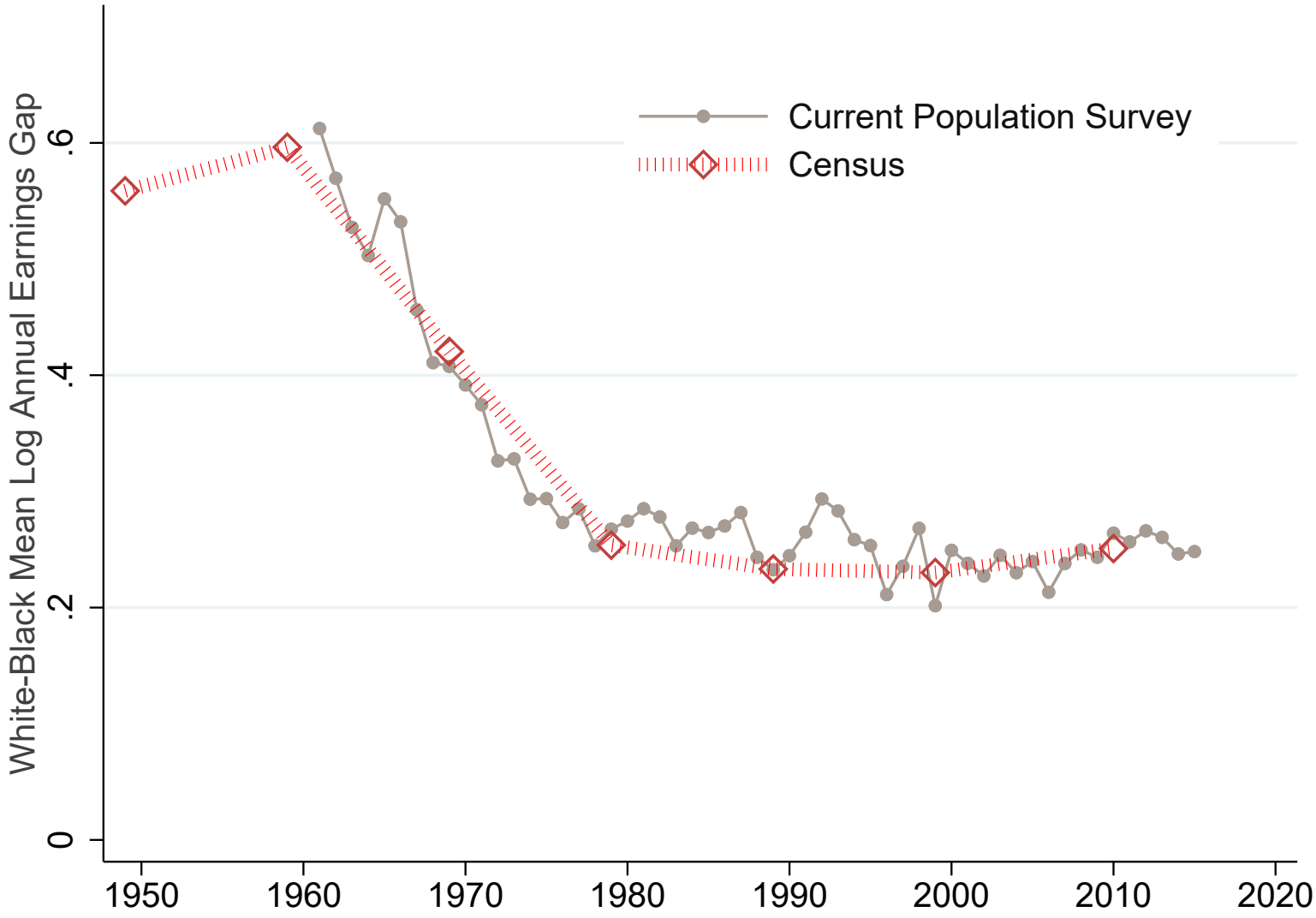
Minimum Wages and Racial Inequality

Ellora Derenoncourt (UC Berkeley)
Claire Montialoux (UC Berkeley)

