

EARNINGS

The Stanford Center on Poverty and Inequality

BY COLIN PETERSON, C. MATTHEW SNIPP,
AND SIN YI CHEUNG

In this article, we examine trends in earnings inequality between and within five racial and ethnic groups: whites, African-Americans, American Indians and Alaska Natives (AIAN), Hispanics, and Asian Americans.¹ We pose—and answer—five simple but important questions:

- Are racial and ethnic gaps in earnings becoming smaller?
- If they are indeed becoming smaller, is that decline taking the form of ongoing, steady, and gradual progress? Or was most of the progress secured in the aftermath of the Civil Rights Movement? Has there been a “stalling out” of the trend thereafter?
- Are all racial and ethnic groups experiencing the same pattern of change? Or are some groups—perhaps most obviously Hispanics and Asians—experiencing a different trajectory of change?
- Can racial and ethnic inequality be “explained away” by differences in experience, human capital investments, spatial location, and other variables?
- Is there a dramatic takeoff in within-group inequality (as is the case for the full population)?

How will we answer these five questions? Due to marked differences by gender, we will proceed by presenting earnings trends for men and women separately, where earnings include wages, salary, and self-employment income. Our focus on income earned from these sources draws attention to the racial and ethnic inequality among those who are employed and have earnings. We can safely focus on individuals with at least some earnings because Michael Hout’s article in this issue addresses racial and ethnic disparities in labor market attachment. Here, we document the further inequality that obtains among those who are active in the labor market; hence, our analyses omit individuals with zero or negative incomes.

KEY FINDINGS

- Between 1970 and 2010, the earnings gap between whites and other groups has narrowed, but most of that decline was secured in the immediate aftermath of the Civil Rights Movement.
- Except in the case of Asians, more recent trends are less favorable, with the post-1980 earnings gap either growing larger (e.g., Hispanics) or remaining roughly stable in size (e.g., black men).

Inequality Between Racial and Ethnic Groups

Figure 1 displays median earnings by race/ethnicity and gender from 1970 to 2010. Earnings for nonwhite racial groups are displayed relative to whites’ earnings. For example, the 0.7 value for Hispanic men implies that their median earnings in 1970 were 70 percent of the median earnings of whites (i.e., an earnings gap of 30%).

For men, gaps between whites and nonwhites have persisted since 1970. The only exception is that Asian men reached parity with white men by 2010. The black-white gap for men, although smaller now, has attenuated only slightly: Median earnings for black men were 39 percent lower in 1970 and 32 percent lower in 2010. A similar trend is seen for AIAN men. In contrast, the gap between Hispanic and white men has dramatically *increased*, from 29 percent in 1970 to 42 percent in 2010, largely due to the influx of immigrant workers in this period.

For women, racial and ethnic earnings gaps have been smaller than those experienced by men but remain large in absolute terms. Black women and AIAN women saw substantial earnings growth relative to whites from 1970 to 1980. This growth was followed by a decline, but black-white and AIAN-white gaps remain smaller in 2010 than in 1970. Black women briefly attained parity with white women in 1980, but by 2010 a 10 percent gap had returned. Hispanic women experienced

an even more dramatic decline in median earnings relative to whites than Hispanic men did, from a 16 percent gap in 1970 to a 32 percent gap in 2010.

These results allow us to answer three of the five questions with which we led off. On the matter of the overall “descriptive” trend in racial and ethnic gaps, one would be hard-pressed to represent Figure 1 as revealing some substantial across-the-board decline in inequality. For men, the net decline between 1970 and 2010 was quite small for blacks and AIANs, and the gap actually increased for Hispanics. Moreover, the foregoing declines were secured entirely in the aftermath of the Civil Rights Movement, and the AIAN gap has in fact (slightly) increased since then. The only unqualified success story: The gap for Asians has disappeared.² For women, blacks and AIANs secured more substantial gains in the aftermath of the Civil Rights Movement, but some of those gains have now been given back.

