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The persistence of racial and gender gaps in wages is a controversial and perplexing problem for economists. The gap between men and women has been closing, but remains large. The gap between white and black men is even more problematic because it began to grow in the 1980s after diminishing for several years. Where some see evidence of discrimination, others see differences in productive characteristics which remain to be measured. School quality and occupational preference are two characteristics cited as having a probable effect on wages, but which are difficult to measure with generally accessible labor market data. This article makes use of a unique data set to examine the influence on wages of the college attended and choice of major (as a proxy for occupational preference and skills acquired in college) for a sample of recent college graduates. Even with careful accounting for these and other productivity characteristics, evidence of discrimination persists.

MEASUREMENT ISSUES

Differences in wages between racial, ethnic and gender groups are easy to document but difficult to explain. Some of the difference is due to differences on average in well understood productivity characteristics such as educational attainment and experience. Other, more subtle productivity issues may also play a role. One obvious candidate is occupation. "If we believe that labor markets allocate individuals to the jobs for which they are best suited, then occupation is a good proxy for an individual's productivity and preferences.... The limitation of this method is that occupation is a labor market outcome. Occupational assignments may themselves be affected by labor market discrimination." [68]

Choice of college major is arguably a better indicator of individual preference. This study uses the 1985 Survey of Recent College Graduates (a large sample of students who received degrees between July 1983 and July 1984) which includes information on college attended, college grades, and college major. It also includes earnings in April 1985, which was on average about a year after graduation. The data captures type and quality of education for this sample with a high level of detail. "Because college attended, major and grade are all correlated with race, gender and ethnicity, failure to control completely for these factors results in apparent wage differentials between groups even in the absence of labor market discrimination." [76] This data set is limited, however, to a sample of people who completed college and is not able to capture effects of previous discrimination which might have influenced the decision to attend college, the ability to complete college, or the choice of college or majors.

Respondents were chosen who were employed, no older than 30, and not in school full time in April 1985. Full time graduate students, who had higher college grades, more educated parents and less work experience while in college, were not included. 246 out of a possible 300 college majors were represented in the sample. For some purposes of analysis, these were collapsed into 12 broad categories: business, communications, computer science, economics, education, engineering, humanities, mathematics, nursing, science, social sciences, and other.

RESULTS

The most salient finding of this analysis is that, although statistically controlling for college major and college attended often has large effects, these controls do not explain way the wage disadvantage faced by any racial/ethnic or gender group. The model using demographic variables, college grade point average, and little else, explains only 6 percent of the individual variation in wages. When controls are added for the choice of a college and major, the model explains 40 percent of the individual variation - and estimates smaller demographic effects.

Different majors generally lead to more or less remunerative occupations. Controlling for major is intended here to account for the effect of personal occupational choices. The quality of education depends in part on the college attended, and the quality of education should influence productivity and earnings. An assessment of the quality of the individual school is not attempted here; the analysis merely assumes that each school represents a consistent indicator of educational quality for each of its graduates.

The effects of controlling for choice of college and major can be expressed in terms of the change in the average wage gap between each demographic group and white men. The effects are as follows:

White women - Controlling for the 12 aggregate college major categories explains almost half the wage gap, reducing it from -17% to -9%; there is little effect from using controls for college attended. That is, half of the wage gap can be traced to the choice of lower-paid majors; the quality of colleges attended by white men and women appears to be comparable.

Black men - Controlling for college major and college attended have no effect; the wage gap is consistently about 9%, regardless of controls.

Black women - Controlling for college major and college attended reduce the wage gap from -25% to -16%.

(Removing graduates of historically black colleges from the sample has virtually no effect on these results for either black men or black women.)

Hispanic men - College educated Hispanic men earn more than white men, but their wage advantage drops from +8% to +1% when college major and college attended are controlled. That is, Hispanic men earned a little more than white men because they chose more remunerative colleges and majors.

Hispanic women - Controlling for college major and choice of college reduces the wage gap from -11% to -6%..

Asian men and women - Average incomes for this group often reflect the choice of colleges and majors which lead to highly compensated jobs. But when college major and college attended are controlled, Asian men drop from a wage advantage of +8% to a wage gap of -14% relative to white men, the largest shift for any group in this study. Asian women fall from a wage gap of -6% to -15%.

There is a striking similarity in the wage gaps, after controlling for college and major, of most of the groups examined here. White women, black men and women, and Asian men and women all have wage gaps of roughly -10% to -15% relative to white men. Only the small number of Hispanic college graduates do better.

The wage gap, after controls is an estimate of the differential treatment of individuals with the same, or equivalent, human capital. "If labor market discrimination is defined as a mechanism that causes individuals with the same productive characteristics but different ascriptive characteristics to be valued differently by the labor market, then this is very strong evidence that discrimination operates in the market for recent college graduates." [82]