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Racial and Ethnic Inequality in Earnings and Educational Attainment

Gary D. Sandefur
Institute for Research on Poverty and School of Social Work
University of Wisconsin-Madison

Anup Pahari
Department of Sociology
University of Wisconsin-Madison

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Racial and Ethnic Inequality in Earnings and Educational Attainment

In its well-known report issued in 1968, the Kerner Commission concluded that "Our nation is moving toward two societies, one black, one white--separate and unequal."¹ This statement and the tone of the report implied that not only were blacks and whites unequal, but conditions were deteriorating. After a recent conference on "The Kerner Report Twenty Years Later," former Senator Fred R. Harris and former Johnson administration official Roger Wilkins issued a summary document that stated "The Kerner Report is coming true: America is again becoming two societies, one black (and, today, we can add Hispanic), one white--separate and unequal."²

Not all observers share this pessimistic view. Based on an analysis of data collected by the U.S. Bureau of the Census for the 1940-1980 period, Smith and Welch found: "The extent of the improvement in the relative economic status of blacks over the last forty years is obviously impressive. This improvement is largely an untold story, belying the widely held view that the relative economic position of blacks in America has been stagnant. However, one must remember that even in 1980, black male incomes still significantly lagged behind those of whites."³

One reason for these different assessments is that both the original Kerner Commission and Harris and Wilkins focused on the minority population of central cities, whereas Smith and Welch focused on the national black population. Most observers agree that conditions among minority group members in the central cities have deteriorated, but there continues to be a good deal of disagreement about the general situation of

minority group members relative to whites in contemporary American society. A review of other work on this general problem suggests that the actual situation is very complex, and that there is a great deal we do not know about the effects of race on one's life chances in American society. Most work has concentrated on black/white male differences. Research indicates that the earnings of employed black and white men have been converging at least since 1940, whereas the gap between the employment rates of blacks and whites has been widening.⁴ In addition, the black middle class is growing, but there is also a group of inner-city blacks (characterized by some as an underclass) who seem to be mired in unemployment, poverty, and a very low quality of life.⁵ Conventional sociological and economic theories have difficulty accounting for the convergence in earnings, the divergence in employment, and the persistence of extreme poverty among some blacks.

Very little research has been done on minority groups other than black men. Although Hirschman and his colleagues have examined the economic situation of Asians,⁶ Sandefur and Scott have examined the situation of American Indians,⁷ and Tienda and her colleagues have examined different Hispanic groups,⁸ few other attempts have been made to compare the experiences of minority groups. The concern with blacks is understandable, given their status as the largest minority group in the United States. This research, however, does not tell us very much about the changing effects of race and ethnicity for other groups.

In this paper we take an explicitly comparative focus by examining the earnings of minorities born in the United States. We look at racial minority groups (e.g., blacks) and ethnic minority groups (i.e., those

distinguished from the white majority by language or other cultural differences). Although racial/ethnic differences in earnings are not the only feature of racial/ethnic inequality, earnings are the major component of income for all groups in the United States.⁹ We include American Indian, Asian American, black, Hispanic, and white men and women in 1960, 1970, and 1980. We build on prior work through (1) including American Indians; (2) including women; and (3) examining a longer historical period. Our major research questions are very straightforward: To what extent has the impact of race/ethnicity on earnings changed over time? and What are the implications of these changes for social policies designed to address racial inequality?

DECLINING RACIAL DIFFERENCES: THEORIES, POLICIES, AND EVIDENCE

The prediction that race/ethnicity would decline in significance as American society developed is firmly rooted in several social science traditions. In Weber's analysis of Western civilization and the development of capitalism, he observed that traditional criteria for the distribution of positions and rewards were being replaced with rational/legal criteria, and he predicted that the rationalization of society would proceed into the future.¹⁰ Although lineage, family, skin color, and ethnicity might have been widely used criteria in the past, Weber argued that they would gradually diminish in importance to be replaced by an emphasis on performance-related criteria. In Parsons's analysis of stratification systems, he characterized American society as one which valued performance.¹¹ This led to an emphasis on universalistic as opposed to particularistic criteria in the distribution of

rewards. Parsons characterized race and ethnicity as particularistic criteria and performance-related factors, such as education and ability, as universalistic criteria.

Park argued that the spread of Western-style economies and culture had led to contact between racial and ethnic groups.¹² He argued that over time (perhaps several centuries) these groups would go through a cycle of contact, competition and conflict, accommodation, and assimilation. Assimilation would be facilitated by the increasing irrelevance of racial/ethnic criteria in modern industrial economies, and by the changing attitudes, values, and behavior patterns of both the majority group and minority groups. Minority groups would accept, while also modifying, major societal institutions and values, and the majority group would gradually accept minority group members as full participants in society. Class would replace race as the fundamental basis for political and economic conflict in society.

Many of Weber's, Parsons's, and Park's predictions seem to be coming true. Research on trends in racial prejudice shows that the level of prejudice directed at blacks and other minority groups has declined considerably over the past half century.¹³ Further, the major political action groups representing the interests of minorities (e.g., the National Association for the Advancement of Colored People, the Urban League, and the National Congress of American Indians) have emphasized working within the American political system. These organizations and most members of minority groups seem to define success in the same way that it is defined by members of the majority group. In sum, there has been a convergence in the attitudes, values, and behavior patterns of

majority and minority groups, and an increasing acceptance by all groups that they are members of one society.

Public policy has played an important role in changing the way in which minority group members are treated in American society. Beginning with the 1954 Supreme Court decision on school desegregation, the three branches of the federal government have generally pursued courses of action (with a great deal of debate and some reversals) that have opened previously unavailable opportunities to people of color. The Civil Rights Act, the Fair Housing Act, and the Voting Rights Act of the 1960s established a legislative foundation for fairer treatment of blacks and other minorities. This and other legislation led to a number of federal initiatives in the educational and employment arenas. During the 1960s the federal government expanded its financial support for education at all levels, including compensatory programs such as Head Start, which was designed to assist disadvantaged students in beginning the educational process. The late 1960s and early 1970s saw the development of public service employment jobs (jobs created in the public sector) and job training programs that provided opportunities for disadvantaged workers to obtain employment and skills. The institutionalization of affirmative action and the general support of its principles by the U.S. Supreme Court led to the expansion of black and other minority employment in jobs, firms, and industries to which they had previously had little or no access.¹⁴

Research has uncovered what appears to be a fairly consistent pattern of declining racial differences in socioeconomic outcomes accompanying these changes in public attitudes and public policy. The title of the

report by Smith and Welch, Closing the Gap: Forty Years of Economic Progress for Blacks, reflects their judgment that blacks made significant gains relative to whites during the period from 1940 through 1980.

