

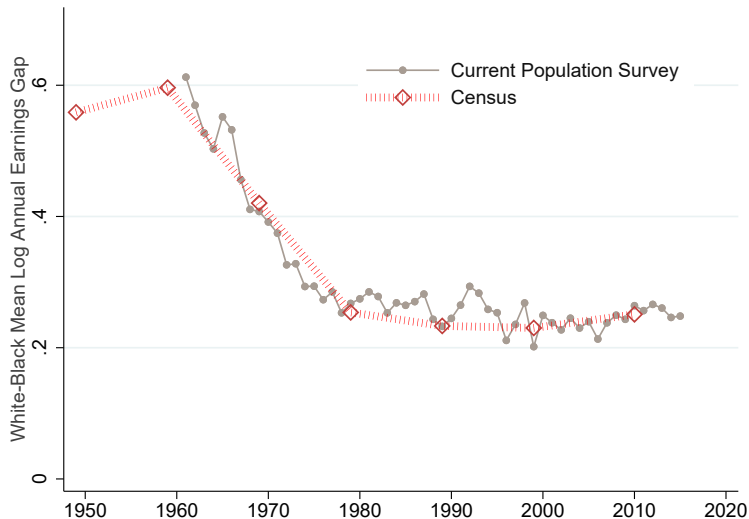
# Minimum Wages and Racial Inequality

Ellora Derenoncourt (UC Berkeley)

Claire Montialoux (UC Berkeley)

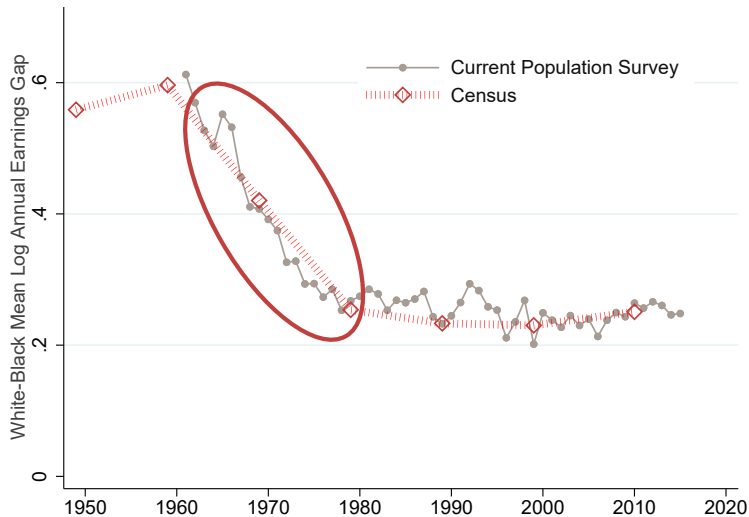
NBER SI DAE, July 7th 2020

# 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 ~ 20% of ↓ in racial gap

# MARCH ON WASHINGTON FOR JOBS AND FREEDOM

AUGUST 28, 1963

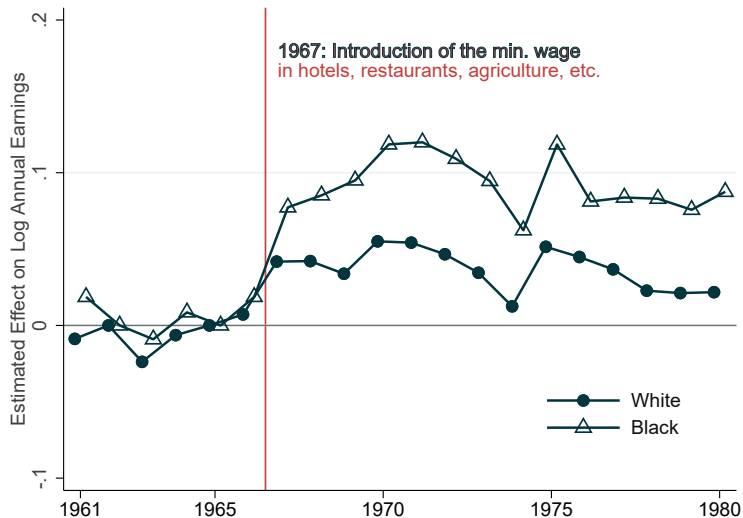


## WHAT WE DEMAND \*

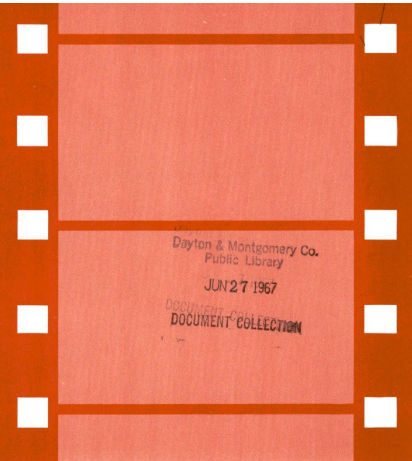
1. Comprehensive and effective *civil rights* legislation from the present Congress—without compromise or filibuster—to guarantee all Americans access to all public accommodations  
decent housing  
adequate and integrated education  
the right to vote
2. Withholding of Federal funds from all programs 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