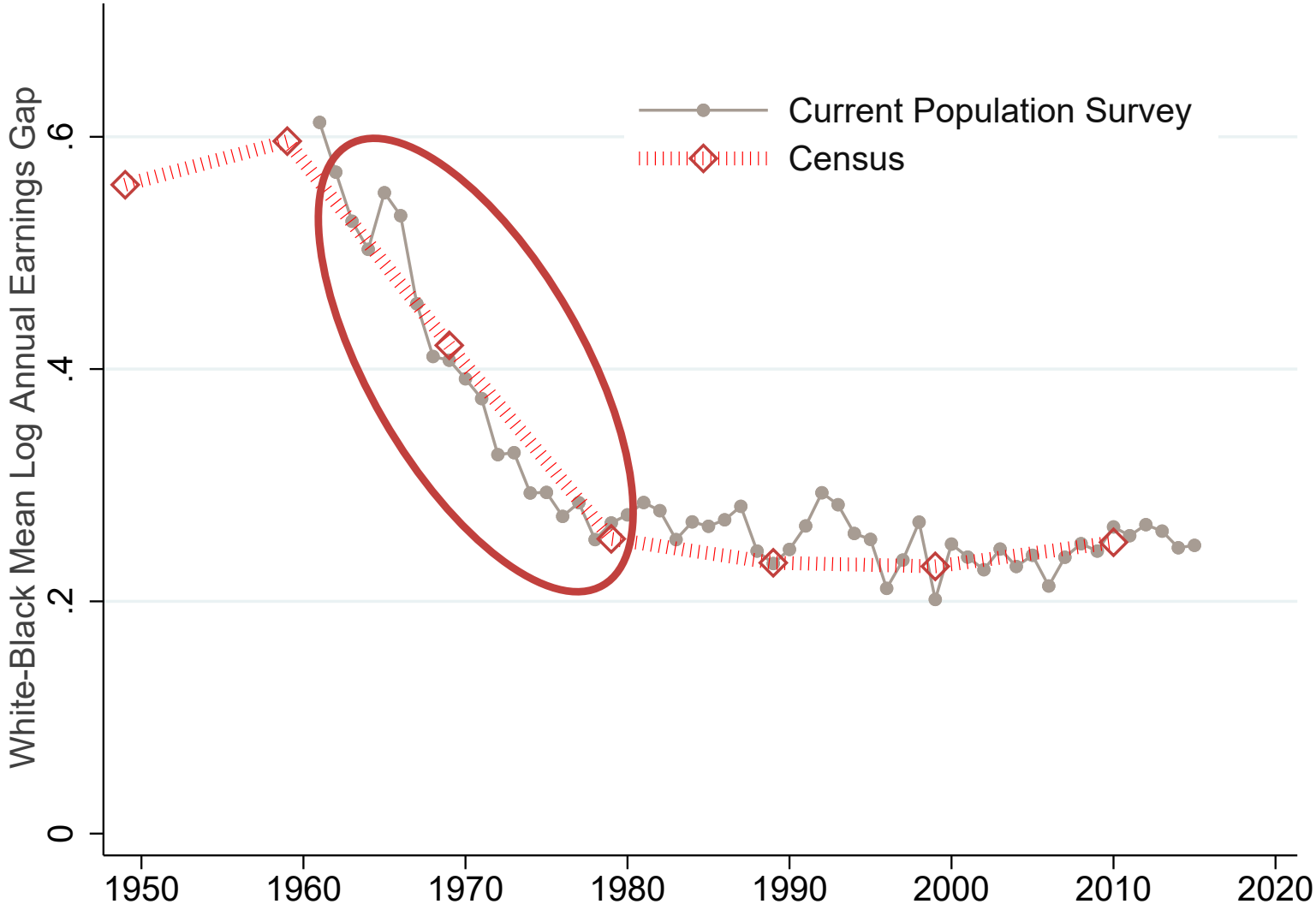
NBER SI DAE, July 7th 2020

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?