Hirschman and Wong found that the effects of race and ethnicity on earnings declined for black, Hispanic, and Asian men (with the exception of Chinese men) between 1960 and 1976.¹⁵ Tienda, Smith, and Ortiz examined some of the factors involved in the improved labor market performance of different groups of minority women and concluded that in 1979 Hispanic women earned as much as white women with similar characteristics, whereas black women averaged slightly higher earnings than their white equivalents.¹⁶ Consequently, a body of evidence suggests that the importance of race and ethnicity as determinants of socioeconomic outcomes has declined over time.

Other evidence indicates, however, that the picture of steady progress is inappropriate. Butler and Heckman suggested that some of the improvement in the relative earnings of blacks reflected an exodus of low-wage blacks from the labor force.¹⁷ Mare and Winship, in an effort to explain the "paradox" of decreasing inequality in education and earnings among black and white youth accompanied by increasing inequality in employment rates, argued that educational opportunities for black youth have grown. This has led to increased school enrollment and educational attainment among blacks, but "disadvantaged" black youth who are unable (or unwilling) to take advantage of these opportunities continue to face a great deal of difficulty finding jobs.¹⁸ Freeman and Holzer argue that jobs are available for inner-city black youth, but they are jobs that pay less than those available to white youth. They suggest that "black youth

clearly want to work, but only at jobs and with wages that are comparable to those received by their white counterparts."¹⁹

The growing recognition that some people are being "left behind" and the accumulating evidence that these people may be geographically concentrated in the central cities led to the current focus on what many refer to as the urban underclass. There is, however, need for a careful assessment of the progress of groups in general, including the subgroups which may have been "left behind."

MINORITY GROUPS AND EARNINGS: RESEARCH QUESTIONS

One important purpose of an exploration of the economic progress of minority groups is to examine the differences in their recent experiences. The public policy debate about minority issues is often rooted in our understanding of what has happened to blacks since the major civil rights and antipoverty initiatives of the early 1960s. This is inappropriate if the experiences of other minority groups differ significantly from those of black Americans. One reason that these experiences may have been quite different is that the history of the major racial/ethnic minority groups in the United States put them in somewhat different social and economic positions at the beginning of the 1960s. Although Asians had experienced a great deal of discrimination during the late 1800s and early 1900s and the Japanese had been victimized during the 1940s, by 1960 Asians born in this country had, on average, more years of education than whites. Asians were also proportionately overrepresented in professional and technical fields and occupations. For example, 13.6

percent of Japanese and 17.9 percent of Chinese were in professional occupations in 1960 compared to 11.8 percent of whites.²⁰

Black Americans, on the other hand, were more likely than Asians or whites to be in low-skilled occupations. Although the migration of blacks from agricultural areas to industrial areas had been going on for some time, blacks were still somewhat overrepresented in agricultural jobs (9.1 percent compared to 6.4 percent of whites in 1960). They were also overrepresented in low-wage jobs in other industries, and black women were disproportionately represented in domestic work.²¹

But blacks were not the only group in a precarious position in 1960. A considerably higher proportion of Hispanics than blacks were in agricultural jobs, especially Mexican-Americans in the Southwest and West. Puerto Ricans, who in 1960 lived predominantly in the urban Northeast, were disproportionately represented in low-wage industrial jobs.²² In 1960 American Indians had the highest level of unemployment of any group (15 percent for Indian men over age 14 compared to 8.9 percent for black men over age 14). Among those who were employed, 17.6 percent were in agricultural jobs.²³ American Indians and Hispanics were, however, more likely than blacks to live in the western United States, a region that experienced considerable population and economic growth after 1960, and they were less likely than blacks to live in the urban areas of the Northeast (with the exception of Puerto Ricans) and Midwest, areas that had serious economic problems, especially during the 1970s.²⁴

A second purpose of examining the evidence on general racial/ethnic differences is that this evidence may suggest what future steps are likely to be most effective in achieving further reductions in

inequality. We assess two policy issues: the connection between education and earnings for minority members and the impact of simply belonging to a minority group. Because the census microdata samples used in this paper contain information on educational attainment, it is possible to examine racial/ethnic inequality in educational attainment and how it has changed over the 1960-1980 period. These data can tell us what groups have approached educational equality with whites, and what gaps persist. For example, we can learn what gaps in high school graduation rates persist and if gaps in college graduation rates have narrowed. Further, the evidence can show to what extent educational differences continue to play a role in producing differences in earnings. Such information can tell us at what levels to focus policy initiatives if our goal is to achieve parity in educational attainment as a means of achieving equality in economic outcomes.

We assess as well the extent to which the effects of race/ethnicity on earnings have diminished over time, after adjusting for the effects of education and other variables. Although such evidence does not explain any changes in the earnings of minority groups, it does provide one indicator of the value of current policies, which require employers to incorporate affirmative action principles in hiring and promotion decisions.

DATA AND METHOD

Data

The data used in these analyses come from the 1960, 1970, and 1980 Public Use Microdata Samples prepared by the U.S. Bureau of the Census.

These data contain a variety of individual and household information. We examine individuals aged 25-54 who were born in the United States. Individuals in this age range are sometimes referred to as the "prime-aged labor force," since they have probably completed their education and are unlikely to be voluntarily retired.

