

The development of the United States during the beginning years is highly attributed to the uncompensated labor from enslaved Africans who harvested cash crops that fueled the economy. Racial minorities became subjected to inferiority by being bound to servitude for the White population. This created a system that perpetuated discrimination against racial minorities which included barring them from satisfactory job opportunities, providing them with inadequate facilities that was publicized as being equal to the facilities utilized by Whites, and paying them less than the majority White population. It was not until Civil Rights legislation in the 1960s when employers became required and held accountable for providing equal pay for all citizens in the United States regardless of demographic characteristics such as race; however, disparities in income still exists for racial minorities today. [Intro should say more clearly what you plan to do](#)

### **Trends**

In a report aimed at assess the wages of black immigrants relative to U.S. born Whites and blacks, major differences were found. Using data from the March Current Population Survey from 2001 to 2007, adjusting for inflation to 2007 dollars using the Consumer Price Index of All Consumers, and controlling for previous work experience, education, union status, region, martial status, number of unmarried children, service in the armed forces, unearned income, work limitations and more it was found U.S. born [more](#) men and women always earned less in weekly wages then their non-Hispanic White counterparts and this correlation also applied to black immigrant populations (Austin & Mason, 2011). For instance, U.S. born black men earned 19.1% less than their White counterparts, U.S. born black women made 10.1% less and Haitian men and women

made even less than both U.S. born non-Hispanic Whites and blacks, which was 33.8% and 18.6% respectively.

When one compares **wealth** accumulation across races, similar gaps are seen and they are continuing to widen. In a nationally representative Survey of Income and Program Participation (SIPP) collected in 2011 it was found that the median white household had \$111,146 in wealth holdings compared to significantly smaller holdings of \$7,113 and \$8,357 for the median Black and Latino households (Traub & Ruetschlin, 2011). Similarly, the Pew Research Center found that the median White net worth was 13x greater than Black and 10x greater than Hispanic net worth based on the Federal Reserve's Survey of Consumer Finances in 2013 (Kochhar & Fry, 2013). This suggests that lower wages results in a lesser ability to accrue wealth.

To put things into perspective, the retail industry is being considered for its wage differentials despite inherently similar people performing the same duties. Based on 2012-2014 Current Population Survey data full-time Black and Latino salesperson are paid 70% of the wages of their White counterparts, which account to losses up to \$7,500 a year (Ruetschlin & Asante-Muhammad, 2015). This disparity also exists among racial minority cashiers but to a lesser extent since they were paid about 90% of the wages of their White counterparts amounting to \$1,850 in lesser income a year. In addition, employers pay 70% of Black and Latino full and part-time workers less than \$15 per hour in contrast to a slighter 58% of Whites. Another characteristic that may influence relative incomes is the finding that Black and Latino workers were more likely to underemployed as part-time worker despite wanting full-time work. One-in-five Black retail workers

were underemployed as part-time workers, in comparison to less than one-in seven Black workers.

Wage gaps are not limited to low skilled work. In the tech sector, the American Institute for Economic Research has found that in the same high skilled positions as computer programmers and software developers Blacks make \$3,656 less than Whites and Asians make \$8,146 less than Whites (Guynn, 2014).

### **Causes of Income Inequality Among the Majority and Minority Racial Groups**

Based on a research conducted by the Center on Education and the Workforce at Georgetown University, differences in income can be attributed to **major selection** in undergraduate studies. In the research, it was noted that African-Americans comprise of a small percentage of some of the highest paying majors including those in STEM and business (Downs, 2016). Instead, African-American college students are heavily represented in the service-oriented fields of humanities, education and social work. As a result, Black students end up with less savings and disposable income over time due to having majors that coincide with low paying majors. Although these findings explain why a White mathematician may earn more than a Black teacher, it fails to provide information on why disparities exist within specific sectors such as the tech sector.

Carruthers and Wanamaker of the National Bureau of Economic Research (NBER) found that analyzing **school quality** sheds light on employment and education. There exists a difference in skills in the Jim Crow era. Carruthers and Wanamaker argue that a major determinant of public school and equally the school's ability to produce skilled workers is **funding** (White, 2016). The unaided persistent inequality in educational opportunities cut earnings of Black Southern workers by at most 50%. Since the passing

of the Civil Rights act of 1964, conditions and opportunities have improved from racial minorities but better education than in the Jim Crow era has not been a solution to income inequality. This is in part due to the fact that today neighborhoods remain segregated which means poorer areas do not effectively generate the taxes and investments to form high quality school districts.

