappointing, the experiment was successful enough that others might consider replicating it on a large scale.