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Outline

1. The CPS understates employment declines, particularly for less-educated men
2. Concerns related to the earnings measure
3. Other approaches to measuring (changes in) market wage opportunities
4. Incarceration rates, market opportunity wages & employability over time
5. A missing ingredient in the paper?
## Incarceration Rates of Men, 20-34

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>White men</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than high school</td>
<td>2.4%</td>
<td>3.8%</td>
<td>7.7%</td>
<td>12.0%</td>
</tr>
<tr>
<td>High school</td>
<td>0.8</td>
<td>1.4</td>
<td>2.3</td>
<td>2.0</td>
</tr>
<tr>
<td>Some college</td>
<td>0.2</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>All</td>
<td>0.6</td>
<td>1.1</td>
<td>1.6</td>
<td>1.8</td>
</tr>
</tbody>
</table>

| **Black men**       |      |      |      |      |
| Less than high school| 10.6 | 19.6 | 30.2 | 37.2 |
| High school         | 4.7  | 7.1  | 11.7 | 9.1  |
| Some college        | 1.9  | 2.9  | 2.1  | 2.1  |
| All                 | 5.2  | 8.3  | 11.2 | 11.4 |

Reproduced from *Invisible Men*, Pettit (2012), Table 1.2
Employment-Population Ratios, Men 20-34, less than HS Education, 1980-2008

Reproduced from *Invisible Men*, Pettit (2012), Figure 4.4
Concerns Related to Earnings Measure

1. Robert’s measure may poorly reflect (changes in) market opportunities for most persons in the group.

2. Changes over time in fraction of persons with direct observations on FT/FY earnings are large and correlated with group-level changes in the employment rate and measured wages.

3. Exclusion restriction violations in the wage equation intended to correct for selection bias:
   - E.g., marital status is excluded from the wage equation, but it surely co-varies strongly with unobserved characteristics that affect market wages.
### Persons with Full-Time/Full-Year Earnings: Fraction by Age-Gender-Education-Race Group in 2007

<table>
<thead>
<tr>
<th>Interval</th>
<th>[.01,.1)</th>
<th>[.1,.2)</th>
<th>[.2,.3)</th>
<th>[.3,.4)</th>
<th>[.4,.5)</th>
<th>[.5,.57)</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Groups</td>
<td>7</td>
<td>15</td>
<td>18</td>
<td>24</td>
<td>22</td>
<td>10</td>
</tr>
</tbody>
</table>

#### Size of 1999-2007 Changes in Fraction of Persons with FT/FY Earnings Observations
- Range: -.24 to +.11
- St. Dev. = .06

#### 1999-2007 Group-Level Changes in Fraction of Persons with Full-Time/Full-Year Earnings
- \text{Corr} (\Delta \text{frac with FT/FY Earnings, } \Delta \text{ Log Wage}) = -0.27
- \text{Corr} (\Delta \text{frac with FT/FY Earnings, } \Delta \text{ Emp. Rate}) = 0.38
Alternative Approaches to Measuring Market Wage Opportunities

1. Use all individual earnings observations to impute wages, fixing the distribution over weeks worked at the group average distribution. (A relaxed version of Robert’s current approach.)

2. Use individual-level wage variation, exploiting CPS 4-8-4 design and ORGs to measure earnings for jobless persons in nearby periods where possible, and otherwise imputing earnings based on other jobless persons in same group-year.

3. Follow Juhn, Murphy and Topel (1991)
Incarceration, Market Opportunity Wages & Employability

1. Incarceration and imprisonment rates rose sharply over time among less-educated men, especially less-educated black men.

2. Criminal records and incarceration reduce job and career-path opportunities.

3. There are good reasons to think the detrimental labor market effects of criminal records and imprisonment have intensified over time.
Estimated Cumulative Risk of Imprisonment for Men by Ages 30-34

<table>
<thead>
<tr>
<th>Birth Cohort</th>
<th>Year</th>
<th>Less Than High School</th>
<th>High School/GED</th>
<th>Some College</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>White</td>
<td>Black</td>
<td>White</td>
</tr>
<tr>
<td>45-49</td>
<td>1979</td>
<td>3.8%</td>
<td>14.7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>55-59</td>
<td>1989</td>
<td>8.6</td>
<td>28.3</td>
<td>2.5</td>
</tr>
<tr>
<td>65-69</td>
<td>1999</td>
<td>14.4</td>
<td>46.0</td>
<td>5.0</td>
</tr>
<tr>
<td>75-79</td>
<td>2009</td>
<td>28.0</td>
<td>68.0</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Reproduced from *Invisible Men*, Pettit (2012), Table 1.4

1. Huge differences across groups in an unobservable characteristic (in the CPS) that has a profound effect on market wages, employability, AND relationship of unobserved market opportunity wage for jobless men to observed wage for working men in same group.

2. Large increases from 1989-1999 and 1999-2009 in this unobservable characteristic for some groups. → Differential changes over time in the intensity of selection on this characteristic.
Fewer Second (and Third) Chances in the Labor Market?

Hypothesis: Second-chance opportunities in the labor market have diminished for persons with criminal records, a history of incarceration and, perhaps, for those with bad credit records:

– Employers have become less willing to hire persons with criminal records for any legitimate job

– Especially jobs that offer career-path possibilities
Why Fewer Second Chances in the Labor Market?

1. **Macro Conditions**: More labor market slack since 2000 than in previous 16 years.

2. **Information Revolution**: Reductions in the cost of screening potential hires for criminal records, bad credit history, illicit drug use, etc.

3. **Changes in Legal Regime**:
   - Increased liability risk for “negligent hiring,” also raising the cost of second-chance hires.
Incarceration and Marital Status

• Persons with criminal records and a history of incarceration have lower opportunity wages in the market, are less likely to be employed, and they make less desirable spouses.

• At least for men, incarceration effects probably underlie much of the strong marital status effects that Robert finds.
A Missing Ingredient in the Paper?

• What does Robert’s preferred empirical model imply for employment rates in 2011?
  – Assuming the economy had been at a cyclical peak
  – Using actual 2011 data for marital status and demographics
  – Projecting 1999-2007 group-level wage changes forward to 2011

• Addressing this type of question can shed light on what “full employment” would look like in 2011, absent the negative long-term effects of the recession and anemic recovery.
References


