

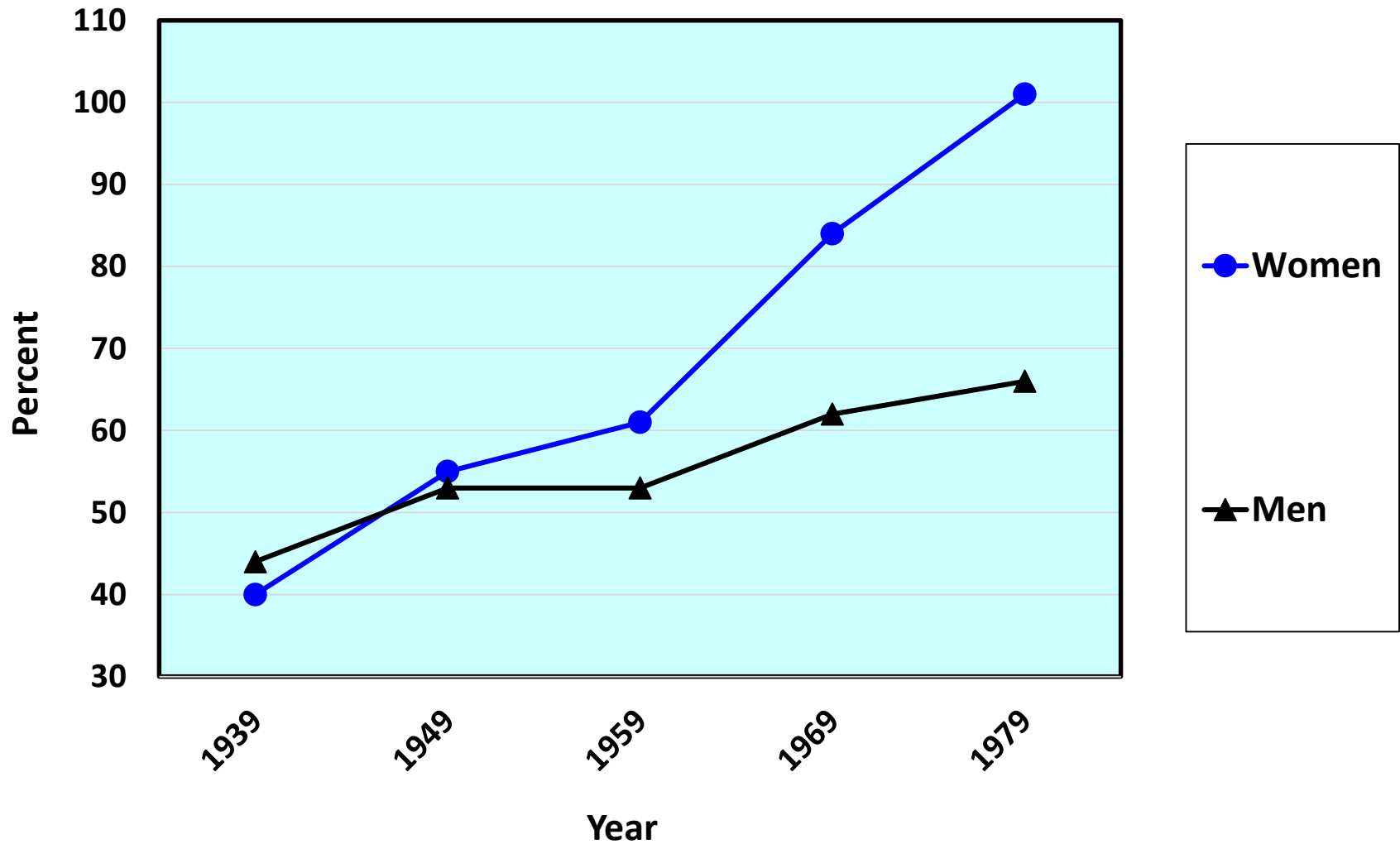
***Black/White Earnings Differences:
Sobering Trends, Especially in Michigan***

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Starting from a very low base, the earnings of African Americans increased very substantially relative to the earnings of whites in the middle decades of the 20th century.

Average Annual Earnings of Black Workers, as Percent of Average Annual Earnings of White Workers, by Sex, United States, 1939-1979

