Minimum Wages and Racial Inequality

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NBER SI DAE, July 7th 2020
White-Black Earnings Gap

Persistence of large racial economic disparities: striking dimension of inequality in the US.
White-Black Earnings Gap

Why did the racial gap fall in 1960s and 1970s?

→ **New explanation**: intro of min. wage in new sectors
→ Explains $\sim 20\%$ of ↓ in racial gap
WHAT WE DEMAND

1. Comprehensive and effective civil rights legislation from the present Congress—without compromise or filibuster—to guarantee all Americans access to all public accommodations, decent housing, adequate and integrated education, the right to vote.

2. Withholding of Federal funds from all programs in which discrimination exists.

3. Desegregation of all school districts in 1963.

4. Enforcement of the Fourteenth Amendment—reducing Congressional representation of states where citizens are disfranchised.

5. A new Executive Order banning discrimination in all housing supported by federal funds.

6. Authority for the Attorney General to institute injunctive suits when any constitutional right is violated.

7. A massive federal program to train and place all unemployed workers—Negro and white—on meaningful and dignified jobs at decent wages.

8. A national minimum wage act that will give all Americans a decent standard of living. (Government surveys show that anything less than $2.00 an hour fails to do this.)

9. A broadened Fair Labor Standards Act to include all areas of employment which are presently excluded.

10. A federal Fair Employment Practices Act barring discrimination by federal, state and municipal governments, and by employers, contractors, employment agencies, and trade unions.

→ 1967 reform is part of Civil Rights Movement
Effect on earnings for white vs. black workers

1967: Introduction of the min. wage in hotels, restaurants, agriculture, etc.

Effect on earnings twice as large for black workers (∼ 10%) compared to whites (∼ 5%).
We digitized hourly wage distributions from BLS reports
Complete data & programs available on our websites
Hourly wage distribution in laundries South (BLS)

→ Low-wage industry: **70% of workers paid at or < $1**
Hourly wage distribution in laundries South (BLS)

$1 an hour = value at which min. wage is introduced in 1967

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Large spike at $1 in 1967: 70% of workers paid at $1
What caused the decline in racial gap?

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<thead>
<tr>
<th>Explanation</th>
<th>Reference</th>
<th>Contribution</th>
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<tbody>
<tr>
<td>Supply</td>
<td>School quantity</td>
<td>Smith &amp; Welch (1980)</td>
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<td></td>
<td>School quality</td>
<td>Card &amp; Krueger (1992)</td>
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<td></td>
<td>Other factors</td>
<td>Heckman &amp; Payner (1989)</td>
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<td>MW</td>
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<td>Derenoncourt &amp; Montialoux (2018)</td>
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<td>Demand</td>
<td>Anti-discr. policies</td>
<td>Donohue &amp; Heckman (1991)</td>
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<tr>
<td>Total</td>
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<td>100%</td>
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→ 1967 reform had first-order effect on racial inequality, as large as improvements in relative school quality