Examining trends among native-born non-Hispanic whites and blacks is fairly straightforward, since the criterion used by the U.S. Bureau of the Census to define whites and blacks has been consistent over the 1960-1980 period, i.e., individuals have been asked to identify themselves as white or black when each census has been taken. Examining trends among Asians and Hispanics is somewhat more complicated because of changes in the criteria used by the Bureau of the Census to identify these groups. We have taken a number of steps to improve comparability over the years.²⁵

Examining trends over time in the American Indian population presents somewhat different problems. Although the criterion used to define the Indian population has been consistent over the 1960-1980 period (i.e., people are given the opportunity to identify themselves or other members of their household as Indians), the Census Bureau improved its ability to locate and enumerate Indians between 1960 and 1980, and a sizable number of individuals changed their self-identified race from non-Indian to Indian. The Indian population in 1970 includes a substantial number of individuals who were missed in 1960, and the population in 1980 contains a substantial number who were missed in 1970.²⁶

Method

Our analysis of the effects of race/ethnicity on earnings uses a model similar to that of Hirschman and Wong.²⁷ This model is displayed in figure 1; the measures of the variables are described in table 1. Our approach differs from that of Hirschman and Wong in three major ways: (1) we confine our attention to individuals born in the United States; (2) we add two additional independent variables (marital status and children); and (3) we exclude occupation, industry, and labor supply (weeks worked during previous year and usual hours worked during a week) from the set of independent variables.

The reason we confine our attention to the native-born is that they have been exposed for their entire lives to American society. Immigrants, on the other hand, vary a great deal in the preparation they have had for participation in American society and the American labor force. Including immigrants and natives in the same analysis may be misleading if the labor market processes involving immigrants are significantly different from those involving natives.²⁸ We have added marital status and children to the model because these are important determinants of labor force participation for both men and women and also have independent effects on earnings. We exclude industry, occupation, and labor supply from the list of independent variables because labor supply is affected by earnings as well as being a determinant of earnings,²⁹ and industry and occupation are measured at the time the census is taken, but earnings refer to the previous year. We cannot therefore be certain that an individual's occupation and industry given in the census are the same as his/her occupation and industry during the previous year.

Figure 1
MODEL OF RACIAL INEQUALITY

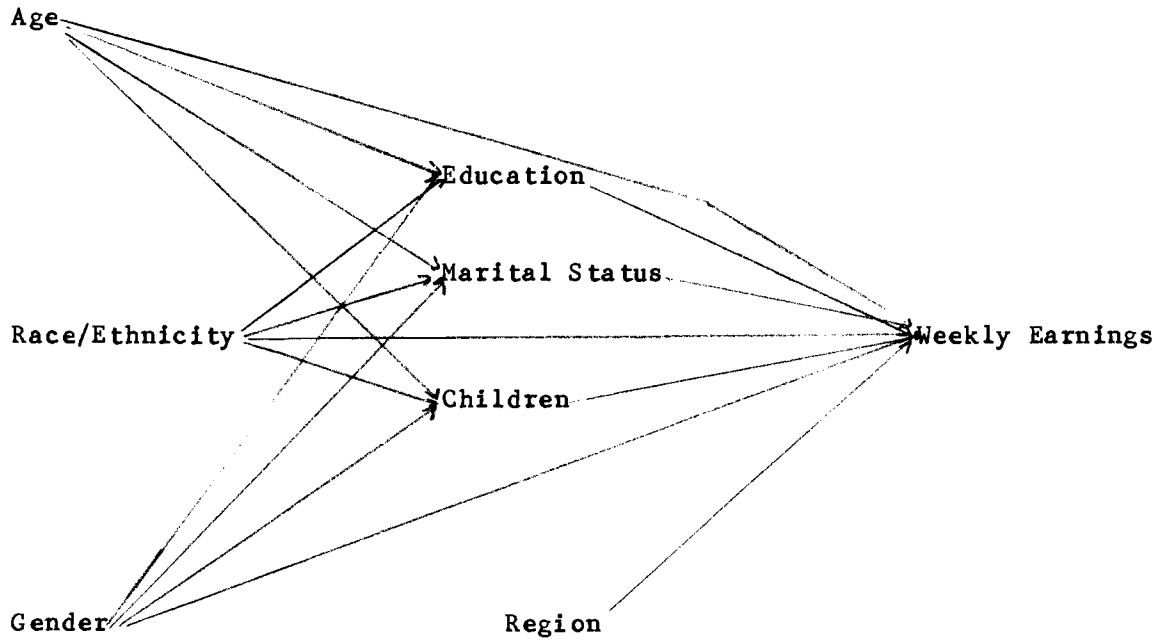


Table 1

VARIABLES AND MEASURES

Variable	Measure
Yearly earnings ^a	Earnings from wage or salary in 1979 dollars
Weekly earnings	Yearly earnings in 1979 dollars/weeks worked
Weeks worked ^b	Number of weeks worked
Age	Age in years
Education	Years of completed schooling
Race	Asian; Non-Hispanic Black; Hispanic; Non-Hispanic Indian; Non-Hispanic White
Marital status	Married, widowed, divorced, separated, never married
Ages of children	No children; at least one child under 6, but no children over 5 (CHLT6); at least one child under 6 and one child 6-17 (CHO-17); at least one child 6-17, but no child under 6 (CH6-17).
Region ^c	South, Northeast, Midwest and West as defined by U.S. Bureau of the Census

^aIn 1960 and 1970, earnings are coded in categories. We recoded earnings to the midpoint of each category.

^bIn 1960 and 1970, weeks worked are coded in categories. We recoded weeks worked to the midpoint of each category.

^cThe South includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The Northeast includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. The Midwest (also known as North Central) includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The West includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

RESULTS

Trends in Earnings and Employment

Table 2 contains the average yearly and weekly earnings for native-born men and women; the last three columns show weekly minority group earnings as a proportion of white male earnings.³⁰ The trends for black and white men are consistent with those found in previous research: the yearly and weekly earnings of both groups increased considerably during the 1960s, a period of economic health and growth.³¹ The earnings of black men increased less during the 1970s, while the yearly earnings of white men actually declined. This led to black male gains relative to white men during both the 1960s and 1970s. A substantial gap remained, however, since in 1979, black male weekly earnings were only 75 percent of those of white men.³² Although white women did not gain relative to white men over the 1959-1979 period, black women did. In 1979, the weekly earnings of black women were higher than those for white women, but only 53 percent of those for white men.