Causes of Racial and Ethnic Inequality

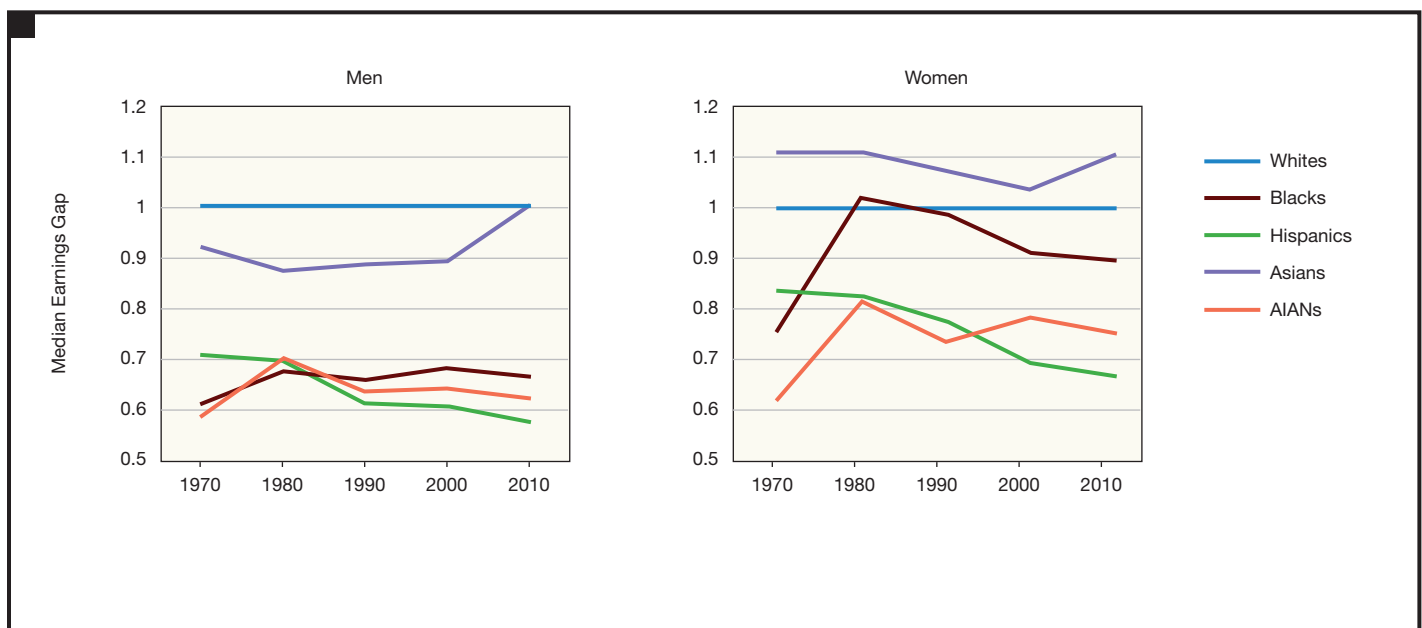
These are of course wholly descriptive comparisons of median earnings by race and ethnicity. Although we cannot speak definitively to causes in this short article, it is useful to present evidence on net gaps as well as total gaps.

Except in the case of Asian Americans, nonwhites tend to

earn less than whites partly due to (a) disparities in human capital and educational attainment, and (b) differences in hours worked. Table 1 shows differences in earnings by race and ethnicity for each gender, net of the influence of education, work experience, location, hours worked per week, and several other factors, as detailed elsewhere by Snipp and Cheung.³ As before, the differences presented here are relative to the earnings of white men and white women, meaning that they pertain to the proportion of white earnings secured by each group after adjusting for any differences between groups in the “control variables.” These proportions may be interpreted, then, as the “cost” of a given minority group status. Although there are likely some omitted variables in our analyses, the net penalties in Table 1 partly result from discrimination in the labor market, a causal effect that has been widely documented in audit studies of employers.⁴

Net racial and ethnic penalties are consistently larger for men than for women. However, the penalties for both men and women have attenuated since 1970, with the reductions for blacks, Chinese, Filipinos, and Japanese men especially large. Even so, the penalties for nonwhites remain large, except in the case of Japanese men and women, Chinese women, and Filipino women. For nonwhite non-Asians, the earnings penalty for being a person of color ranges from 16 to 19 percent for men and 6 to 10 percent for women.

