

Task-Based Discrimination

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Since 1980, the effect of declining racial skill gaps and discrimination over the preceding 20 years was offset by the increasing returns to Abstract tasks. This new research finds that the Black-White wage gap would have shrunk by about 7 percentage points by 2018 if the wage premium to task requirements were held at their 1980 levels, all else equal.

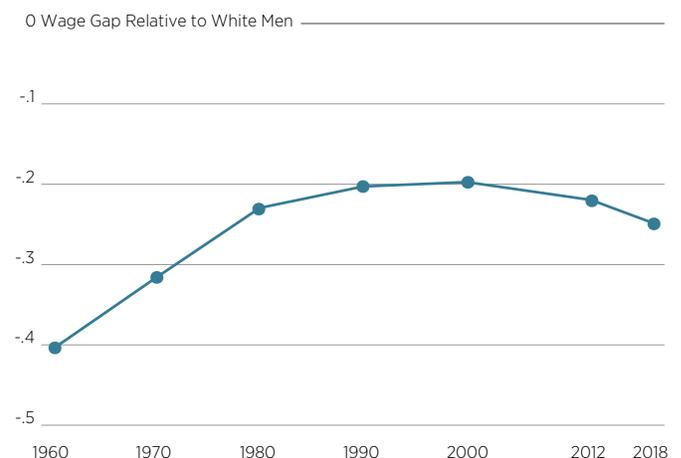
Why did the Black-White wage gap drop so much during the 1960s and the 1970s, and why has the convergence stagnated since then? This new working paper builds on existing research to offer a pathbreaking task-based model that incorporates notions of both taste-based and statistical discrimination to shed light on the evolution of the racial wage gap in the United States over the last 60 years.

Their task-based model allows the authors to analyze how the changing demands for certain tasks interact with notions of discrimination and racial skill gaps in driving trends in wages across racial groups. At the heart of the model is that different occupations require a different mixture of tasks (*Abstract, Routine, Manual, Contact*), which in turn demand certain market skills and degrees of interaction among workers and customers. Consequently, the relative intensity of taste-based versus statistical discrimination varies across occupations depending on the exact mix of tasks required in each occupation.

The authors use their estimated framework to structurally decompose the change in racial wage gaps since 1960 into the parts due to declining taste-based discrimination, a narrowing of racial skill gaps, declining statistical discrimination, and changing market returns to occupational tasks. Their key finding is that the Black-White wage gap would have shrunk by about 7 percentage points by 2018 if the wage premium to task requirements were held at their 1980 levels, all else equal.

Why did this stagnation in the closing of the wage gap occur? The authors posit two offsetting forces:

Figure 1 • Trends in Black-White Wage Gaps Since 1960, Census/ACS Data

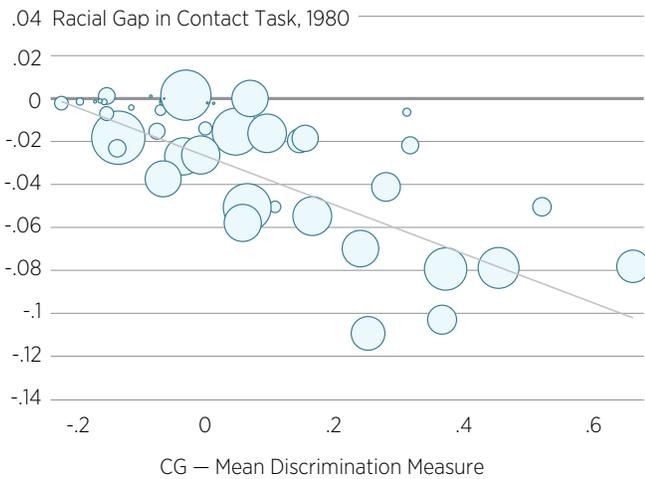


Notes: This figure shows the trend in the demographically adjusted Black-White gap in log wages using Census/ACS sample. Wage gaps are conditional on individual age and education dummies.

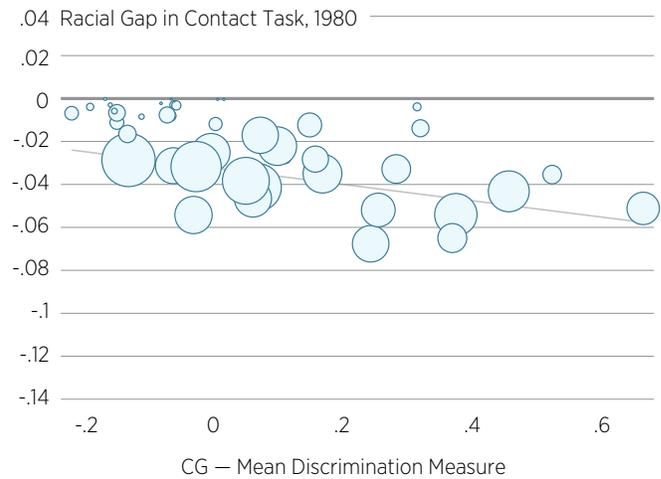
- On the one hand, a narrowing of racial skill gaps and declining discrimination between 1980 and 2018 caused the racial wage gap to narrow by 6 percentage points during this period, all else equal.
- On the other hand, the changing returns to tasks since 1980 (particularly the increasing return to *Abstract* tasks) widened the racial wage gap by about 6.5 percentage points during the same period. A rise in the return to *Abstract* tasks disadvantages Blacks because they are underrepresented in these

Figure 2 • Racial Gaps in Contact and Abstract Tasks vs Survey Measures of Taste Based Discrimination, State Level Variation

Panel A: Contact Tasks



Panel B: Abstract Tasks



Notes: This figure shows state-level conditional racial gaps in the Contact task content of jobs (Panel A) and the Abstract task content of jobs (Panel B) against the Charles-Guryan mean measures of state level prejudice. Racial gaps in the task content of jobs measured using the 1980 U.S. Census. Gaps are conditioned on age and education as in equation (1). Each observation is a U.S. state with the size of circle measuring the number of Black individuals in the state in the 1980 Census.

tasks due to racial skill gaps and discrimination. Moreover, to the extent that discrimination associated with *Abstract* tasks is important, the rising return to *Abstract* tasks will even favor Whites relative to Blacks with the same underlying levels of skills.

- Bottom line: Race-specific barriers have continued to decline in the US economy post 1980, but the rising relative return to *Abstract* tasks has favored Whites. As a result, the Black progress stemming from narrowing racial skill gaps and/or declining discrimination did not translate into Black-White wage convergence during this period.

The authors stress that racial gaps in skills are endogenous, meaning that taste-based discrimination could be responsible for Black-White differences in measures of cognitive test scores. Such caveats should

be kept in mind when segmenting current racial wage gaps into parts due to taste-based discrimination and parts due to differences in market skills. Regardless of the reason for the racial skill gaps associated with a given task, the existence of such gaps implies that changes in task returns can have meaningful effects on the evolution of racial wage gaps, even when discrimination and the skill gaps remain constant over time.