$\rightarrow$ **New explanation**: intro of min. wage in new sectors

$\rightarrow$ Explains $\sim$ 20% of $\searrow$ 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 constiutional 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.

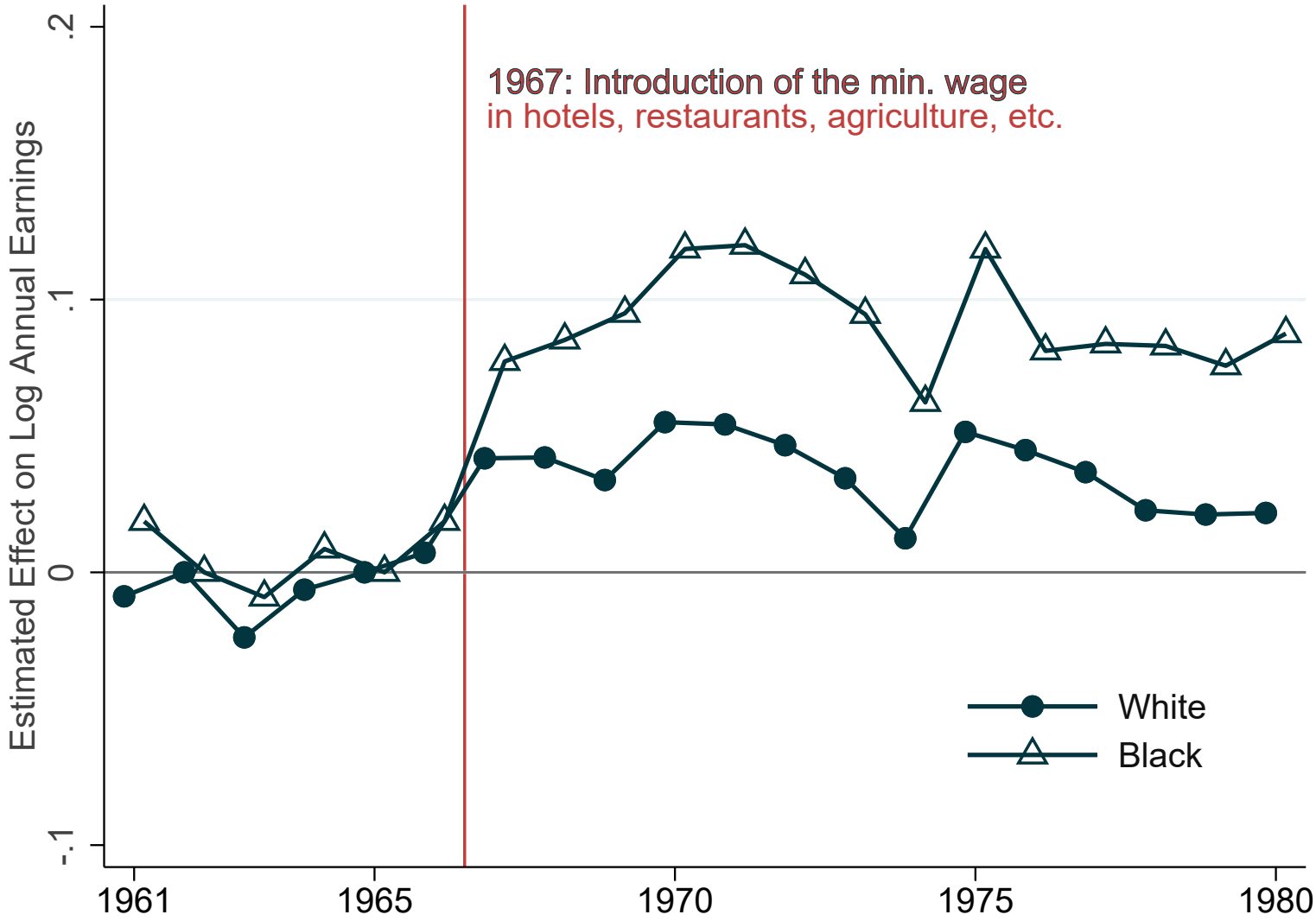
8. A national *minimum wage* act that will give all Americans a decent standard of living. (Government surveys show that anything less than $2.00 an hour fails to do this.)