FIGURE 1. Median Earnings Gaps by Race/Ethnicity and Gender, 1970–2010



Source: U.S. Decennial Census (1970, 1980, 1990, 2000) and American Community Survey (2010).

The results of Table 1 are, then, somewhat more favorable than those of Figure 1. Since 1970, the net penalty for being a member of a nonwhite group (i.e., after controlling for differences in experience, human capital investments, spatial location, and other variables) has indeed attenuated, even if it remains large for most groups.

It should be noted, however, that our results do not control for selection into employment. The larger picture of racial and ethnic inequality in the United States also includes, for example, the exclusion of many black and Hispanic men from the labor market due to incarceration and urban segregation.⁵ Not surprisingly, an analysis that accounts for selection into

employment shows that black-white earnings gaps for both genders have increased since the 1970s.⁶

Inequality Within Racial and Ethnic Groups

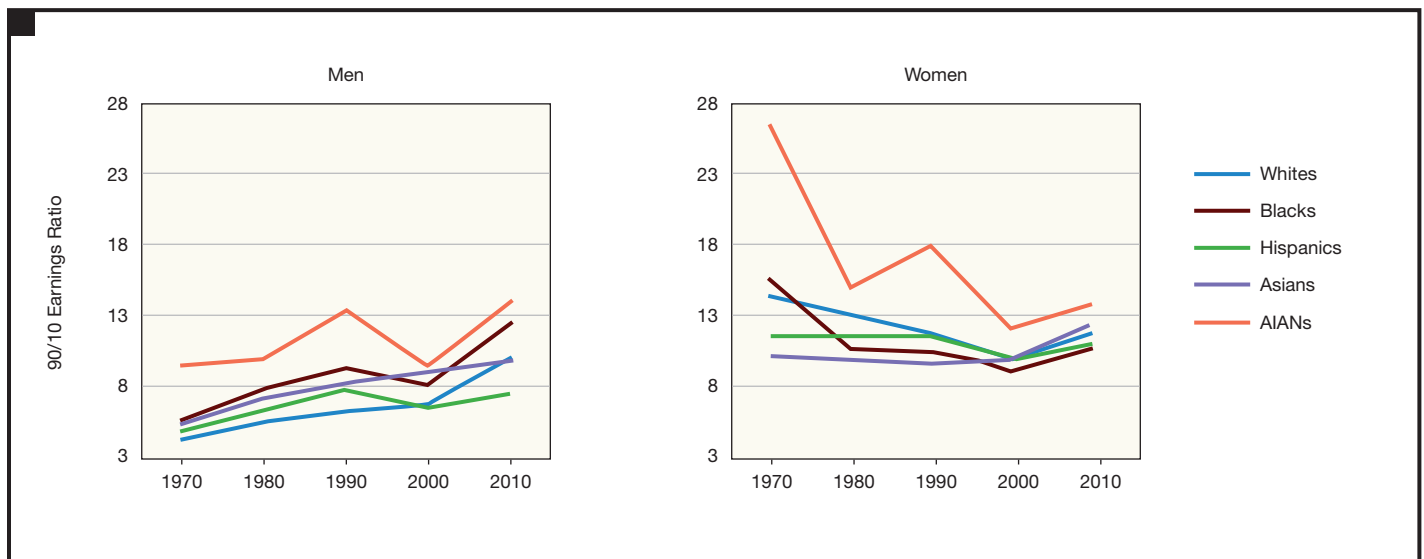
The final analysis in this article pertains to within-group inequality. Within each racial-gender group, we measure inequality with 90/10 ratios, which are defined as the 90th percentile of earnings divided by the 10th percentile. These ratios are shown by race and gender in Figure 2. For men, the rise in the 90/10 ratio has been well documented for the full population, and we show here that the same rise appears consistently within each group as well. For women, selection into employment has changed dramatically since 1970. Addition-

TABLE 1. Direct Net Effects of Race and Ethnicity (Expressed as Proportions) on Logged Earnings

Year	Black	AIAN	Hispanic	Japanese	Chinese	Filipino
Men Aged 25–64						
1970	0.72	0.78	0.80	0.89	0.79	0.77
2010	0.81	0.84	0.83	1.05	0.90	0.85
Women Aged 25–64						
1970	0.85	0.89	0.90	0.98	0.92	0.89
2010	0.94	0.91	0.90	0.98	1.02	1.03

Note: The comparison group is white non-Hispanic women and men, respectively, in the civilian labor force. Source: Snipp and Cheung, 2016.