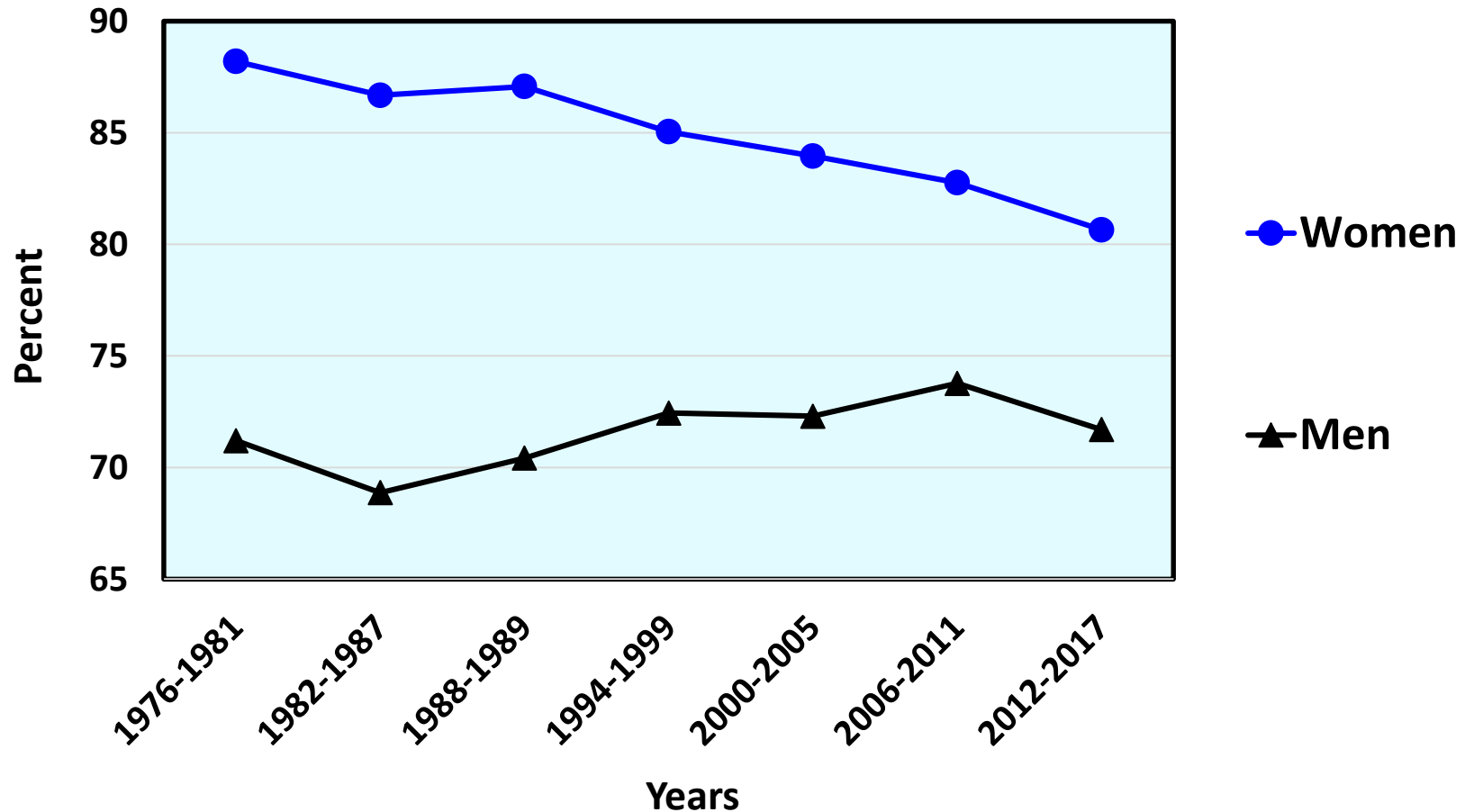


Source: Gerald Jaynes, "The Labor Market Status of Black Americans, 1939-1985", *Journal of Economic Perspectives* 1990.

Since the 1970s, for the entire United States, black/white earnings ratios have evolved very differently than they did in the 1940s, 1950s, and 1960s:

Black women workers have lost ground to their white counterparts, and black men have only gained a little, even when we look only at prime-age, full-time workers.

Earnings of the Median Black Worker, as Percent of Earnings of the Median Non-Hispanic White Worker, for Full-Time Year-Round Workers Aged 25-54, Six-Year Averages, by Sex, 1976-2017



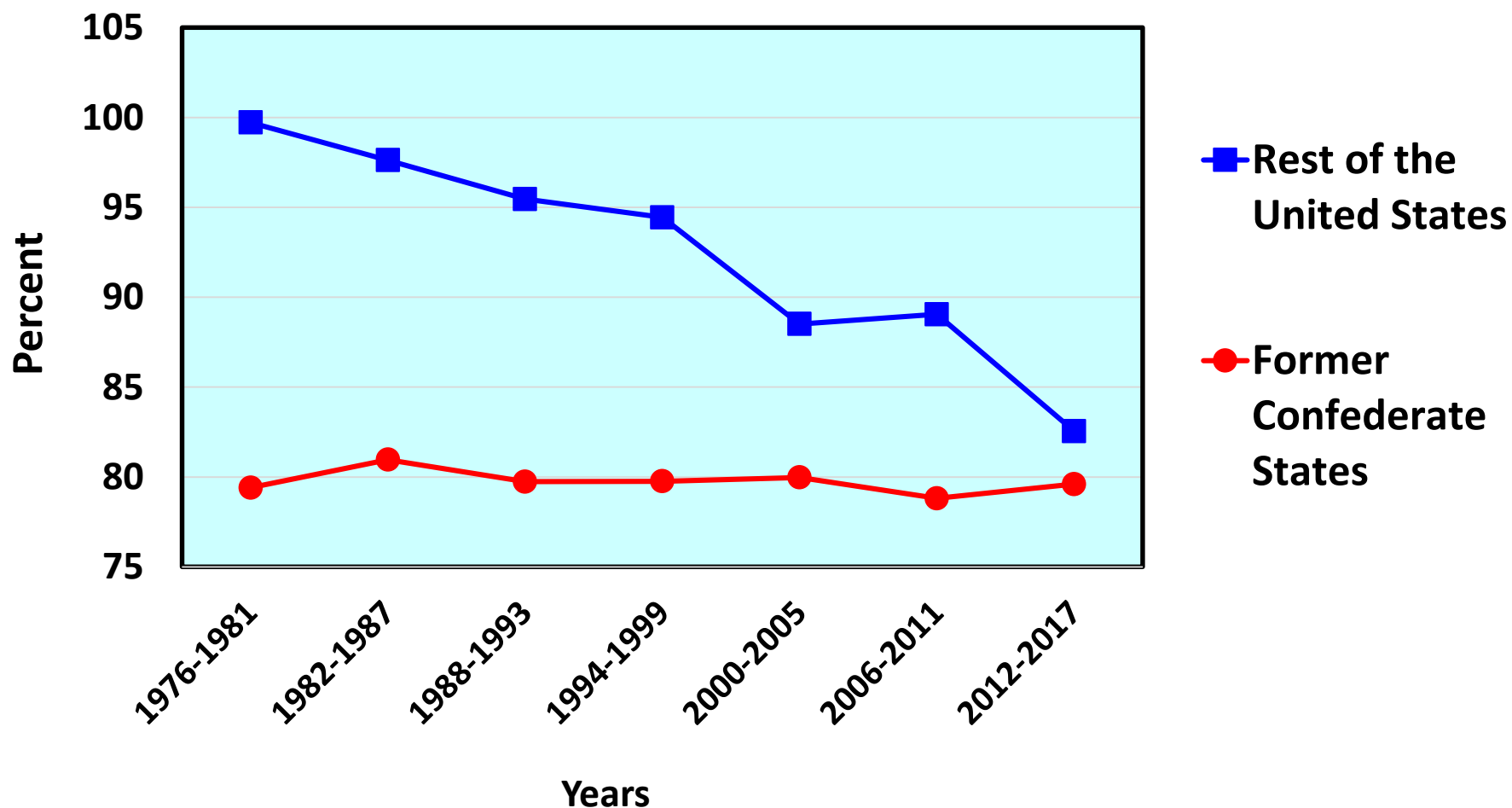
Source: Current Population Survey

The fraction of the prime-age population that is working full-time year-round has decreased more for black men than for white men.