The weekly earnings of Asian men and women increased substantially during the 1960s, but very little during the 1970s. During the 1960s, the weekly earnings of Asian men grew to be 98 percent of those of white men, whereas those of Asian women grew to be 62 percent of those of white men. The earnings of Asian women were considerably higher than those of white women. Asian women made little progress relative to white men during the 1970s, but they continued to receive substantially higher wages than any other minority women.

The weekly earnings of Hispanic men increased from 73 percent of those of white men in 1959 to 79 percent in 1969, but they made no

Table 2

EARNINGS OF NATIVE-BORN MEN AND WOMEN, AGED 25-54, BY
RACE/ETHNICITY IN 1959, 1969, 1979

Race/ Ethnicity	Mean Yearly Earnings in Thousands of 1979 dollars			Mean Weekly Earnings in Hundreds of 1979 dollars			Weekly Earnings as a Proportion of White Male Earnings		
	1959	1969	1979	1959	1969	1979	1959	1969	1979
A. Men									
Asian	12.9	18.5	18.8	2.68	3.80	3.89	.92	.98	.99
Black	7.7	11.6	13.1	1.77	2.51	2.94	.61	.65	.75
Hispanic	9.7	14.5	14.1	2.13	3.06	3.08	.73	.79	.79
Indian	6.8	11.0	13.6	1.83	2.63	3.31	.63	.68	.84
White	13.9	19.0	18.6	2.92	3.89	3.92	---	---	---
B. Women									
Asian	6.6	10.4	11.2	1.60	2.40	2.47	.55	.62	.63
Black	3.7	6.6	8.8	1.01	1.70	2.08	.35	.44	.53
Hispanic	4.8	6.9	7.8	1.37	1.83	1.94	.47	.47	.49
Indian	3.9	6.5	7.4	1.42	1.87	1.96	.49	.48	.50
White	6.1	7.8	8.4	1.59	1.98	1.97	.54	.51	.50

SOURCE. Computations using the 1960, 1970, and 1980 Public Use Microdata Samples.

NOTE. The means were computed using only those individuals with positive earnings.

progress relative to white men during the 1970s. Hispanic women experienced little progress relative to white men. The figures for Hispanics in table 2 disguise the diversity in the Hispanic population. Among full-time, full-year workers in 1979, for example, the earnings of Puerto Rican men were 78 percent of the earnings for Mexican-origin men.³³

The earnings of American Indian men increased dramatically during both the 1960s and the 1970s. The earnings of American Indian women increased during both decades as well. Unfortunately, it is not possible to know how much of this improvement is due to more prosperous individuals choosing to identify themselves as Indians. Analyses of subsectors of the American Indian population show that American Indians who live in traditional Indian areas and those who live on reservations were more likely to be poor than Indians who live in other areas.³⁴ To the extent that improvement has taken place, it has been most dramatic among Indians who live outside traditional Indian areas.

Taken as a group the evidence on earnings in table 2 suggests that all groups made substantial gains during the 1960s, but that gains were much more limited during the 1970s. The gains reflected in table 2 look less impressive if they were accompanied by the withdrawal of some minority group members from the labor force. Table 3 provides a breakdown of weeks worked during 1959, 1969, and 1979. This table allows us to examine changes in the level of part-time employment (defined as 1-47 weeks of work) as well as full-time and no employment.

Among men, there was little change in the proportion who did not work between 1959 and 1969, and for Asians, no change in the proportion

Table 3

WEEKS WORKED BY NATIVE-BORN MEN AND WOMEN, AGED 25-54,
 BY RACE/ETHNICITY IN 1959, 1969, AND 1979
 (proportion of racial/ethnic group in category)

Race/ Ethnicity	1959			1969			1979		
	None	1-47	48+	None	1-47	48+	None	1-47	48+
A. Men									
Asian	.02	.13	.85	.03	.12	.85	.05	.15	.80
Black	.07	.32	.62	.08	.20	.72	.14	.22	.63
Hispanic	.05	.26	.69	.05	.18	.77	.11	.20	.68
Indian	.12	.44	.45	.09	.33	.57	.12	.29	.59
White	.02	.18	.80	.03	.12	.85	.05	.16	.79
B. Women									
Asian	.37	.25	.38	.30	.21	.49	.21	.23	.57
Black	.39	.32	.29	.35	.28	.37	.31	.25	.44
Hispanic	.58	.22	.19	.51	.24	.25	.43	.24	.33
Indian	.64	.23	.14	.52	.25	.23	.36	.29	.35
White	.54	.22	.24	.44	.25	.31	.32	.27	.42

SOURCE. Computations using the 1960, 1970, and 1980 Public Use
 Microdata Samples.

who worked full time. For blacks, Hispanics, American Indians, and whites, on the other hand, there was a significant shift from part-time to full-time work between 1959 and 1969. Among black men, for example, the proportion who worked part time dropped from .32 in 1959 to .20 in 1969, while the proportion who worked full time increased from .62 in 1959 to .72 in 1969. These trends led to a decline in racial differences in full-time employment between 1959 and 1969. The gap between whites and blacks, for example, narrowed from 18 percentage points to 13 percentage points; the gap between whites and Hispanics narrowed from 11 to 8 percentage points. Consequently, the 1960s appear to have been a period of movement toward racial equality in both earnings and employment among men.

Between 1969 and 1979, the proportion of men who did not work or who worked part time increased, whereas the proportion who worked full time dropped. This decrease in full-time work occurred among all groups with the exception of American Indian men, who experienced a small gain. Racial differences in full-time employment widened to 16 percentage points between blacks and whites, and 11 percentage points between whites and Hispanics. Also, racial differences in the proportion who did not work, which remained constant between 1959 and 1969, increased dramatically between 1969 and 1979. American Indian men are an exception to these patterns. Their level of full-time employment did not deteriorate between 1969 and 1979. Yet they remained the least likely group of men to be working full time in 1979. Considered together, the results in tables 2 and 3 suggest that the 1970s were a period in which racial inequality in earnings and employment among men widened rather than declined.

