

The unexplainable, growing black-white wage gap

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For the past several decades, black workers have fared worse than white workers in the U.S. labor market. Despite government policies designed to reduce or eliminate racial disparities, black workers continue to experience lower wages and higher unemployment rates than Whites. The latest evidence comes from a recent study by economists at the Federal Reserve Bank of San Francisco, “[Disappointing facts about the black-white wage gap](#)” (*Economic Letter*, Federal Reserve Bank of San Francisco, September 5, 2017). Authors Mary C. Daly, Bart Hobijn, and Joseph H. Pedtke show that black workers still earn less than their white counterparts in a worsening trend that holds true even after accounting for differences in age, education, job type, and geography.

In 1979, black men earned, on average, about 80 percent of what white men earned (\$15 per hour versus \$19 per hour in inflation-adjusted dollars); in 2016, it slipped to about 70 percent (\$18 per hour vs. \$25 per hour). Although wages for black males increased, the gain lagged significantly behind that of their white counterparts. The gap also widened for black women, though the disparities were smaller. From 1979 to 2016, wages for black women fell from roughly 95 percent of what white women earned (\$11 an hour versus \$12 an hour) to about 82 percent (\$16 versus \$20).

The authors found it most notable that a significant portion of the racial wage disparity is attributable to *unexplained* factors, factors that are hard to characterize or measure. While a sizable portion of the gap arises from *explained* factors, including occupation choice, educational attainment, and age—the share due to *unexplained* factors accounts for much of the growth in the wage gap over time. The authors suggested that *unexplained* factors could include discrimination, differences in school quality, and differences in opportunity. In 1979, *unexplained* factors were responsible for about 8 percentage points of the earnings gap for men, about 40 percent of the total earnings gap at that time. By 2016, that share had risen to about 13 percentage points, nearly half the total earnings gap.

Unexplained factors likely also contribute to high black unemployment rates. The study found that even during economic expansions, unemployment rates for Blacks were more than 6 percentage points higher than that of Whites. According to the authors, this gap indicates that “black jobseekers face different job opportunities than their white counterparts.”

The research draws focus to the persistence of a racial wage gap even after the passage of the Civil Rights Act, landmark anti-discrimination legislation that first went into law over 50 years ago. This highlights the problem that it’s tough to address disparities if it’s impossible to measure what’s driving them.