Thus, the trend would be even less favorable for African Americans if we were to include non-workers.

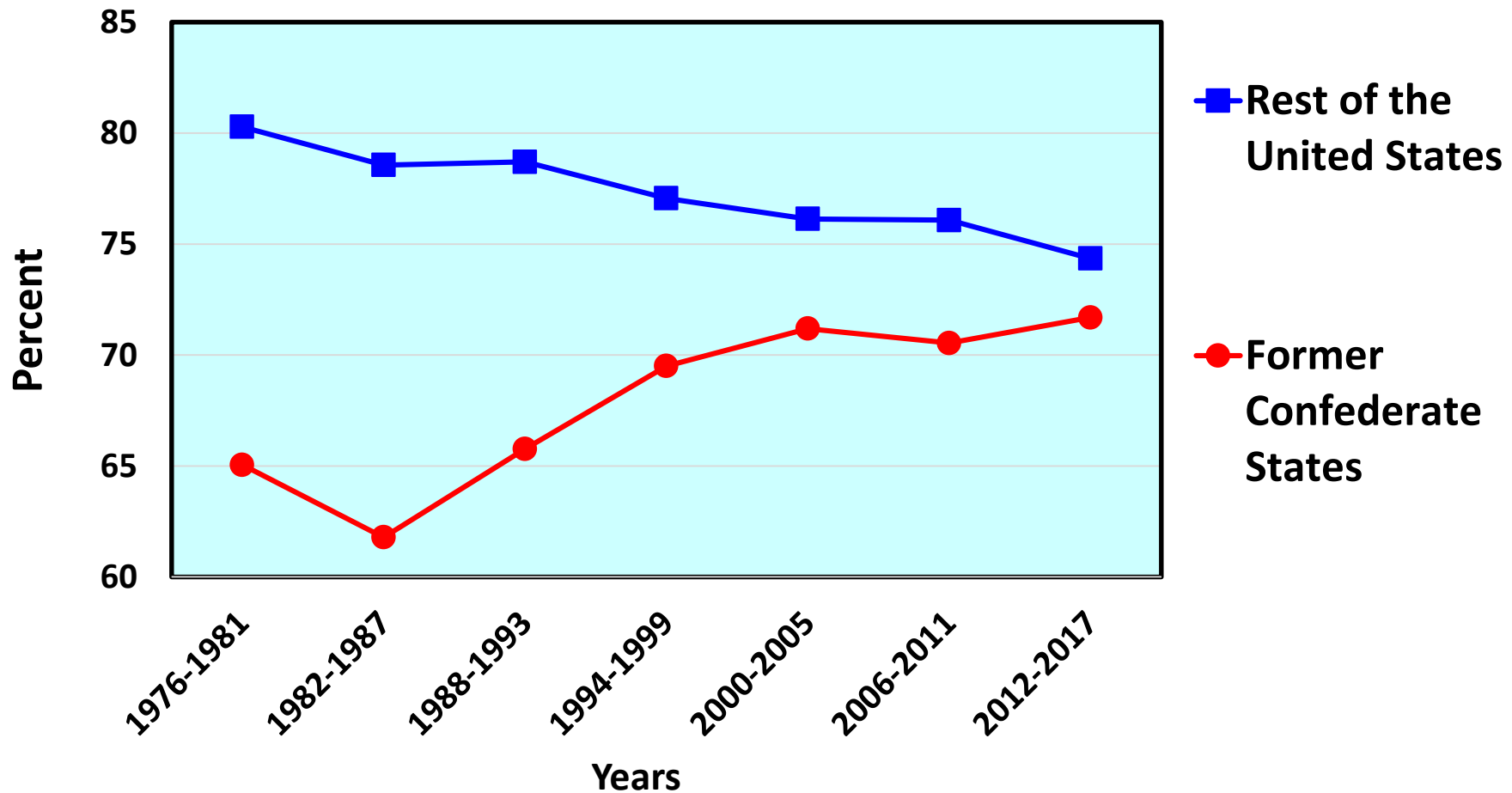
**These patterns of change
for the entire United
States mask dramatically
different patterns in the
South and North.**

Earnings of the Median Black Woman, as Percent of Earnings of the Median Non-Hispanic White Woman, for Full-Time Year-Round Workers Aged 25-54, in Selected Regions of the United States, Six-Year Averages, 1976-2017



Source: Current Population Survey

Earnings of the Median Black Man, as Percent of Earnings of the Median Non-Hispanic White Man, for Full-Time Year-Round Workers Aged 25-54, in Selected Regions of the United States, Six-Year Averages, 1976-2017

