

Wage Gaps Between Racial and Ethnic Groups Are Not Diminishing

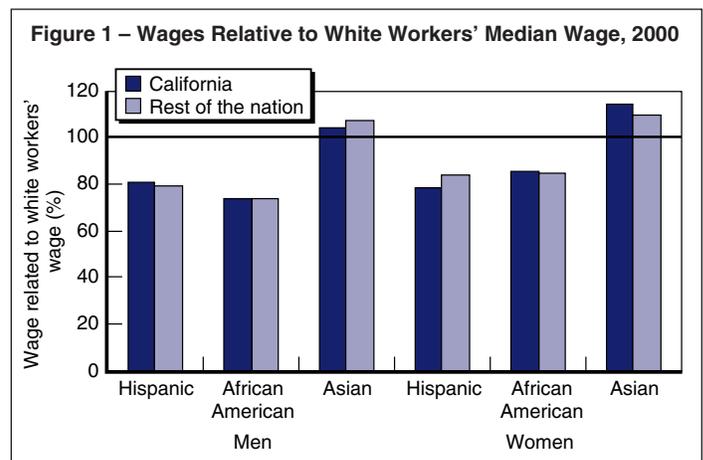
For more than four decades, public policy in the United States has aimed at improving and equalizing opportunity across racial groups through civil rights legislation and affirmative action. When set against this policy backdrop, California's large and persistent wage gaps across racial and ethnic groups remain a concern. In addition to reflecting unequal outcomes in the labor market, these gaps contribute to disparities in other measures of well-being, such as poverty rates, educational attainment, and health status.

In *Racial and Ethnic Wage Gaps in the California Labor Market*, Deborah Reed and Jennifer Cheng investigate these disparities. They find that wage gaps between Latinos, whites, and Asians in the state are largely determined by educational and occupational differences, although these factors account for a smaller portion of the wage gap between African American and white Californians. The authors note that wage gaps stem from factors and worker characteristics not included in the study, and that the findings should therefore not be interpreted as measures of labor market discrimination.

Wage Gaps in 2000

Among U.S.-born California full-time workers, the median hourly wage in 2000 for white men was \$20.83 and \$16.96 for Hispanic men. These medians convert to a relative wage of 81 cents earned by Hispanic men for every dollar earned by white men (see Figure 1). For African American men, the median was \$15.41, leading to a relative wage of 74 cents on the dollar compared to the wage of white men. Asian men earned a median of \$21.82 with a relative wage of \$1.04 for every dollar earned by white men.

Among U.S.-born California women who worked full-time, the median wage in 2000 was \$17.03 for whites and \$13.40 for Hispanics. These medians translate to a relative wage of 79 cents on the dollar for Hispanic women. African American women earned \$14.57, which translated to a relative wage of 86 cents on the dollar compared to the wage of



California's large wage gaps track those in the rest of the nation.

white women. The median hourly wage for Asian women was \$19.54, or \$1.15 for every dollar earned by white women.

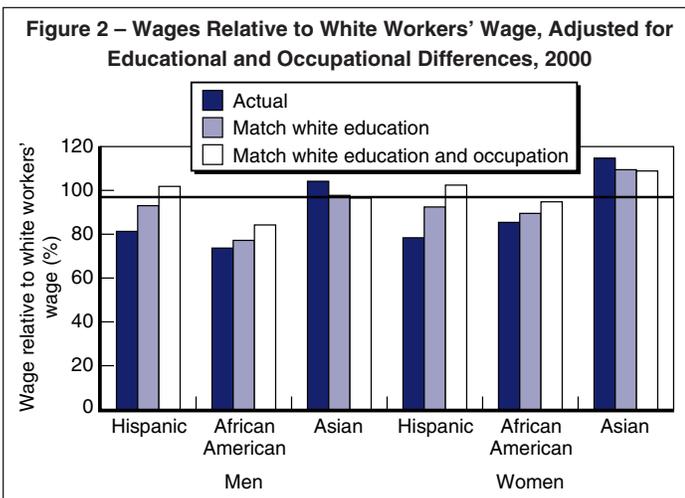
Trends in Wage Gaps

For U.S.-born Hispanics, there is no evidence of a substantial change in the wage gap with whites between 1979 and 2000. Hispanic men earned between 81 and 83 cents per dollar earned by white men in each of the three years studied. Hispanic women earned between 79 and 85 cents per dollar earned by white women in each of the years.

