

Employers in the Low-Skill Labor Market



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Job Differences by Race and Ethnicity in the Low-Skill Job Market

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While the wages earned by whites and nonwhites in the United States have become closer over the past quarter-century, a gap persists. In 2005, the median hourly wage of black men was \$12.48, compared with \$17.42 for white men (Mishel, Bernstein, and Allegretto 2007). According to past research, differences in the education, skills, and experiences of white and nonwhite workers along with differences in the industries and types of firms that employ them account for some of this gap; however, differences in these factors can themselves be the result of discrimination.

Whether such factors as test scores can totally explain the difference in race wage differentials is a point of debate.¹ Some claim that any remaining gap in wages after taking into account workers' skills and backgrounds and the characteristics of their employers reflects discrimination in the labor market. Others suggest that unobserved but very real differences in workers and jobs account for the remaining pay gap.

Another potential explanation for differences in wages across race and ethnicity is differences in the type of jobs workers

hold—what the job requires and what the worker does. Employers who know workers' job skills sort them into different types of jobs; this may account for some of the pay differences between racial and ethnic groups. Since these job characteristics are often unavailable in the data researchers commonly use, they have rarely been considered in understanding pay differentials.

This brief uses data from the 2007 Survey of Employers in the Low-Skill Labor Market to examine the differences in jobs held by workers of different races and ethnicities and the impact of these differences on wages (see box for more information about the survey). We focus on the less-skilled labor market because many workers in this sector are either newly entering the labor market or struggling to make ends meet. Policymakers are concerned about how to improve these workers' earnings generally, along with specific issues for young black men and immigrant workers. Understanding racial and ethnic wage differences for less-skilled workers and the potential role of discrimination will help address the need for and

Even after worker, job, and employer differences are accounted for, the wage gap between blacks and whites is significant.

The Survey of Employers in the Low-Skill Labor Market is a national survey of employers with low-skill jobs. Firms with four or more employees that had hired a worker into a job that did not require a college degree within the past two years were surveyed, representing about 2.1 million employers. Data were collected in spring and summer 2007, with a final sample of 1,060 employers and a response rate of 54 percent. The data in this brief are weighted to represent the job opportunities for workers in the low-wage labor market.

TABLE 1. Wages and Benefits of Newly Hired Workers in Noncollege Jobs by Race/Ethnicity

	White	Black	Hispanic
Average wage	\$13.08	\$10.23*	\$11.46*
Percent offered health insurance	69.5	73.2	71.0
Percent with paid leave	71.0	83.2*	63.5

Source: Authors' calculations from the Survey of Employers in the Low-Skill Labor Market.

* Difference from white workers is statistically significant at the $p < .10$ level.

creation of targeted policies to improve wages for these workers.

Differences in Wages and Benefits

Among workers recently hired into noncollege jobs, wages differ considerably by race and ethnicity. Newly hired white noncollege workers earn higher wages, on average, than those who are black or Hispanic (table 1). The average hourly wage of white workers in noncollege jobs is \$13.08, compared with \$10.23 for black workers and \$11.46 for Hispanic workers. However, job benefits such as health insurance and paid leave are similar across these groups. For all three groups of workers, more than two-thirds hold jobs that include an offer of health insurance coverage.² Paid leave (including vacation, sick days, and personal days) is available to 71 percent of white workers and 64 percent of Hispanic workers. Compared with whites and Hispanics, more black workers have access to paid leave (83 percent).

Characteristics of Recent Noncollege Job Hires

These wage differentials may reflect differences in worker characteristics, the skills workers possess, and the skills and tasks that the jobs demand. We first consider differences in worker characteristics by race and ethnicity. These include differences by sex, age, immigrant status, education, and having specific skills training (table 2). Each characteristic is commonly considered as a potential reason for wage differences, and each is often available in commonly used data sources.

Despite differences in wages across race and ethnicity of workers, newly hired workers differ significantly on relatively few characteristics (table 2). A similar percentage of white, black, and Hispanic newly hired noncollege workers are male, less than 25 years old, and between 25 and 44 years old, although fewer Hispanic workers are over 45 than white or black workers.

The largest difference is in immigrant status. Employers report that 23 percent of

TABLE 2. Characteristics of Newly Hired Noncollege Workers by Race/Ethnicity (percent)

	White	Black	Hispanic
Male	47.4	53.0	50.8
Age			
Younger than 25	21.4	17.6	24.0
25 to 44	54.9	58.5	60.3
45 and older	19.6	9.7	5.1*
Immigrant	2.6	4.4	23.0*
Education			
Less than high school	7.3	5.0	12.2
High school	64.7	70.4	57.1
More than high school	22.7	18.5	19.5
Has specific skills training	35.0	38.7	33.8

Source: Authors' calculations from the Survey of Employers in the Low-Skill Labor Market.