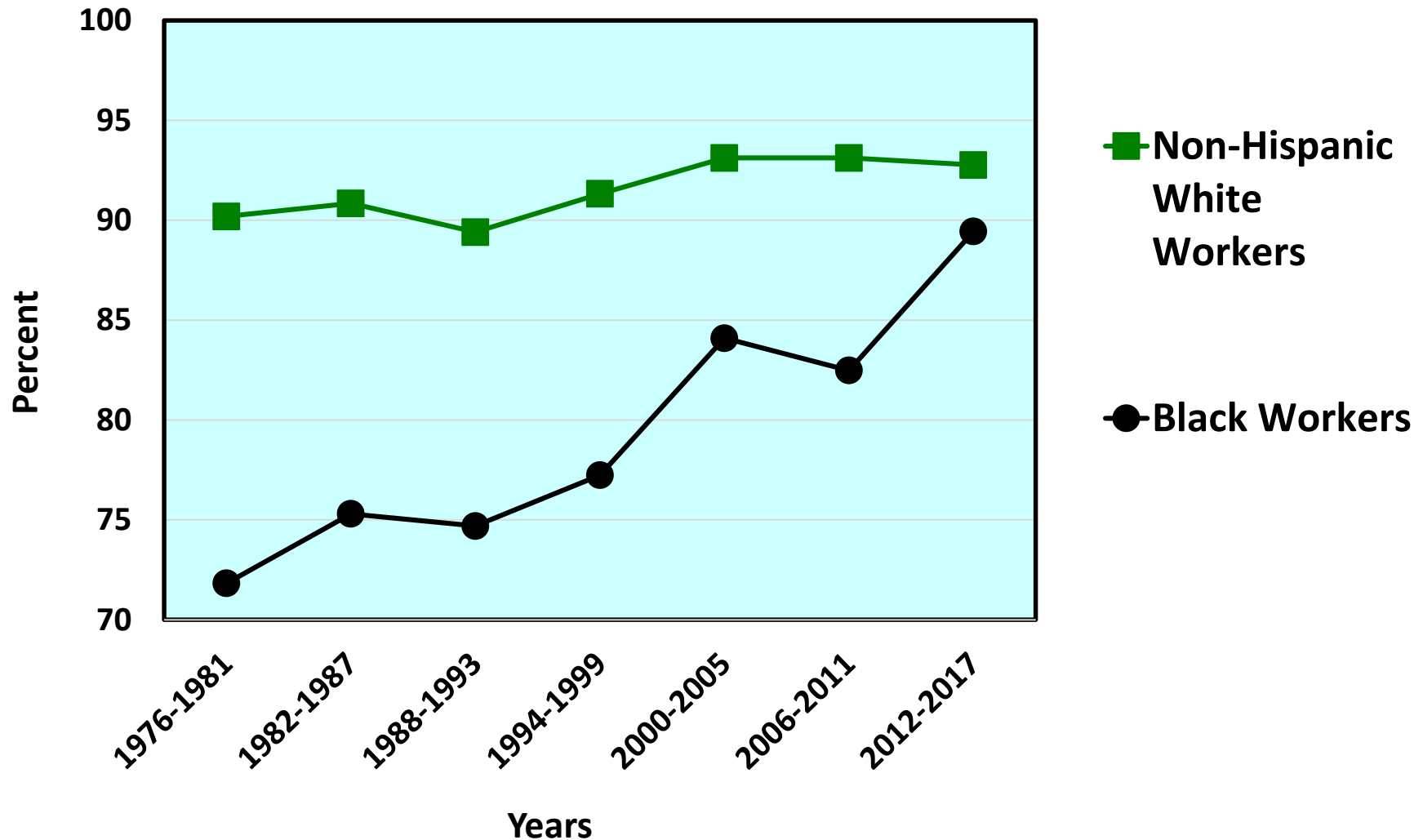


Source: Current Population Survey

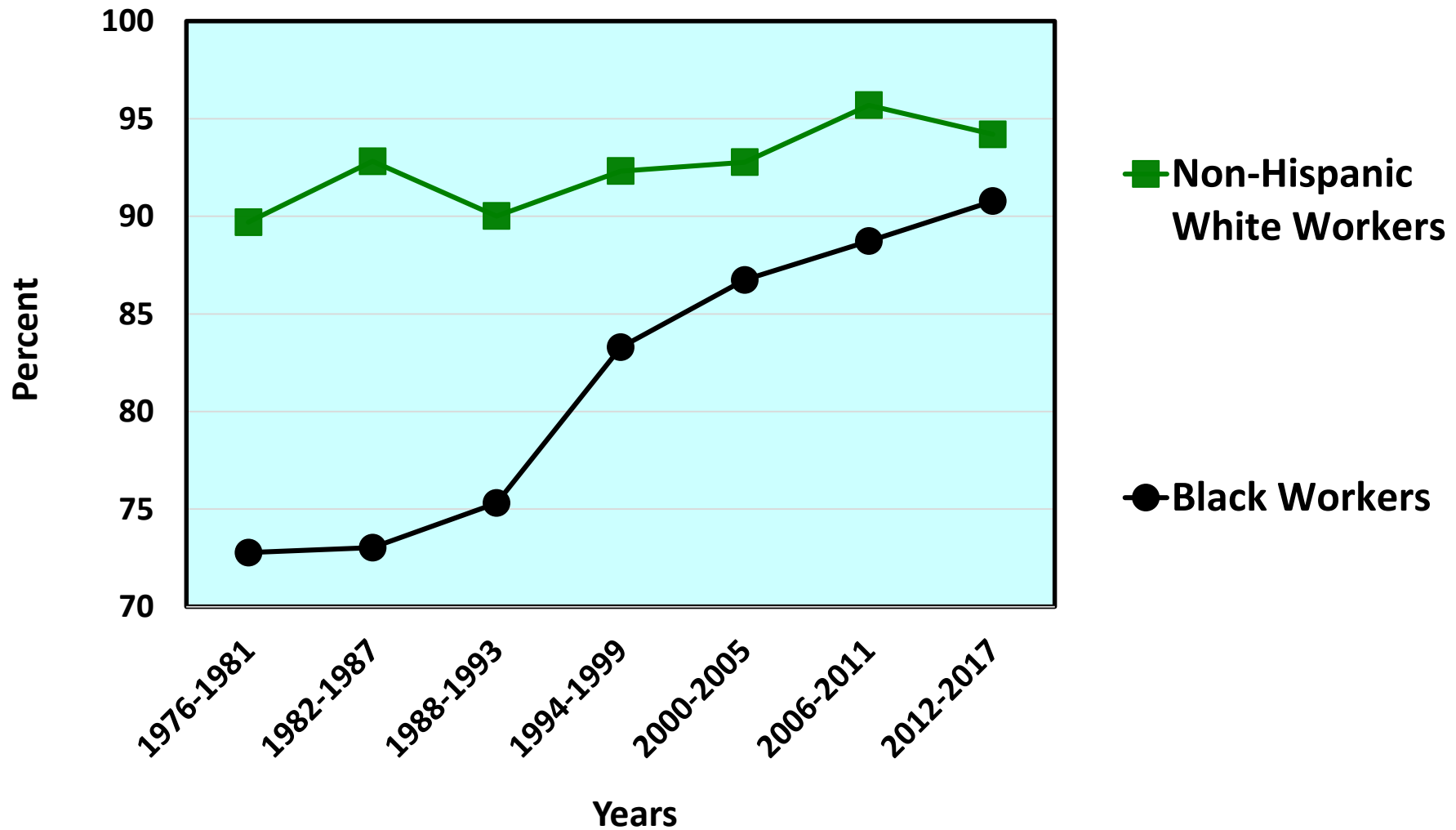
The previous slides show that, in the last four decades, black workers have done much better relative to white workers in the South than in the rest of the U.S.