The literature that currently exists on causes of income inequality on the basis of race recognizes parts of the problem but is unable to provide a full explanation for the inequality. Although K-12 education is a vital factor that determines college enrollment and degree attainment, it does not completely account for wage differentials. Moreover, that cause also does not explain why people working in the same industry with minimum educational requirements are paid less than others.

Part of the unexplained causes of income inequality may be due to discrimination. For instance, in research done by NBER Faculty it was found that resumes with commonly White names were more likely to be called back than resumes with names that were perceived to be general to Black populations. For example, a fictional White applicant needed to send out about 10 resumes to get a callback while a fictional Black applicant had to send out about 15 resumes to get a call back (Francis, 2016). This research indicated that White names yield as many more callbacks as an additional eight years of experience. This information could be used to explain why unemployment rates for racial minority populations are generally lower than that of their White counterparts but this could also be used as an example case of the concealed discrimination that still exists today and effect opportunity for racial minorities that may be similar to drivers of the racial wage gap.

### **The Effects of Income Inequality on those Who Make Less**

In 2013, African-American women made 64 cents for every dollar paid to White, Non-Hispanic men and Latina women made 55 cents for every dollar paid to White, Non-Hispanic men (HuffPost, 2013). These income inequities translate to necessities forgone. For example, the wage gap makes a full-time working African American woman working full time lose about 118 weeks of food each year and 154 weeks' worth of food for Latinas. Moreover, an eliminated wage gap would equip African American women with enough money for 4,549 gallons of gasoline and 5,743 gallons of gasoline for Latino women. Over a lifetime, the money lost could have been used for bigger investments such as buying two homes or new cars and paying for public college degrees (Kerby, 2013).

### **Potential Policies to Minimize the Gap**

There exists multifaceted policy that aims toward closing the wage wealth gaps among Whites and racial minorities. For example, **homeownership** policies that calls for stricter enforcement of housing anti-discrimination laws functions to address the issue that minorities still have of residential segregation which constructs barriers from them purchasing homes in predominately White neighborhoods (Traub & Ruetschlin, 2015). This would increase the ability for racial minorities to purchase homes in higher-value neighborhoods, which would ideally reduce differences in wealth among Whites and racial minorities. Another homeownership policy proposes that lowering the cap on the mortgage interest tax deduction would also be beneficial because since Black and Latino homeowners own homes that are of less value than of White homeowners, these racial

**that sounds inefficient to me**

minorities benefit less from the tax deduction, which allows homeowners to deduct the cost of interest paid on up to \$1 million in mortgage debt (Traub & Ruetschlin, 2015). A variety of different caps have been suggested, including the Obama Administration recommendation to cap deductions at 28% for households earning more than \$250,000. This policy would help reduce the racial wealth gap if additional tax revenues were transferred towards funding foreclosure prevention programs and first-time homebuyers' assistance programs, which would afford racial minorities to obtain and maintain wealth.

By implementing **educational policy** from the bottom-up, it prepares children for challenges they may face in the future. For instance, investing in universal high-quality **preschool** education is beneficial for racial minorities because it makes children better prepared to learn in school (Traub & Ruetschlin, 2015). It puts a halt on a potential cycle of falling behind and barely passing, which increases the chances that these children are able to pursue higher education after high school. Similarly, making K-12 education more equitable would have similar effects on racial minority children who most likely attend schools with fewer resources, inexperienced teachers, and fewer advanced classes than their White counterparts. By redesigning **property taxes in** a manner that does not fall susceptible to the residential segregation that still exists today, schools would be better equipped to foster better educational outcomes for students of color.

Lastly, **labor market policies** could help boost the income and wealth of racial minorities. Traub & Ruetschlin, (2015) suggest that a direct federal job creation program should be established due to Black unemployment remaining high despite and improving economic outlook. A program of this nature—maintaining or upgrading infrastructures and providing childcare and/or eldercare—would put minorities back to work and

essentially raise their incomes. They also propose to raise the minimum wage since Black and Latino workers are disproportionately likely to be employed in positions that pay the minimum wage or just above it. This policy would lift up the lowest paid Black and Latino workers and afford them the ability of having a degree of economic empowerment. One way to achieve a higher minimum wage is making it easier for workers to form union. Unionization provides racial minorities a collectively better bargaining power that enables them to negotiate desired wages.

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