FIGURE 2. 90/10 Ratios of Earnings by Race/Ethnicity and Gender, 1970–2010



Source: U.S. Decennial Census (1970, 1980, 1990, 2000) and American Community Survey (2010).

ally, there was greater equality among women in the number of hours worked per week by 2010 than in 1970. Hence, one sees a fall—rather than an increase—in the 90/10 ratio.

Conclusion

These are not, by and large, pleasant results to report. The main conclusion: The overall amount of racial and ethnic earnings inequality has not changed much after an initial improvement in the early post-Civil Rights years. The sole success story is that, for Asian men, the earnings gap has disappeared (whereas Asian women have, throughout this period, earned in excess of white women). Worse yet, racial and ethnic inequalities are yet larger when unearned income

is also considered, and they are further exacerbated by inequalities in wealth and mobility.⁷ It is manifestly clear that business-as-usual policy is falling short. ■

Colin Peterson is Ph.D. Candidate in Sociology at Stanford University and Graduate Research Fellow at the Stanford Center on Poverty and Inequality. C. Matthew Snipp is Burnet C. and Mildred Finley Wohlford Professor of Humanities and Sciences in the Department of Sociology at Stanford University. He leads the race, ethnicity, and immigration research group at the Stanford Center on Poverty and Inequality. Sin Yi Cheung is Reader in Sociology and Director for International and Engagement at Cardiff University.

NOTES

1. Throughout this article, whites are limited to non-Hispanic whites; Hispanic blacks and Hispanic American Indians are treated as blacks and American Indians, respectively. Pacific Islanders are included in the pan-ethnic Asian racial group.

2. A more disaggregated analysis would show that this change is almost entirely the result of gains by Japanese and, to a lesser extent, Chinese men. Other groups such as Filipinos have not fared as well.

3. Snipp, C. Matthew, and Sin Yi Cheung. 2016. "Changes in Racial and Gender Inequality Since 1970." *Annals of the American Academy of Political and Social Science* 663(1), 80–98.

4. See, for example, Bertrand, Marianne, and Sendhil Mullainathan. 2004. "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *American Economic Review* 94(4), 991–1013; Pager, Devah, Bruce Western, and Bart Bonikowski. 2009. "Discrimination in a Low-Wage Labor Market: A Field Experiment." *American Sociological Review* 74(5), 777–799.

5. Massey, Douglas S., and Nancy A. Denton. 1993. *American Apartheid: Segregation and the Making of the Underclass*. Cambridge, MA: Harvard University Press; Alexander, Michelle. 2012. *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*. New York: The New Press.

6. Hirsch, Barry T., and John V. Winters. 2014. "An Anatomy of Racial and Ethnic Trends in Male Earnings in the U.S." *Review of Income and Wealth* 60(4), 930–947; Fisher, Jonathan D., and Christina A. Houseworth. Forthcoming. "The Widening Black-White Wage Gap Among Women." *Labour: Review of Labour Economics and Industrial Relations*.

7. Oliver, Melvin, and Thomas Shapiro. 1995. *Black Wealth/White Wealth: A New Perspective on Racial Inequality*. New York: Routledge; Shapiro, Thomas. 2017. "Wealth Inequality." *Pathways Magazine Special Issue: State of the Union*. Stanford Center on Poverty and Inequality; Yamaguchi, Kazuo. 2009. "Black-White Differences in Social Mobility in the Past 30 Years: A Latent-Class Regression Analysis." *Research in Social Stratification and Mobility* 27(2), 65–78.