If we look at the data in a different way, we see that black workers in the South have largely caught up with black workers in the North.

**Earnings of the Median Female Worker in the Former Confederate States,
as Percent of Earnings of the Median Female Worker in the Rest of the
United States, by Race, for Full-Time Year-Round Workers Aged 25-54,
Six-Year Averages, 1976-2017**



Earnings of the Median Male Worker in the Former Confederate States, as Percent of Earnings of the Median Male Worker in the Rest of the United States, by Race, for Full-Time Year-Round Workers Aged 25-54, Six-Year Averages, 1976-2017

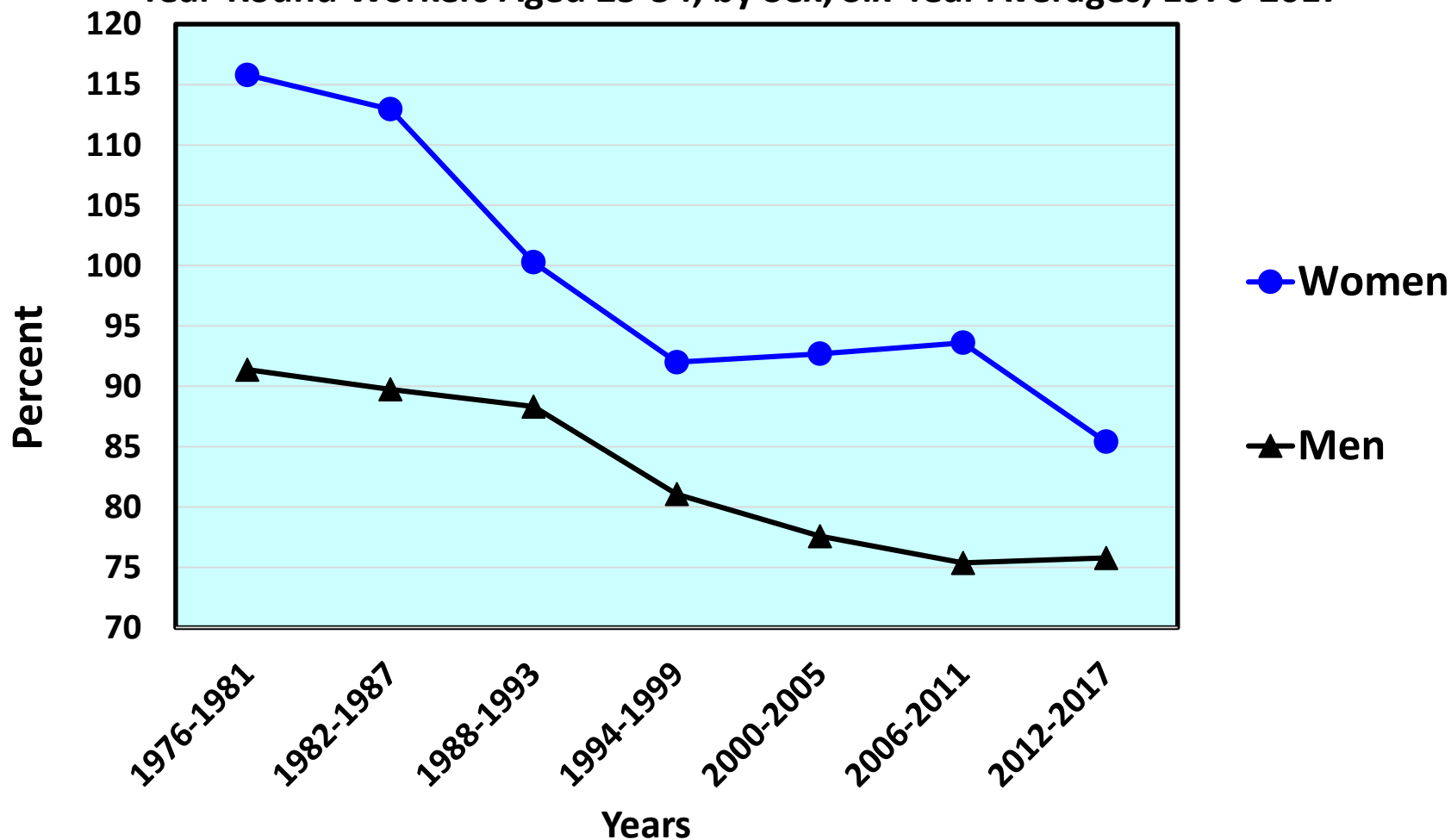


**The relative losses
for black workers
have been larger in
Michigan than in
any other state.**

In the late 1970s and early 1980s, black women in Michigan earned a lot more than non-Hispanic white women in Michigan. Now the reverse is true.

Black men in Michigan have also lost a lot of ground relative to their non-Hispanic white counterparts.

