

The Color of Money: Black-White Wage Gap Persists Education and Unionization Dramatically Reduce the Gap

By Amy Hanauer and Mark Cassell, PhD

Although U.S. economists still sing the praises of the last decade's boom, a recent study confirms that many African Americans have not been hearing the same tune. *The State of Working Ohio 2001*, recently released by Policy Matters Ohio, reveals a steepening wage gap between black and white workers, overall decreasing trends in wages and benefits for all workers, and a dramatic increase in work hours over the last two decades.

Startlingly, black men's median wages plummeted by 23 percent, and black women's dropped one percent between 1979 and 2000. Last year, the median black male worker in Ohio made only \$11.44 to the white male median wage of \$15.00. Black women, at \$10.00, made \$1.00 per hour less than their white sisters. These gaps do not disappear when accounting for different rates of education in black and white populations. Black workers made five to twelve percent less than white workers at similar education levels.

Benefits and pensions are also dwindling. Only 59 percent of African American workers (compared to 66 percent of white workers) received health insurance from their private sector employers in 2000, a 17 percent decrease for black Ohioans since 1979. At a time when Social Security may become much less secure, 41 percent of private sector black workers receive no pension plan from their jobs. In fact, over one-third of Ohio workers do not receive these benefits from their private sector employers.

Inequality and poverty wages have skyrocketed, with the richest fifth of Ohio's families earning ten times what the poorest fifth earns. Last year, over 22 percent of workers earned below a poverty-level wage of \$8.47 an hour: 61 percent of these people worked full-time. To earn this substandard pay, families have added 500 hours to the time they clock in per year since 1979, and single parents doubled their work hours. Middle-income married-couple black families now work more than two full-time jobs on average.

The Good News

As grim as these findings may seem, the study also points to some clear solutions. Education and unionization are fast routes to much higher wages, especially for black workers. Black workers saw a 38 percent boost in their wages when they earned high school degrees, and a stunning 65 percent boost for earning a college or graduate school degree in 2000.

Similarly, unionized black workers' wages jumped 32 percent above those of non-unionized African Americans. Unions virtually eliminated the wage gap between black and white workers in 2000 (bringing it under two percent), and at \$14.71 hourly, unionized black workers earned much more than non-unionized white workers.

Opening up access to education and reducing barriers to unionization are therefore among the most important policy solutions available to improve wages of African Americans. Other remedies include raising the minimum wage, implementing an Ohio Earned

Income Tax Credit, and reducing discrimination.

Ohio families are better educated, more productive and working harder than two decades ago. Yet at the peak of economic expansion, racial and gender disparities endured, poverty was high, and inequality was extreme. Ohio can and should do better by its working people.

Amy Hanauer is Executive Director of Policy Matters Ohio, an Ohio-based policy research institute, funded by the George Gund Foundation. Mark Cassell is an assistant professor of Political Science at Kent State University. The full text of The State of Working Ohio is available at <http://www.policymattersohio.org/>.