* Difference from white workers is statistically significant at the $p < .10$ level.

newly hired noncollege Hispanic workers are immigrants, compared with 3 and 4 percent of white and black workers, respectively.

There is no significant difference in the education levels of workers that hold noncollege jobs by race and ethnicity; most have a high school education, and about a fifth have education beyond high school. A little more than a third of all three groups of workers have specific skill training as well.

In part, these similarities stem from the fact that our study is limited to workers holding noncollege jobs. Differences in the broader labor market may be greater. However, these results suggest that individual characteristics are unlikely to “explain” much of the wage differential, particularly between black and white workers.

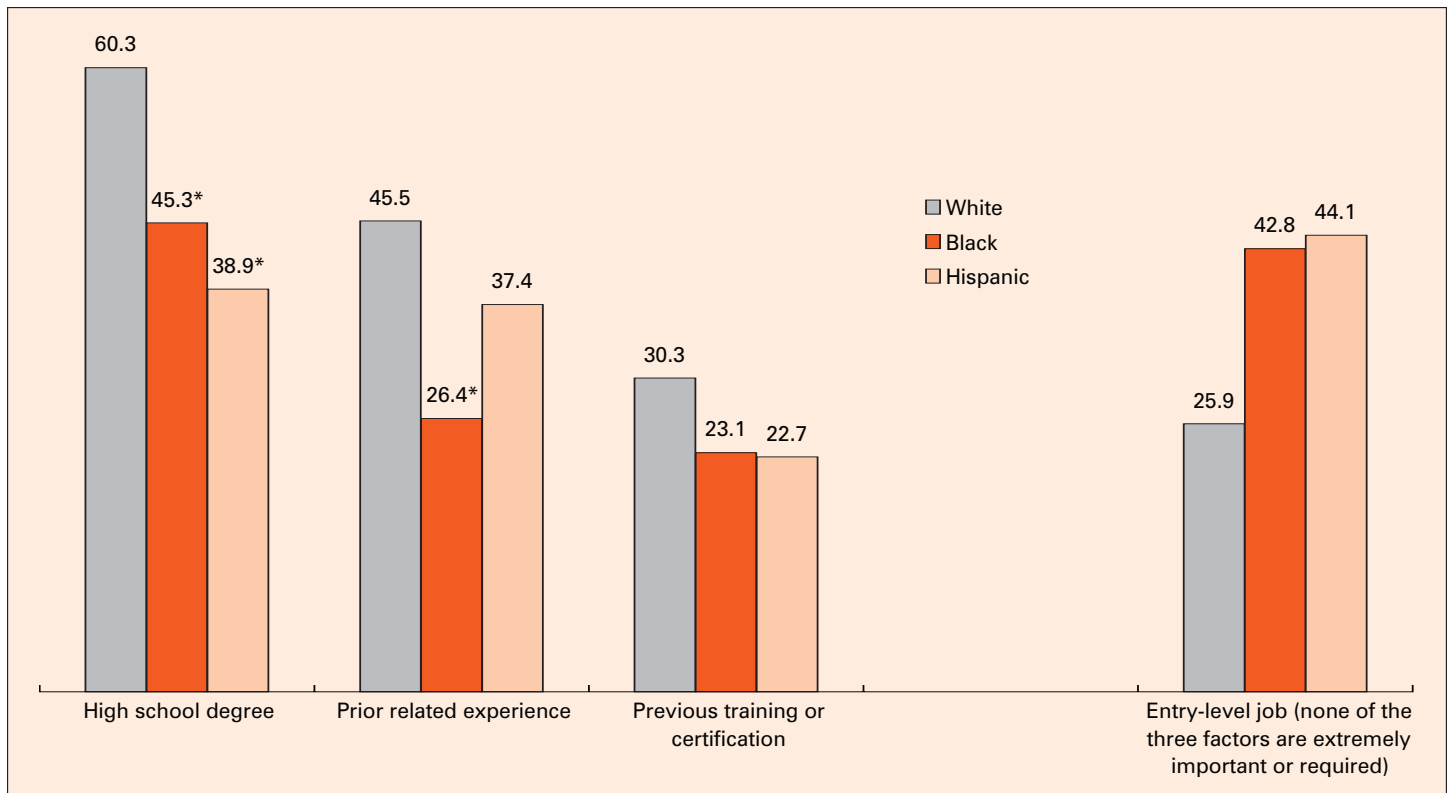
Noncollege Job Requirements

Beyond workers’ own skills and characteristics, the job demands of different workers can account for some wage disparities

across racial and ethnic groups. Most surveys used to study wages do not contain such detailed information on jobs. Our survey, however, asked employers who had recently filled noncollege jobs (jobs for which a college education was not required) the importance of three specific skill-related factors in hiring: a high school degree, previous job-related experience, and previous specific skills training or certification. Figure 1 shows the shares of noncollege jobs held by white, black, and Hispanic workers for which employers said the factor was extremely important or required for the job.