9. A broadened *Fair Labor Standards Act* to include all areas of employment which are presently excluded.

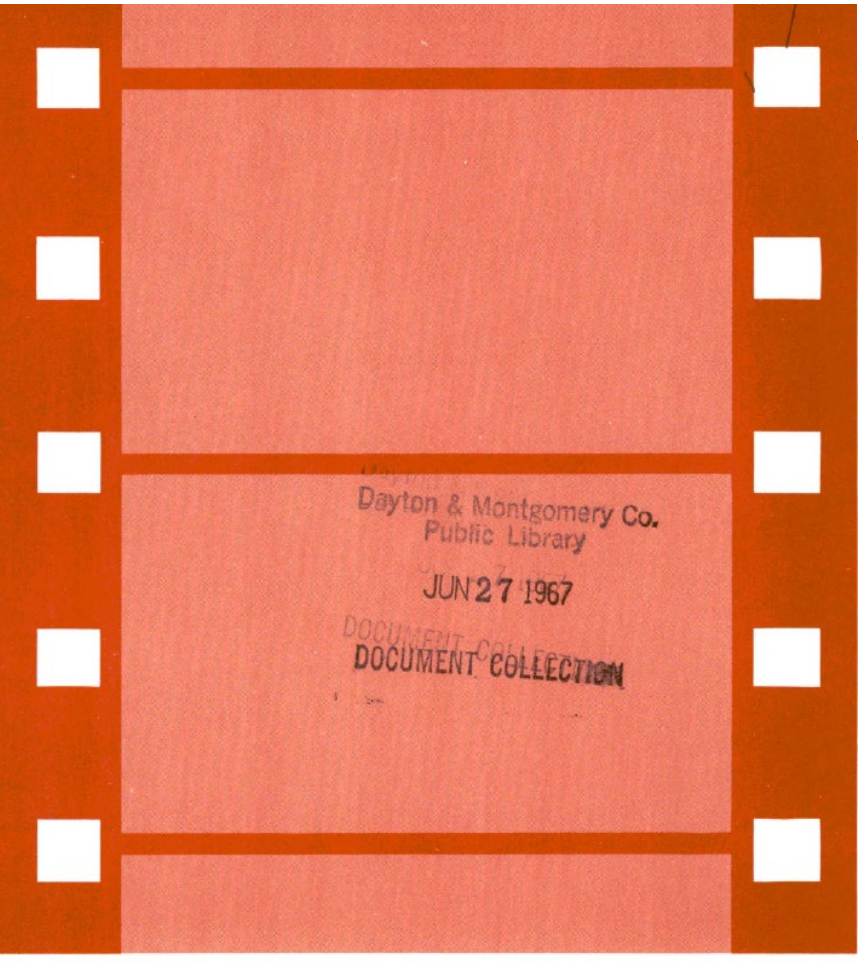
10. A federal *Fair Employment Practices Act* barring discrimination by federal, state and municipal governments, and by employers, contractors, employment agencies, and trade unions.