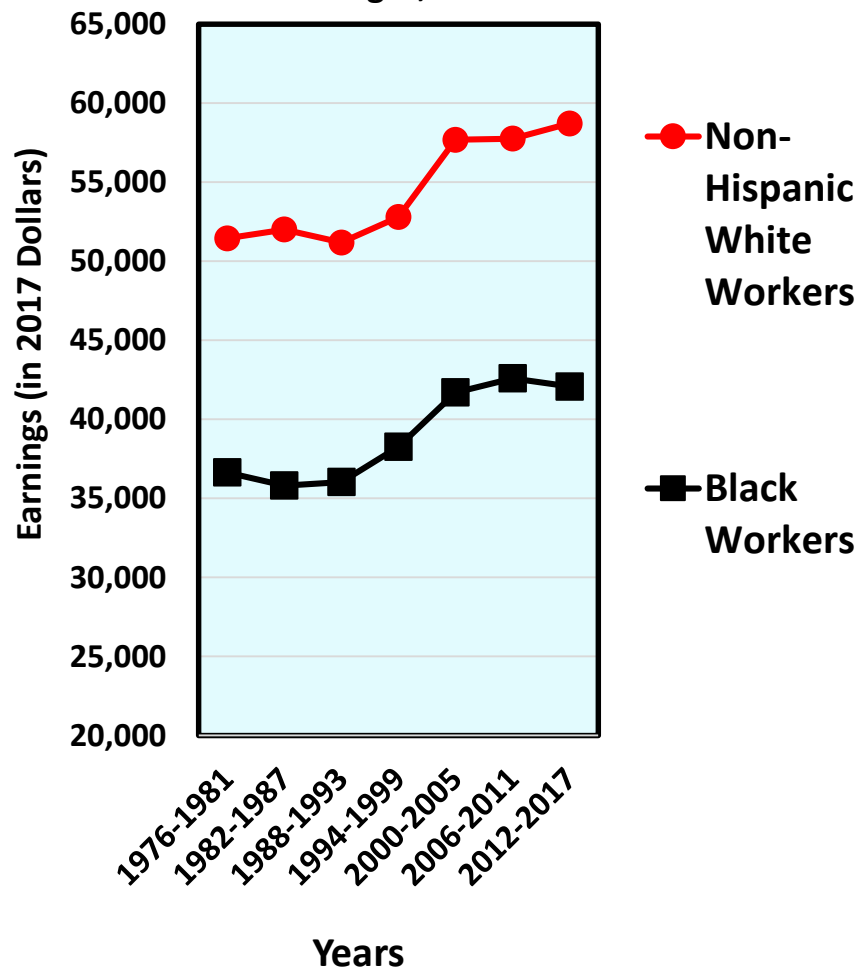
Earnings of the Median Black Worker in Michigan, as Percent of Earnings of the Median Non-Hispanic White Worker in Michigan, For Full-Time Year-Round Workers Aged 25-54, by Sex, Six-Year Averages, 1976-2017



Source: Current Population Survey

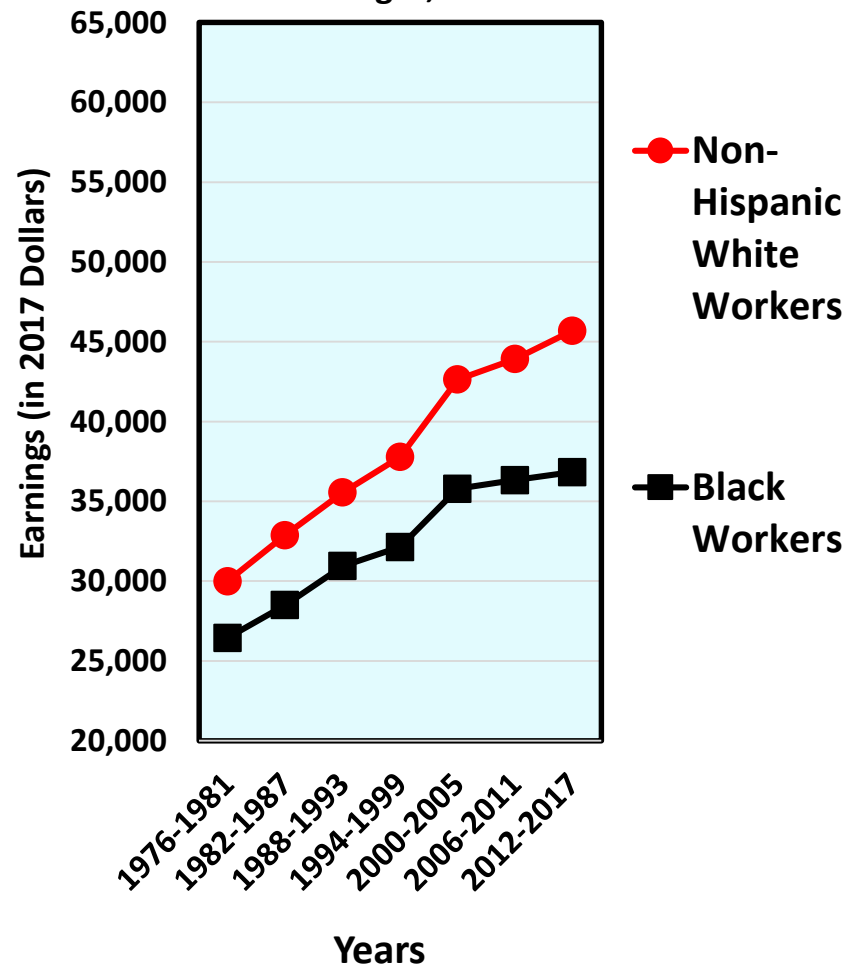
In most of the country, although black workers lost ground relative to white workers, their earnings did increase enough to outpace inflation. It's just that white workers' earnings increased faster.

Inflation-Adjusted Earnings of the Median Male Full-Time Year-Round Worker Aged 25-54 in the United States, by Race, Six-Year Averages, 1976-2017



Source: Current Population Survey

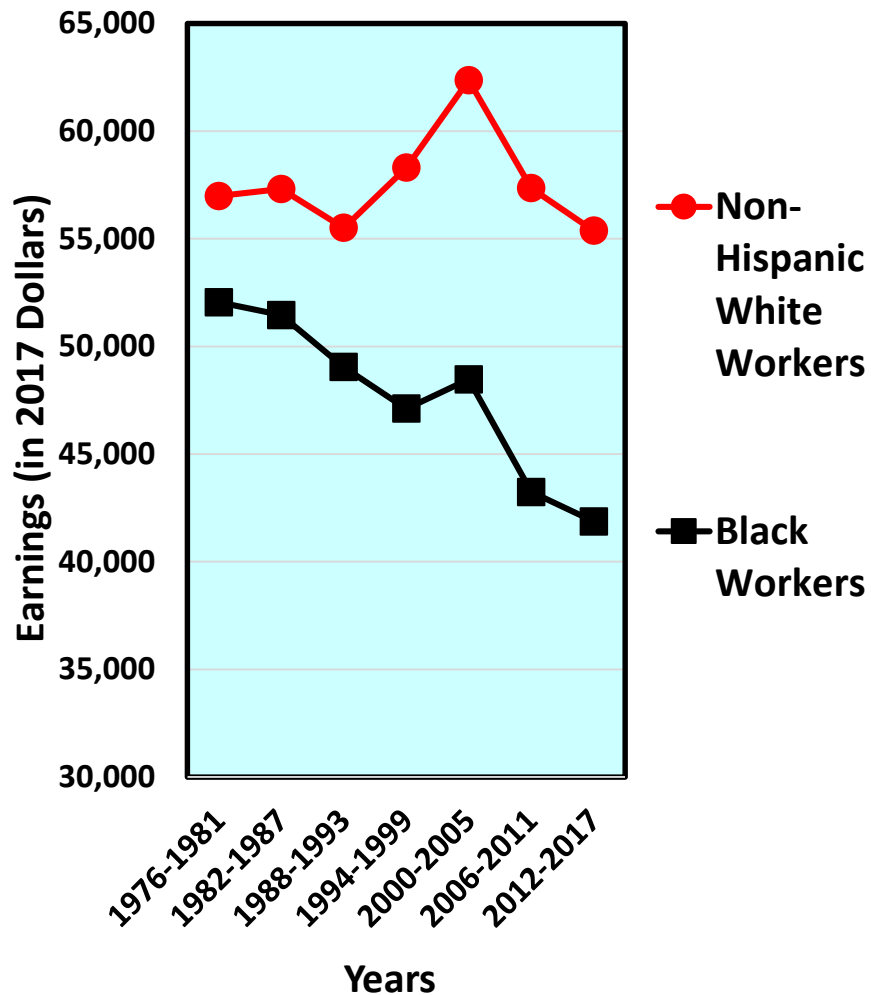
Inflation-Adjusted Earnings of the Median Female Full-Time Year-Round Worker Aged 25-54 in the United States, by Race, Six-Year Averages, 1976-2017