Among women, the proportion who did not work decreased steadily over the 1959-1979 period. This has been matched by a steady increase in full-time employment among all groups of women and an increase in part-time employment among American Indian and white women. All groups of women have narrowed the gap in employment between themselves and white men during the 1959 to 1979 period.

A number of reasons have been suggested for these different trends among men and women. Parsons argued that the increase in the availability of nonwage income (e.g., disability payments through Social Security, Supplemental Security Income, and general relief) have induced marginal and low-paid men to withdraw from the labor force.³⁵ Others have suggested that the economic troubles that characterized almost the entire period from 1969 through 1979 were at least partially responsible for declines in the labor force participation of men. The general increase in the participation of women over this period has been attributed to the influence and strength of the women's movement and to the attempts of couples to maintain their living standards in the face of steep inflation.

How Important Is Education In Accounting for Racial/Ethnic Differences in Earnings?

The figures in tables 2 and 3 reveal the trends in earnings and employment during the 1960s and 1970s, but they do not indicate the role of education in these trends or the effects of race and ethnicity after adjusting for other factors. Table 4 gives some basic descriptive information on the educational characteristics of each racial/ethnic group:

Table 4

EDUCATIONAL CHARACTERISTICS OF NATIVE-BORN MEN AND WOMEN,
AGED 25-54, BY RACE/ETHNICITY IN 1960, 1970, AND 1980

Race Ethnicity	Mean Years			Percentage High School Graduates			Percentage College Graduates		
	1960	1970	1980	1960	1970	1980	1960	1970	1980
A. Men									
Asian	11.8	12.7	14.2	68.0	79.5	91.9	16.9	22.0	38.7
Black	8.0	9.6	11.5	22.3	37.8	62.7	3.3	4.8	9.8
Hispanic	8.0	9.9	11.0	24.6	44.5	57.8	4.0	8.6	11.2
Indian	7.7	9.4	11.5	22.4	37.5	65.5	2.6	4.7	10.0
White	11.0	11.9	13.1	52.1	66.2	81.0	12.5	17.7	25.5
B. Women									
Asian	11.2	12.3	13.7	65.4	79.5	91.1	8.7	16.0	32.0
Black	8.7	10.1	11.6	26.4	40.3	63.6	3.8	5.2	9.5
Hispanic	7.7	9.3	10.6	23.2	40.0	54.5	2.1	4.5	6.8
Indian	7.7	9.2	11.2	22.9	36.4	61.8	1.5	2.9	6.8
White	11.0	11.7	12.6	55.7	67.8	81.9	7.0	9.9	16.9

SOURCE. Computations using the 1960, 1970, and 1980 Public Use
Microdata Samples.

mean years of education, the percentage of each group who were high school graduates, and the percentage of each group who were college graduates.³⁶ These statistics indicate that the educational credentials of the prime-aged labor force in each racial, ethnic, and gender group have improved consistently over the 1960-1980 period.

There are, however, some persisting group differences. The mean years of education for native-born Asian men and women have been higher than those for white men at least since 1960. The gap in mean years of education has narrowed between whites and the non-Asian minority groups, but there has not been a narrowing in the gap between Asians and the other groups. Although the differences in the percentages of each group who have finished high school have converged over time, the gap in the percentage who have finished college between Asians and the other groups, and between whites and the non-Asian minority groups, has remained quite large. The gap in the percentage of college graduates is distressing, especially when viewed in light of recent evidence that indicates a growing gap in the percentage of black and white high school graduates who go on to college.³⁷ Unfortunately, there has been no research on the college attendance of recent Hispanic, Asian, and American Indian high school graduates.³⁸

The convergence in the average years of education across groups may help account for the convergence in earnings, but the gap in the percentage in college graduates may have helped maintain a racial gap in earnings. To examine the effects of education on racial differences in earnings, we estimated regression equations for each group in each of the years. The dependent variable was log of weekly earnings, and the independent variables were those in figure 1 and table 1. We then followed

standard regression decomposition procedures to determine the effects of different educational levels on white/minority group differences in earnings.³⁹ These effects are displayed in table 5. The results for black men show that in 1959 their weekly earnings would have increased by 16 percent if they had the same educational characteristics as white men. In 1979, their wages would have increased by 10 percent if they had the same educational characteristics as white men. Although it is inappropriate to treat these as precise estimates of the effects of racial differences in education on racial differences in earnings, the general trend for black men suggests that educational gains among blacks narrowed the gap in black/white weekly earnings, but the educational gap continued to be an important factor in the earnings gap in 1979.

The trends for the other groups in table 5, with the exception of Asians and white women, are similar to those for black men (i.e., a decline in the size of the earnings differential due to educational differentials but a persisting sizable effect in 1979, ranging from 7 percent for American Indian men to 11 percent for black women). The negative effects for Asians indicate that if Asians had the educational characteristics of white men, their weekly earnings would go down rather than up. This is what would be expected given the higher educational attainment of Asians shown in table 4. The small effect for white women reflects the very small difference in the educational characteristics of white men and white women.

The evidence in table 4 combined with that in table 5 suggests that improvements in the educational attainment of minority groups have been important in reducing racial inequality in earnings. It also suggests

Table 5

THE EFFECTS OF EDUCATIONAL DIFFERENCES ON
RACIAL/ETHNIC DIFFERENCES IN EARNINGS

	1959	1969	1979
A. Men			
Asian	-3.8	-2.2	-7.7
Black	15.7	12.4	9.5
Hispanic	16.5	11.3	10.4
Indian	18.2	14.6	7.4
B. Women			
Asian	-1.1	-4.4	-4.4
Black	18.3	18.3	11.2
Hispanic	15.7	14.0	9.2
Indian	20.0	17.0	9.4
White	-0.4	2.4	1.7

SOURCE. Computations using the 1960, 1970, and 1980 Public Use Microdata Samples.