Compared with white workers, fewer black workers and Hispanic workers are hired into noncollege jobs where having a high school degree is extremely important or required (45 percent of black workers and 39 percent of Hispanic workers compared with 60 percent of white workers). Further, significantly more whites than blacks are in jobs for which prior related job experience is extremely important or required (46 versus 26 percent).

FIGURE 1. Percent of Noncollege Jobs where Specific Factor Is Extremely Important or Required for the Job, by Race/Ethnicity of Recently Hired Worker



Source: Authors’ calculations from the Survey of Employers in the Low-Skill Labor Market.

* Difference from white workers is statistically significant at the $p < .10$ level.

Black and Hispanic hires are more likely than whites to work in entry-level jobs, jobs where none of these three requirements are extremely important. About one-quarter of whites newly hired into noncollege jobs are in entry-level noncollege jobs, compared with more than two-fifths of blacks and Hispanics.

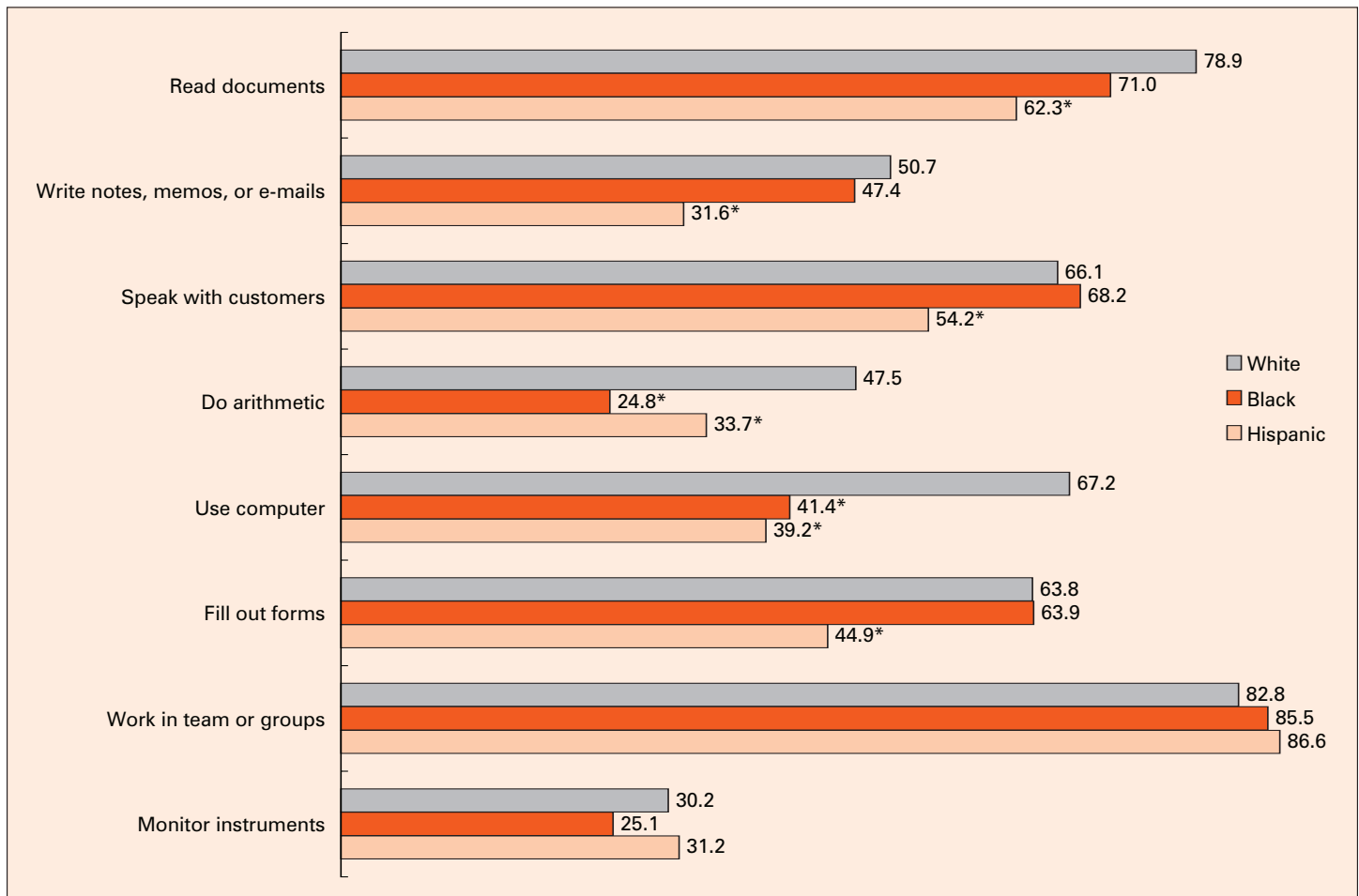
In addition, the daily tasks performed on noncollege jobs held by white, black, and Hispanic workers differ substantially (figure 2). In the less-skilled labor market, Hispanic workers are significantly less likely than white workers to hold jobs that require daily reading of documents, writing, speaking with customers, doing arithmetic, using computers, or filling out forms. Some of these differences are quite large. Only 39 percent of Hispanic workers hold jobs that require daily use of computers, compared with 67 percent of white workers.