Source: Current Population Survey

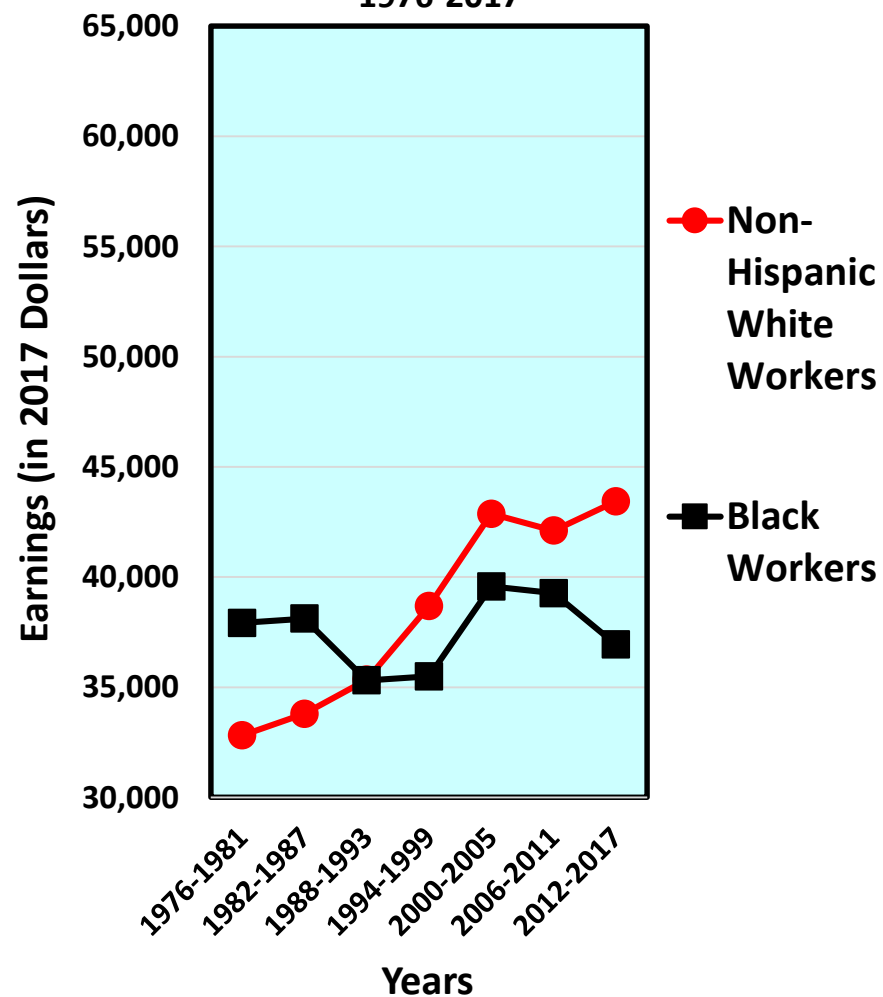
But in Michigan, after adjusting for inflation, the earnings of the median black worker have fallen in the last 40 years-- slightly for women, sharply for men.

Inflation-Adjusted Earnings of the Median Male Full-Time Year-Round Worker Aged 25-54 in Michigan, by Race, Six-Year Averages, 1976-2017



Source: Current Population Survey

Inflation-Adjusted Earnings of the Median Female Full-Time Year-Round Worker Aged 25-54 in Michigan, by Race, Six-Year Averages, 1976-2017



Source: Current Population Survey

The previous slides compared the median black worker in Michigan with the median white worker in Michigan.