NOTE. Each figure is the percentage increase (or decrease) in earnings that would result if minority groups had educational characteristics equal to those of white men.

that further gains in educational attainment by minority group members could further reduce this inequality. Unfortunately, the evidence does not suggest what kinds of educational initiatives would be most successful. It does provide some limited guidance about targeting these initiatives. Most educational programs concentrate on improving graduation rates among those currently in school or those about to enter high school or college. These are definitely important for achieving future reductions in racial inequality, but such programs neglect the educational needs of, and benefits that could result from providing opportunities to, current members of the prime-aged labor force who were unable to complete high school or attend college before they entered the labor force.

How Important Are Race and Ethnicity as Determinants of Earnings?

Social scientists have often assessed the effects of race on earnings through regression decomposition. We follow this procedure here, and the results are reported in table 6. The numbers represent the percentage increase in earnings that would result if the characteristics of the minority group had the same effect as those of whites.⁴⁰ If the significance of race has declined over time, this difference will have declined.

The results for black men show that in 1959 black male weekly earnings would have increased by 31.8 percent if their characteristics had had the same effects as those of white men. This figure declined to 28.1 percent in 1969 and 21.4 percent in 1979. In sum, the effect of being black declined but it continued to be sizable in 1979.⁴¹ If the characteristics of Asian men had the same effects on earnings as those of white men, the earnings of Asian men would have increased by 14.4 percent in

Table 6

THE EFFECTS OF RACE, ETHNICITY AND GENDER
ON WEEKLY EARNINGS

	1959	1969	1979
A. Men			
Asian	14.4	6.2	-3.8
Black	31.8	28.1	21.4
Hispanic	9.5	11.7	9.5
Indian	37.2	30.6	12.6
B. Women			
Asian	71.3	46.1	44.0
Black	107.9	84.6	58.4
Hispanic	62.8	75.8	59.8
Indian	97.2	75.4	68.4
White	69.8	77.3	71.4

SOURCE. Computations using the 1960, 1970, and 1980 Public Use Microdata Samples.

NOTE. Each figure is the percentage increase in earnings that would result if the characteristics of the minority group had the same effect as those of whites.

1960 and 6.2 percent in 1970, but would have decreased by 3.8 percent in 1980. This suggests that the effects of being Asian rather than white on earnings declined between 1959 and 1979. For Hispanic men, there has been relatively little change in the effects of race, but for American Indians, the effects of race have declined considerably over the 1959-1979 period.⁴²

The results for women in table 6 indicate that the effect of being a minority woman on earnings has declined for all groups; this decline has been most pronounced for black women, and least for Hispanic women. The effect of being a white woman has also changed little. Although the effects of "not being a white man" are larger for women than for men, part of this difference is due to differences between men and women in the effects of marital status and children on earnings. Being married and having children are both associated with higher earnings for men but lower earnings for women. These differences are partially due to the social norm that married men with children will provide monetary support for their families while married women with children will stay at home and provide care for their families.

The evidence in table 6 indicates that among men, the effect of being black, Indian, and Asian on earnings declined over the 1959-1979 period. The effect of being an Asian, black, or Indian woman also declined during this period. The effect of being Hispanic of either sex or a white woman appear to have changed little. In general, the results suggest that the effects of race and ethnicity on earnings were smaller in 1979 than 1959, but such effects were still present, especially for blacks.

Unfortunately, the policy implications of a declining, but still present, race effect are not obvious. Early research on black/white differences attributed the racial differences in earnings to discrimination. Such an interpretation would lead one to conclude that discrimination had decreased over the 1959-1979 period. This is not an appropriate conclusion, since there may be unmeasured variables (e.g., differences in the quality of education) that vary across racial/ethnic groups and may have changed during the period in question. Following the same reasoning, it is not appropriate to attribute the 1979 difference in earnings to discrimination. Further, the evidence may be somewhat misleading because of the diversity of each racial/ethnic group. The experiences of native-born Filipinos may, for example, differ from those of native-born Japanese. All one can say with certainty is that the racial/ethnic difference in earnings that can be attributed to race/ethnicity declined over the 1959-1979 period for all groups with the exception of Hispanics, and was highest for blacks and lowest for Asians in 1979.

SUMMARY AND CONCLUSIONS

The results in this paper indicate that the observed racial differences in earnings among men (table 2) declined during the 1959-1969 period, a time of economic growth, improvements in education, and progressive legislation. Black and Asian women also experienced gains relative to white men during this period. During the 1969-1979 period, a time of inflation and recessions, only blacks and American Indian men made gains in earnings relative to white men. Once we control for the

effects of other variables (table 6), we find evidence of a declining significance of race for Asians, blacks, and American Indians, but not for Hispanics. The effects of race (and gender) have not disappeared.

The results do not show why the earnings of minority men differ from those for white men or why this effect is smaller for Hispanic and American Indian men than for black men and essentially nonexistent for Asian men in 1979. The persisting race effect cannot be used to justify calls for group-specific programs such as affirmative action, nor can it be used to argue that such programs are not important. It does show that we need additional research on why the experiences of different minority groups vary. There are at least two directions in which such research should proceed. First, we need to do more comparative work on racial/ethnic minorities. Our knowledge about the problems of a specific minority group can be increased by comparing it to other groups as well as to whites. Given the growing diversity of the minority population in the United States, we can no longer be content with studies of black/white differences or white/Hispanic differences to inform the public policy debate on minority issues. Further, we need to begin to explore differences within the major racial/ethnic minority groups such as comparing Filipinos to Chinese, and Puerto Ricans to Hispanics of Mexican origin. Second, we need comparative work on the experiences of racial/ethnic minorities in different geographical settings. For example, research indicates that the experiences of Indians in traditional Indian areas are quite different from those of Indians elsewhere.⁴³ Farley and Allen found that the progress made by blacks varied across the four major regions of the country.⁴⁴

The results regarding racial differences in education have somewhat more straightforward interpretations and policy implications. Racial differences in mean years of education and the percentage of high school graduates among the prime-aged labor force declined over the 1960-1980 period. This was not true of racial differences in the percentage of college graduates. Minority gains in education were associated with declines in racial differences in earnings, but the educational gap continued to explain part of the racial gap in earnings in 1979. We argued that serious attention be given to adult educational programs as a means of assisting those minority group members who entered the labor force prior to completing high school and/or attending college.

