Study: Prejudice could cost a black worker thousands

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A recent study in the *Journal of Political Economy* sheds light on the role racial prejudice plays in the wage gap between whites and blacks in the U.S.

Prejudice accounts for approximately one-quarter of the racial wage gap, costing a black worker up to $115,000 over a lifetime depending upon where he or she lives, according to study authors Kerwin Kofi Charles from the Harris School of Public Policy Studies at the University of Chicago and Jonathan Guryan from Chicago's Booth School of Business.

Educational inequality, differences in workers' skill levels and other forms of discrimination likely account for the rest of the gap, the authors say.

Charles and Guryan used statistical models to test the extent to which wage gaps in each U.S. state vary according to levels of prejudice. Levels of prejudice were determined by a series of surveys conducted by the National Opinion Research Center at the University of Chicago. In the surveys, white people were asked their views on issues like interracial marriage, whites-only private clubs, neighborhood segregation and whether or not they would vote for a black president.

The result was a fairly robust correlation between wage gaps and prejudice.

"Though prejudice explains only a minority—albeit a significant one—of the black-white wage gap, the costs borne by blacks ... are large," the researchers write. "Consider an 18-year-old black male choosing between two states…. Our estimates imply that if he lives in Florida rather than Massachusetts … the net present value of his [lifetime] earnings will be about $34,000 smaller. If he lives in Mississippi rather than Wisconsin … his discounted earnings are about $115,000 smaller."

The researchers found that wage gaps vary significantly according to the level of prejudice reported by the least prejudiced people in each state. Where the least prejudiced people hold more prejudice, wage gaps are higher.

Why are the least prejudiced people the ones that determine wage gaps?

In his seminal 1957 work The Economics of Discrimination, Nobel Prize-winning economist Gary Becker offered an answer. He theorized that the least prejudiced should be the ones who determine black wages because they are most likely to employ black people. The most prejudiced would either refuse to hire blacks, or pay them so little that blacks would naturally gravitate to less prejudiced employers.

Charles and Guryan's study is the first to offer empirical support for Becker's model. Not only did they find that the least prejudiced have a strong influence on wage gaps, levels of prejudice among the average and most prejudiced have no influence whatsoever.

"This is precisely as the Becker model predicts," the researchers write.

Source: University of Chicago