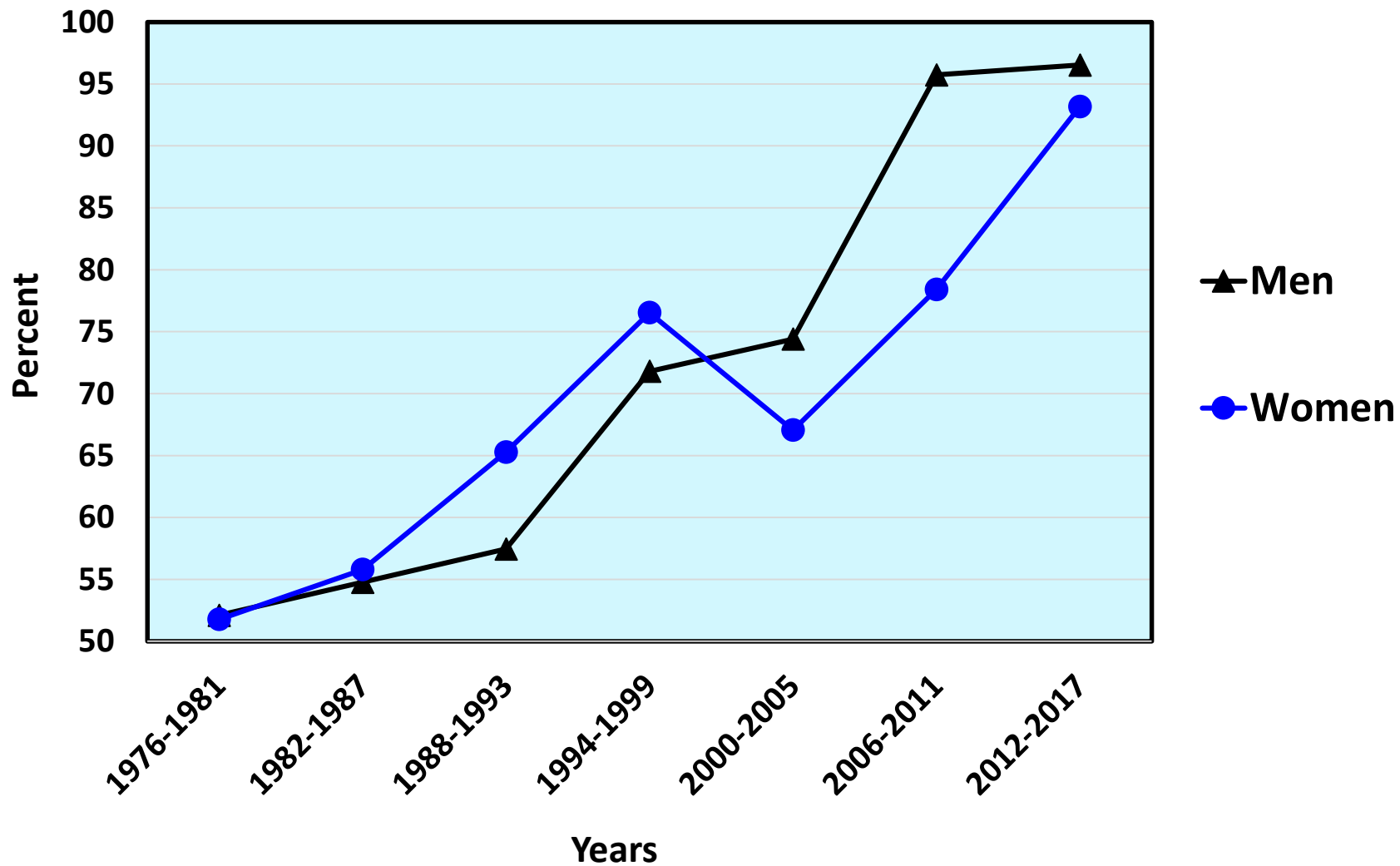
The earnings of low-wage black workers in Michigan fell even faster, while the earnings of high-wage black workers in Michigan kept up with inflation.

But all groups of black workers in Michigan lost ground when compared with non-Hispanic white workers.

Black workers in Michigan used to earn far more than black workers in the Deep South.

That is no longer true.

Earnings of the Median Black Worker in Alabama, as Percent of Earnings of the Median Black Worker in Michigan, For Full-Time Year-Round Workers Aged 25-54, By Sex, Six-Year Averages, 1976-2017



Why did black workers do relatively worse over time in the North than in the South?

1. In most of the United States, black workers' educational attainment increased in the last 40 years, but white workers' educational attainment also increased, so that a gap remains. **(In Michigan, the racial gap in educational attainment among workers *widened* in recent years.)**

And this was at a time when the financial payoff to having more education was increasing dramatically.

Thus, the earnings penalty suffered by black workers from having lower educational attainment has increased.

By contrast, in southern states, black male workers' educational attainment started at such a low level that they caught up substantially with white male workers.

2. Moreover, in much of the country, the financial return to an additional year of schooling has not increased as much for black workers as for white workers.

3. Even when we control for education, black workers are more likely to be in low-paid occupations.

In recent decades, the financial payoff for being in highly paid occupations has increased.

● **Holding other variables constant, married men earn significantly more than unmarried men.**

Black men are less likely than white men to be married, so this also contributes to the earnings differences.

Some factors go in the other direction, so that they help to *reduce* the racial earnings gap:

● **Federal employees tend to be well paid, and black women are more likely to be employed by the federal government.**

● **Those who live outside a metropolitan area earn less than those who live inside a metropolitan area. Outside the South, black workers are more likely than white workers to live in a metropolitan area.**

But these advantages are small, and not enough to offset the effects of education and occupational segregation.

According to our data and analysis, racial differences in the industries in which workers are employed only explain a modest part of the trends.

Industries are somewhat more important in Michigan and nearby states than in the rest of the country, because employment in manufacturing once boosted the earnings of black workers in the Great Lakes region.

But the shrinkage of manufacturing took a toll on workers of both races. In recent years, we find that differences in employment by industry explain very little of black/white earnings differences.

However, other research using similar data but analyzing it in a different way, finds that metropolitan areas that have seen the largest declines in manufacturing employment have seen particularly poor trends for African Americans in a number of dimensions.

Much of the racial earnings gap cannot be explained by racial differences in the characteristics of workers.

Surely much of it arises from discrimination, although some could be due to differences in the characteristics of black and white workers that are difficult to measure.

Also, much of the part that is “explained” by differences in education and in occupations may reflect current and past discrimination and inequalities in opportunity.

We do not explicitly account for residential segregation in our study.

However, we note that many of the metropolitan areas that are most heavily segregated are in Michigan.

What, if anything, can be done?

1. First, we hope that our research increases public awareness, without which changes are less likely.

2. The decline of black workers' relative earnings has happened during a time of increasing overall inequality.

Anything (such as a higher minimum wage) that helps to reduce inequality generally is likely to help black workers relative to white workers.

3. Since education explains more of the black/white earnings gap than anything else, a big case can be made for improvements in the quality and quantity of education.

Improved education will help white workers, but it has the potential to help black workers relatively more, since black workers' educational attainment continues to lag, and the financial payoff to an extra year of schooling is lower for black workers than for white workers.

Policies that we might consider:

- More and better early childhood education.
- A longer K-12 school year.
- Better funding for K-12 schools, both for operating expenses and for capital infrastructure.
- Increased efforts aimed at increasing graduation rates, both from high school and from college.

4. Continued enforcement of anti-discrimination laws is an important part of any effort to improve the earnings of black workers.

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Thank you!