For African Americans, there was no substantial change between 1979 and 1989, but relative wages fell between 1989 and 2000. For men, the relative wage at the median was 81 cents per dollar in 1989 and 74 cents in 2000. For women, the wage relative to whites fell from 96 cents per dollar to 86 cents per dollar. In the rest of the nation, the relative wage for African American men did not change substantially between 1989 and 2000 (from 76 to 74 cents per dollar), but for African American women the relative wage fell from 93 to 85 cents per dollar. For U.S.-born Asians, there is also no evidence of substantial changes over recent decades.

What Determines Wage Gaps?

Compared to white workers, U.S.-born Hispanic workers have lower educational attainment and work in lower-paying occupations. Using statistical simulations, the authors conclude that if Hispanic workers had the same education levels as white workers, their relative wages would be substantially higher than they are now: 93 cents per dollar for both men and women (see Figure 2). If Hispanics also worked in the same occupations as whites, their wages would be comparable to those of white workers.



California's wage gaps are related to educational and occupational differences, but only partially so for African Americans.

On average, African American workers also have less education than white workers and are more likely to work in lower-paying occupations. However, if African American workers had the same education levels as white workers, their relative wages would improve by only a few cents per dollar. If they also worked in the same occupations as whites, their relative wages would improve more substantially, to 84 cents per dollar for men and 95 cents per dollar for women.

U.S.-born Asian workers tend to have higher levels of education than white workers and are more likely to work in higher-paying occupations. If Asian men's education levels matched those of whites, they would not have a wage advantage. For Asian women, matching their education to that of white women would reduce their wage advantage from \$1.15 per dollar to \$1.09 per dollar and matching the occupations of white women would make little difference to their relative wage.

Prospects and Policy Considerations

The report notes that substantial wage gaps are likely to persist. Wage gaps have not closed in California since the late 1970s, and the growing disparity between the wages of educated and skilled workers and those of workers with low levels of education does not appear to be reversing. Nevertheless, educational attainment for Hispanic and African American workers improved over the 1990s, both in an absolute sense and relative to white workers. The share of Hispanic and African American workers in high-paying occupations also increased. If wage gaps are to decline, the most likely route is through continued improvement in the educational and occupational status of Hispanics and African Americans.

The authors also note that their findings point to general policy directions for reducing racial and ethnic wage gaps. Education and training are important determinants of labor market wages, and their value has increased over the last two decades. Improvements in the quality of K-12 public schools, particularly in underperforming school districts, will likely lead to larger shares of Hispanics and African Americans going to college and eventually to higher wages. California also offers opportunities for students to attend public colleges and universities at relatively low costs, which is particularly important for Hispanic and African American students, whose families tend to have fewer resources than white and Asian families.

The state's efforts to provide worker training through school-to-work programs, welfare-to-work programs, and workforce development are mainly focused on low-educated workers and may therefore be particularly beneficial to Hispanic and African American workers. Recent efforts to encourage early childhood development can improve school readiness, particularly for young Hispanic children, who tend to have low rates of preschool attendance.

In conclusion, the authors maintain that improved opportunities for workers, families, and communities with low resources will reduce racial and ethnic wage gaps in the long run. They also note that the state has much at stake in ensuring that all residents can pursue educational opportunities, enhance their job skills, find good jobs, and support their families.

This research brief summarizes a report by Deborah Reed and Jennifer Cheng, Racial and Ethnic Wage Gaps in the California Labor Market (2003, 102 pp., \$12.00, ISBN 1-58213-039-6). The report may be ordered by phone at (800) 232-5343 [U.S. mainland] or (415) 291-4400 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California.