Technological Change and Racial Disparities

Abstract

The wage gap between black and white Americans has narrowed between the 1960s and the 1970s, but its progress has stalled since 1980. This study argues that routine biased technological change (RBTC) contributed to dampening wage gap convergence in 1980-2000, having a differential impact across races and along the wage distribution. Thus, I present new empirical evidence on occupational patterns by race and on determinants of wage disparities along the wage distribution, and rationalize them with an RBTC model in which firms engage in statistical discrimination. I show that, surprisingly, the share of employment in routine intensive occupations has increased for black workers, in contrast with a significant decrease observed for white workers. I decompose the wage gap changes using the Oaxaca-RIF methodology and show that differences in occupational sorting of the workforce increase wage disparities, thwarting wage convergence between races at the bottom of the wage distribution. Together, these new empirical findings and model provide insights to better understand the mechanisms behind racial disparities at the end of the 20th century.

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