The daily job tasks required on noncollege jobs held by black workers are more similar to those held by white workers, with two notable exceptions—arithmetic and computer use. Only 41 percent of black workers use computers daily, compared with 67 percent of white workers. And nearly half of whites in noncollege jobs use arithmetic daily, compared with one-quarter of blacks.

Understanding Wage Gaps

These differences in the types of jobs held are important because noncollege jobs with certain requirements and daily tasks pay higher wages than other jobs. Since black and Hispanic workers are less likely to hold jobs with some of these requirements or tasks, this can explain some of the wage gap with white workers.

FIGURE 2. Percent of Noncollege Jobs where Given Task Must Be Performed Daily, by Race/Ethnicity of Recently Hired Worker



Source: Authors' calculations from the Survey of Employers in the Low-Skill Labor Market.

* Difference from white workers is statistically significant at the $p < .10$ level.

As shown in our previous research with these data, noncollege jobs where prior experience or related training is very important pay significantly higher wages. Similarly, noncollege jobs that require writing, filling out forms, using computers, or monitoring instruments daily pay significantly higher wages. This is after controlling for individual, employer, and other job characteristics.³

Differences in job requirements and daily tasks also account for some of the difference in wages between black and white noncollege workers: the gap falls from 17 to 12 percent after controlling for job and employer factors. However, this also means that even after taking into account differences in worker, job, and employer characteristics, the black-white wage gap is still significant.

For Hispanic workers, there is no remaining significant wage difference once we control for worker, job, and employer characteristics. In fact, differences in worker characteristics, particularly age and education, account for most of the wage gap between Hispanic and white workers.

Summary

The lower percentage of black and Hispanic workers holding jobs with requirements that are associated with higher wages, such as daily computer use, suggests that these groups have less access to those jobs. This could reflect that black and Hispanic workers have fewer skills in these areas, beyond what our control for education level captures. If this is the case, additional experience and specific skill training could reduce the wage gap.

It is also possible that some workers with the requisite skills lack the networks or access to job information to connect to these jobs. In this case, job intermediaries could help match workers to higher-paying jobs. Or, lack of access to high-paying noncollege jobs with specific skill requirements may reflect discriminatory behavior on the part of employers hiring for these jobs. The fact that a significant black-white wage differential remains even after controlling for individual, job, and employer characteristics suggests the need for additional work to understand whether this remaining difference reflects unmeasured differences or discriminatory actions by employers.

Given the policy focus on low-wage labor markets and programs to help improve wages of low-skilled workers, understanding the racial and ethnic wage gaps in this market is important. Differences across racial and ethnic groups in the requirements and daily tasks of jobs in the noncollege labor market need to be considered in policy solutions.

Notes


1. For a review of research on the black-white wage gap, see Holzer (2001). For a discussion of the role of such factors as test scores in explaining the wage gap, see Lang and Manove (2006).
2. The survey did not collect information on whether the individual worker took up this offer of health insurance because it was not clear the person being interviewed who was knowledgeable about hiring for the job would know this information. Actual health insurance coverage could differ significantly across these groups of workers if take-up of employer offers and alternate sources of coverage differ.
3. These results are from regression equations on wages that, in addition to job requirements and tasks, controlled for worker gender, race/ethnicity, immigrant status, age, education, employer size, industry, rural location, nonprofit status, unionized, method of hiring employee, and whether job is part time. For more information see Acs and Loprest (2008).

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Additional Information

For a more complete discussion of the survey and findings, see Gregory Acs and Pamela Loprest, "Understanding the Demand Side of the Low-Wage Labor Market" (Washington, DC: The Urban Institute, 2008).

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