Future reductions in racial inequality in weekly earnings will also be partially dependent on our ability to improve graduation and retention rates among minority youth. The evidence on high school enrollment and graduation indicates the complexity of the problem. In 1980, the enrollment rates of Asians were higher than those of white, blacks, Hispanics, and Indians for all high school ages. Black and white enrollment rates have been roughly the same in the late teen years for a number of years, and are substantially higher than those of Hispanics and Indians. Equality in enrollment for blacks and whites, however, has not led to equality in educational attainment.⁴⁵ In sum, there is still a great deal to be done in achieving racial/ethnic equality in educational outcomes through high school graduation.

Although higher education is perhaps not a viable route for the most disadvantaged (who may not have completed high school), it does appear to be crucial in producing further reductions in racial inequality in

general. Unfortunately, the past several years have witnessed severe cutbacks in financial aid for higher education, and these cutbacks have been accompanied by a decline in the percentage of recent black high school graduates who go on to college. Careful analysis of the reasons for this decline indicate that it is not attributable to a decline in the quality of recent black high school graduates, a change in plans to attend college, or changes in family income. This leaves cutbacks in financial aid as the major suspect.⁴⁶

The evidence in this paper does not support the conclusion that we are moving to two societies, one white and one nonwhite. Instead, it suggests that minority groups made considerable progress during the 1960s, a time of economic growth, but they made few gains during the 1970s, a time of general problems in the American economy. The decreases in the effects of race/ethnicity on earnings after adjusting for other factors are encouraging, but the persisting presence of these effects, and our continuing inability to keep minority children and youth in the educational system, indicate that our means of dealing with racial/ethnic inequality are insufficient.

Notes

¹U.S. National Advisory Commission on Civil Disorders, Report of the National Advisory Commission on Civil Disorders (New York: Bantam Books, 1968), p. 1.

²Fred R. Harris and Roger Wilkins, "The Kerner Report Updated, Report of the 1988 Commission on the Cities: Race and Poverty in the United States Today" (Albuquerque: Institute for Public Policy, University of New Mexico, 1988), p. 2.

³James P. Smith and Finis Welch, Closing the Gap: Forty Years of Economic Progress for Blacks (Santa Monica, Calif.: The Rand Corporation, 1986).

⁴See, for example, Charles Hirschman, "Minorities in the Labor Market: Cyclical Patterns and Secular Trends in Joblessness," in Divided Opportunities: Minorities, Poverty, and Social Policy, ed. Gary D. Sandefur and Marta Tienda (New York: Plenum, 1988); and Smith and Welch.

⁵William Julius Wilson, The Declining Significance of Race (Chicago: University of Chicago Press, 1978); William Julius Wilson, The Truly Disadvantaged (Chicago: University of Chicago Press, 1987).

⁶Charles Hirschman and Morrison G. Wong, "Trends in Socioeconomic Achievement among Immigrant and Native-born Asian Americans, 1960-1976," Sociological Quarterly 22 (1981): 495-513; "Socioeconomic Gains of Asian Americans, Blacks, and Hispanics: 1960-1976," American Journal of Sociology 90 (1984): 584-607; Morrison G. Wong and Charles Hirschman, "Labor Force Participation and Socioeconomic Attainment of Asian-American Women," Sociological Perspectives 26 (1983): 423-46.

⁷Gary D. Sandefur and Wilbur J. Scott, "Minority Group Status and the Wages of White, Black, and American Indian Men," Social Science Research 12 (1983): 44-68.

⁸Marta Tienda and Ronald Angel, "Headship and Household Composition among Blacks, Hispanics, and Other Whites," Social Forces 61 (1982): 508-31; Marta Tienda and Jennifer Glass, "Household Structure and Labor Force Participation of Black, Hispanic, and White Mothers," Demography 22 (1985): 381-94; Marta Tienda and Ding-Tzann Lii, "Minority Concentration and Earnings Inequality: Blacks, Hispanics, and Asians Compared," American Journal of Sociology 93 (1987): 141-65.

⁹We use the conventional distinction between earnings and income. Earnings come from employment, whereas income refers to money from all sources including earnings, public assistance, social security, pensions, interest, and rent.

¹⁰Max Weber, The Theory of Social and Economic Organization (New York: Oxford University Press, 1947).

¹¹Talcott Parsons, Essays in Sociological Theory (New York: The Free Press, 1954).

¹²Robert Ezra Park, Race and Culture, Vol. 1, The Collected Papers of Robert Ezra Park, ed. Everett C. Hughes, Charles S. Johnson, Jitsuichi Masuoka, Robert Redfield, and Louis Wirth (Glencoe, Ill.: The Free Press, 1950).

¹³See, e.g., Howard Schuman, C. Steeh, and Larry Bobo, Racial Attitudes in America: Trends and Interpretations (Cambridge, Mass.: Harvard University Press, 1985).

¹⁴For a general discussion of these policies, see Gary D. Sandefur, "The Duality in Federal Policy toward Minority Groups, 1787-1987," in Divided Opportunities (n. 4 above).

¹⁵Hirschman and Wong, "Socioeconomic Gains of Asian Americans, Blacks, and Hispanics: 1960-1976" (n. 6 above).

¹⁶Marta Tienda, Shelley Smith, and Vilma Ortiz, "Industrial Restructuring, Gender Segregation, and Sex Differences in Earnings," American Sociological Review 52 (1987): 195-210.

¹⁷Richard Butler and James J. Heckman, "The Government's Impact on the Labor Market Status of Black Americans: A Critical Review," in Equal Rights and Industrial Relations, ed. Leonard J. Hausman (Madison, Wis.: Industrial Relations Research Association, University of Wisconsin, 1977).

¹⁸Robert D. Mare and Christopher Winship, "The Paradox of Lessening Racial Inequality and Joblessness among Black Youth: Enrollment, Enlistment, and Employment, 1964-1981," American Sociological Review 49 (1984): 39-55.

¹⁹Richard B. Freeman and Harry J. Holzer, "Young Blacks and Jobs--What We Now Know," The Public Interest no. 78 (Winter, 1985): 18-31.