→ **Effect on earnings twice as large for black workers**  
( $\sim 10\%$ ) compared to whites ( $\sim 5\%$ ).



INDUSTRY WAGE SURVEY  
MOTION PICTURE THEATERS  
APRIL 1966

## Industry Wage Survey: Hospitals



## INDUSTRY WAGE SURVEY

Laundry and Cleaning Services  
Mid-1966

Bulletin No. 1544

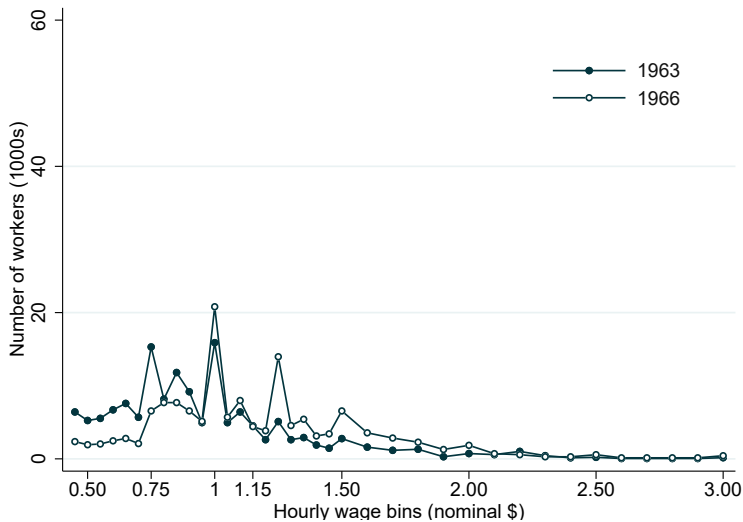
UNITED STATES DEPARTMENT OF LABOR

BUREAU OF LABOR STATISTICS



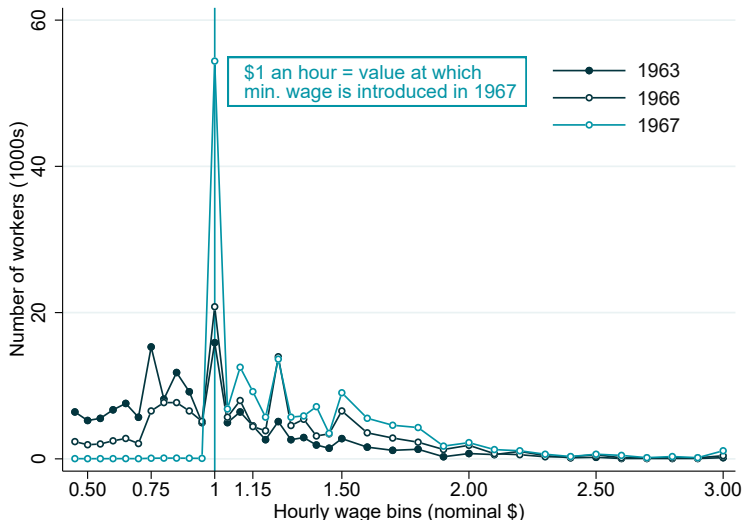
- We digitized hourly wage distributions from BLS reports
- Complete data & programs available on our websites

# Hourly wage distribution in laundries South (BLS)



→ Low-wage industry: **70% of workers paid at or < \$1**

# Hourly wage distribution in laundries South (BLS)



→ Large spike at \$1 in 1967: **70% of workers paid at \$1**



# What caused the decline in racial gap?

Explanation	Reference	Contribution
<b>Supply</b> School quantity	Smith & Welch (1980)	20%
School quality	Card & Krueger (1992)	20%
Other factors	Heckman & Payner (1989)	10%
<b>MW</b>	Derenoncourt & Montialoux (2018)	20%
<b>Demand</b> Anti-discrim. policies	Donohue & Heckman (1991)	30%
Total		100%

→ 1967 reform had first-order effect on racial inequality,  
**as large as improvements in relative school quality**