$\rightarrow$ 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

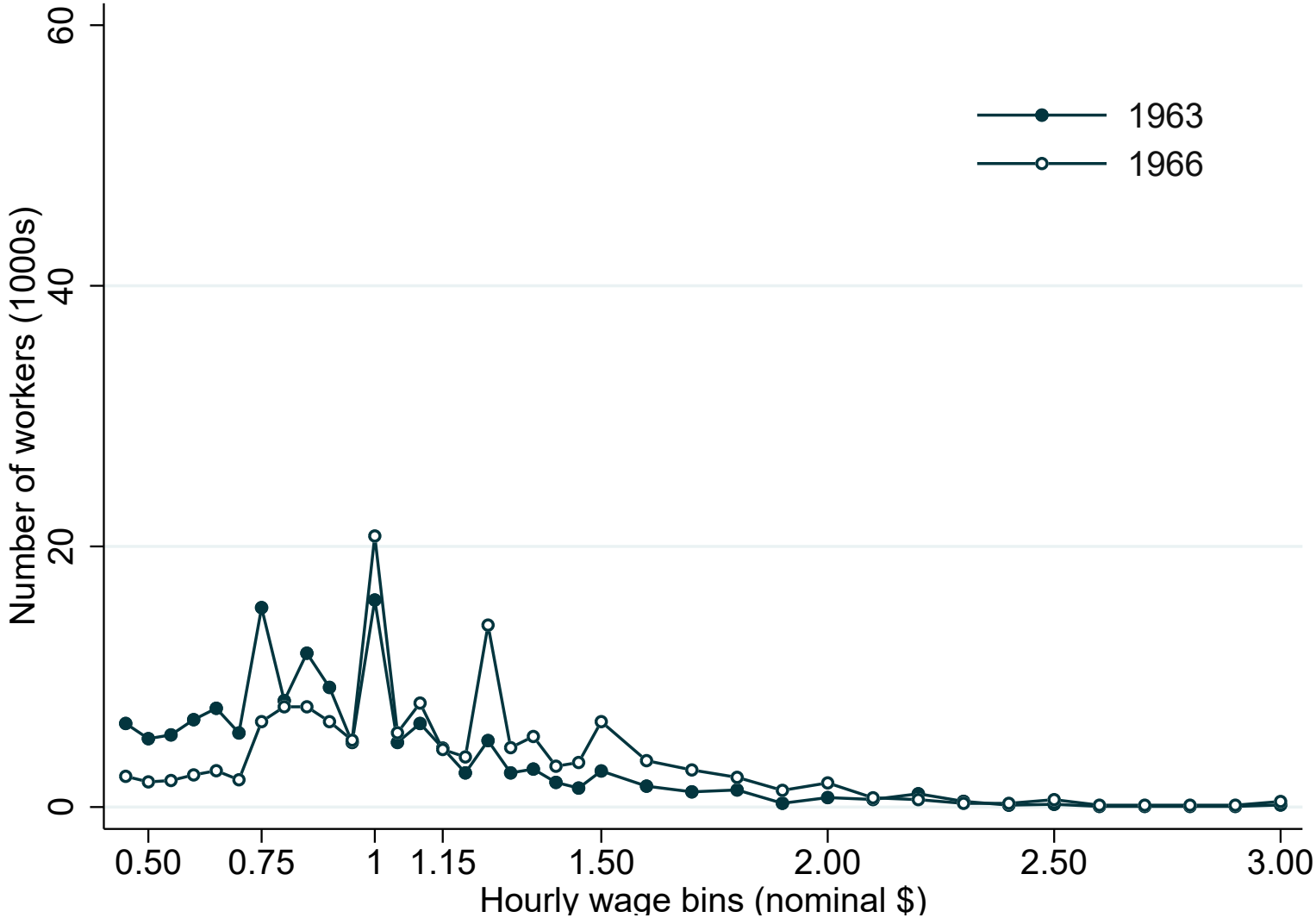
UNITED STATES DEPARTMENT OF LABOR

BUREAU OF LABOR STATISTICS

→ We digitized hourly wage distributions from BLS reports

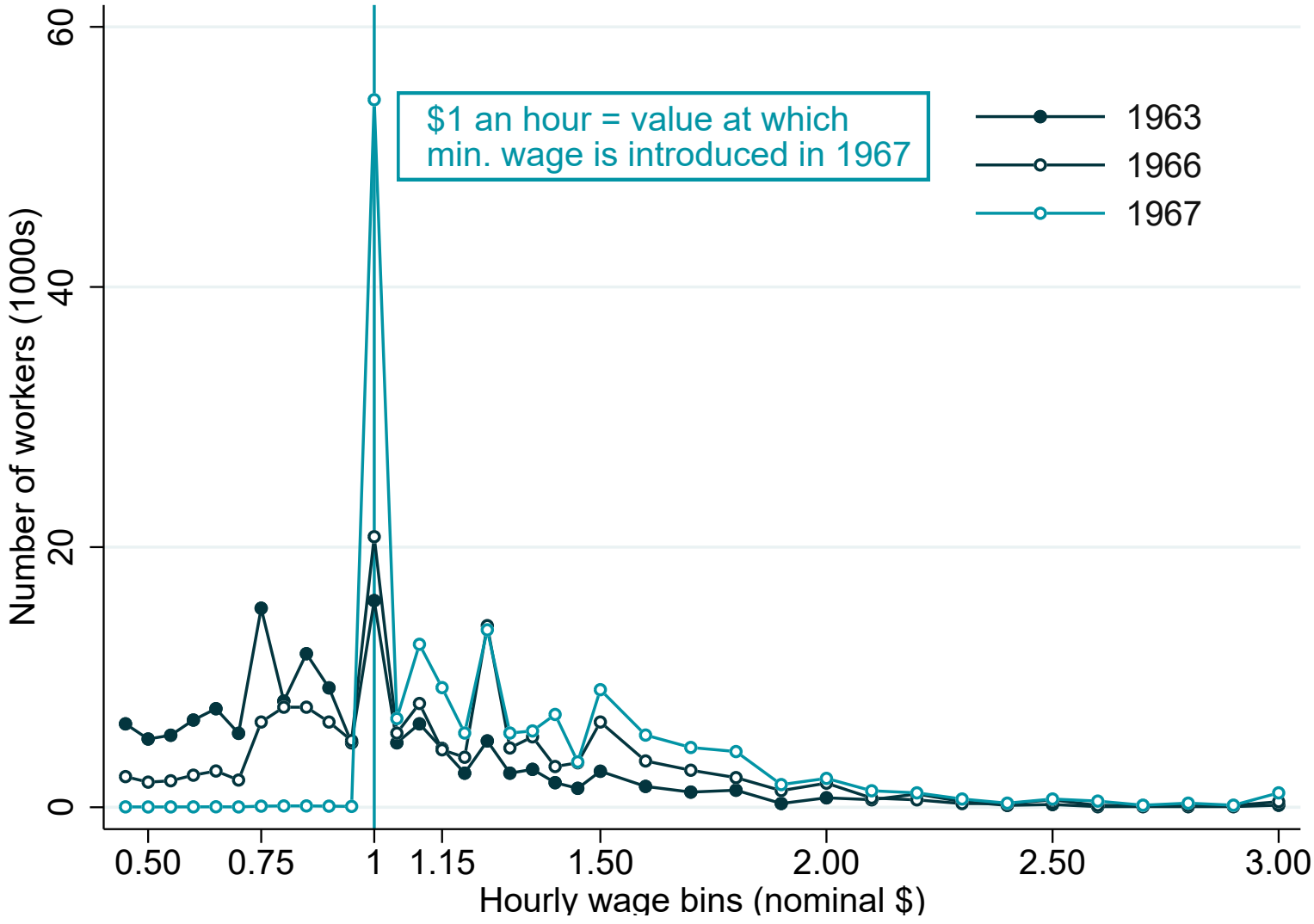
→ Complete data & programs available on our websites

Hourly wage distribution in laundries South (BLS)



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

Hourly wage distribution in laundries South (BLS)



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

What caused the decline in racial gap?

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

$\rightarrow$ 1967 reform had first-order effect on racial inequality,
as large as school desegregation