²⁰U.S. Bureau of the Census, Census of the United States 1960: Characteristics of the Nonwhite Population by Race (Washington, D.C.: U.S. Government Printing Office, 1963).

²¹Reynolds Farley and Walter Allen, The Color Line and the Quality of Life in America (New York: Russell Sage Foundation, 1987).

²²Frank D. Bean and Marta Tienda, The Hispanic Population of the United States (New York: Russell Sage Foundation, 1987).

²³U.S. Bureau of the Census (n. 20 above).

²⁴Gary D. Sandefur and Jiwon Jeon, "Race, Ethnicity, and Migration" (Madison, Wis.: Center for Demography and Ecology Working Paper, University of Wisconsin, 1988).

²⁵In 1960 and 1970, three separate Asian categories were identified in the Public Use Microdata Samples: Japanese, Filipino, and Chinese. Koreans and other Asians were placed in a residual category with individuals who did not identify themselves as white, black, American Indian, or one of the three Asian groups. Asian Indians were coded as white in 1960 and 1970. In 1980, a more complete set of Asian categories was defined, and it is possible to identify all individuals who specified their race as from one of the Asian groups. To improve comparability across years, we used the parent's place of birth in 1960 and 1970 to identify individuals of Asian Indian, Korean, or other Asian descent.

In 1960, one can identify native-born Hispanics primarily by examining the birthplace of an individual's parents. In this paper, 1960 Hispanics are individuals whose parents (one or both) were born in Puerto Rico, Mexico, Cuba, or any country in Central or South America. This excludes individuals of Hispanic origin whose parents were born in this country. It is possible to use the same definition in 1970 (which we do), or to use the criteria developed in 1980. In one of the 1970 Public Use Microdata Samples and in 1980, individuals were asked to identify themselves as members of specific Hispanic groups. In other words, one can make the 1960 and 1970 definitions comparable or the 1970 and 1980 definitions comparable, but it is not possible to achieve comparability in all three years.

²⁶Jeffrey Passel, "Provisional Evaluation of the 1970 Census Count of American Indians," Demography 13 (1976): 397-409; Jeffrey Passel and Patricia Berman, "Quality of 1980 Census Data for American Indians," (paper presented at the Annual Meeting of the American Statistical Association, Las Vegas, Nevada, 1985).

²⁷Hirschman and Wong, "Socioeconomic Gains of Asian Americans, Blacks, and Hispanics: 1960-1976" (n. 6 above).

²⁸Including immigrants in the analysis is also problematic because the nature of immigration changed dramatically over the 1960-1980 period. Major changes resulted from the Immigration Act of 1965, which replaced hemispheric quotas on immigration with family and occupational preferences. In addition, a wave of Cubans came over after Castro, and a wave of Southeast Asians came over in the mid-1970s. Dealing with these complexities requires a careful analysis of the different experiences of immigrants in different cohorts and from different origins. Such a careful analysis is beyond the scope of a paper that attempts to look at five racial/ethnic groups during three time periods.

²⁹We do adjust for differences in labor supply by looking at weekly earnings (yearly earnings divided by weeks worked).

³⁰The figures in tables 2, 3, 5, and 6 are for 1959, 1969, and 1979 while those in table 4 are for 1960, 1970, and 1980. This is because individuals were asked to report their earnings and weeks of employment for the year preceding the census, while they were asked to report their education at the time of the census.

³¹See Farley and Allen (n. 21 above) for a list of previous articles and books on black/white earnings differentials.

³²One must be careful in comparing black/white earnings ratios across studies because of the different ways of defining and measuring earnings. Our estimate that black male weekly earnings were 75 percent of white male weekly earnings in 1979 is very similar to the Farley and Allen estimate that black male hourly earnings were 74 percent of white male hourly earnings.

³³Bean and Tienda (n. 22 above), pp. 376-77.

³⁴Gary D. Sandefur and Arthur Sakamoto, "American Indian Household Structure and Economic Well-Being," Demography 25 (1988): 71-80; U.S. Bureau of the Census, Census of the United States, 1980: General Social and Economic Characteristics (Washington, D.C.: U.S. Government Printing Office, 1983).

³⁵Donald O. Parsons, "The Decline in Male Labor Force Participation," Journal of Political Economy 88 (1980): 117-34.

³⁶In many ways the median is a better indicator of central tendency in years of education than the mean. We report the mean since regression decomposition uses mean values of the independent variables. We do, however, supplement the information provided by the mean with the other statistics in the table.

³⁷Robert M. Hauser, "Post-High School Plans of Black High School Graduates: What Has Changed since the Mid-1970s?" (Madison, Wis.: Center for Demography and Ecology Working Paper 87-26, University of Wisconsin, 1987).

³⁸Hauser's research is based on the Current Population Surveys and other data sources that do not contain enough Asians, Hispanics, and American Indians to permit analyses of their college attendance patterns.

³⁹See, for example, F. L. Jones and Jonathan Kelley, "Decomposing Differences between Groups: A Cautionary Note on Measuring Discrimination," Sociological Methods and Research 12 (1984): 323-43, for a discussion of this technique. We used years of education and dummy variables representing 0-11 completed years, high school graduate, some college, and college graduate as the indicators of education. To determine the effects of educational differences we subtracted the mean of each indicator for a minority group from that for whites, and then took the product of this value and the coefficient of the educational indicator for the minority group. These products were then summed. Since the dependent variable is the natural logarithm of weekly earnings, this sum represents the percentage increase in weekly earnings that would result if the minority group had the same educational characteristics as white men.

⁴⁰To measure the impact of race on earnings we took the product of the coefficients from each yearly white male equation and the mean values of the independent variables for a minority group in the respective year, and summed these products. The difference between this sum and the actual log of weekly earnings of a group is the percentage increase in earnings that would result if minority group members were treated by the labor market in the same way as white men.

⁴¹Farley and Allen (n. 21 above) used a somewhat different decomposition procedure but also found that the effects of being black declined over the 1959-1979 period.

⁴²One concern that researchers have had with regression analyses of earnings is that selectivity bias may be introduced by excluding individuals without earnings from the analysis. This is a potentially serious