Chapter 12: "Proving" Discrimination is a Multi-Faceted Challenge

Given what's at stake, it comes as no surprise that there are widely ranging opinions whenever it comes to a discussion of discrimination in the labor market. The reasons for some those differing opinions can be quite technical, and labor economists must be very clear in their explanations in order to avoid being accused of defending outcomes that appear to casual observers as clear cases of injustice.

For example, at least once a year, a government report will come out comparing incomes by demographic group. Devoting about a minute to the story, so as to not interfere with the more pressing stories about Paris Hilton or Michael Jackson, the morning entertainment/news program will say something like, "The report indicates that women make only sixty-eight cents on the dollar compared to men, proving that women still face a great deal of discrimination in the labor market. Coming up next, you won't believe what __________ (fill in the name of the celebrity flavor of the month) has done now...." And somewhere, a short-fused labor economist throws his bagel at the TV and screams, "No it doesn't prove that at all!" Maybe somewhere else, a lawyer or a judge would, too, if they were as prone to throwing bagels at TV's as labor economists, but that's another story (and truth be told, I didn't throw the bagel....and only raised my voice slightly).

So, how has the insightful analysis of the hairdo upset our economist? It is WAY more complicated than that. In rather interesting contrast to the hypothetical example above, a government report recently analyzed in The Wall Street Journal looks at some of the complexities involved. Drawing from 2004 Census Bureau data on educational achievement, the Associated Press article summarized some of the findings as follows:

"A white woman with a bachelor's degree typically earned nearly $37,800 in 2003, compared with nearly $43,700 for a college-educated Asian woman and $41,100 for a college-educated black woman....[college educated] Hispanic women took home slightly less than $37,600 per year." The article indicates that the Census Bureau did not provide any explanations for the differences, but then went on to provide a lengthy set of possibilities from various experts. None of the proposed explanations suggested that the data proved that college-educated white women still faced discrimination in the labor market compared to Asian and black women. Among those explanations they did offer were that minority women, and especially black women tend to have more than one job or work more than 40 hours per week. It was also suggested that black women return to work from childbirth more quickly than others, and that the role of women in total family incomes is larger in African American families. One reason for the later is that black men finished last among the four groups of college-educated men, earning $45,000+, compared to $66,000+ for white men, $52,000 + for Asian men, and $49,000 for Hispanic men. The article cited Barbara Gault from the Institute for Women's Policy Research pointing out that the poverty rate among families headed by single black women is nearly double that of families headed by single white women, sharply reversing the advantage black women held when the sample was restricted to only the college-educated.

The point to be made is that a little bit of data typically hides much more than it reveals. And despite being an easily irritated economist who talks back to his TV when provoked, I don't need data to convince me that women and minorities still face discrimination in the labor market. But pieces of data selectively chosen don't "prove" much, if anything.

What constitutes "proof" for an economist is not necessarily what will work for a lawyer or a judge. As Jess Bravin recently reported for The Wall Street Journal, the Supreme Court has given both plaintiffs and defendants in age discrimination suits something to be pleased about. Formally bringing age discrimination in line with race and gender discrimination, the court ruled that workers over age 40 can now sue when their employer's actions result in a "disparate impact" on older workers. Previous case law had suggested a more difficult threshold of proving an employer's intent to discriminate.

But the decision also lowered the threshold for a successful defense. Instead of having to demonstrate "business necessity" for their actions, defendants now need only demonstrate that their actions constituted reasonable business behavior. The decision was a blow to the plaintiffs, senior police officers from Jackson, MS, who argued that a city plan to give higher percentage raises to younger officers was unfair. The court accepted the defense explanation that higher pay
near the entry level was needed to help in recruitment, calling their plan "unquestionably reasonable."

**Sources:**

a. What additional explanations can you offer for the racial differences in incomes among similarly educated women?

b. All of the salaries for college-educated women were below those reported for college-educated men, but minority women tend to make a much higher percentage of minority male salaries than do white women compared to white men. Can you offer any explanations for these differences?

c. If an employer were using some sort of quota system in making female and minority hires, minority women would be "double counters," while white women would only count once. Could this be a plausible explanation for the findings on minority female incomes compared to white female incomes?