Final Project Topic: Wage Gap Across Ethnic Groups

Article 1: The Racial Wage Gap: The Importance of Labor Force Attachment Differences across Black, Mexican and White Men

Using the NLSY(National Longitudinal Survey) data from 1982-1998, this paper that documents the potential and actual experience between the black, Mexican and White men discusses how labor force attachment and experience affect the wage gap between these three ethic groups. The data covers youth from 14-22 men and women of the Black, Mexican and the White in which actual work experience and time spend out of the labor force are heighted. In this paper, they firstly compare the sample mean across different groups, then compare the differences in labor force attachment, lastly conduct a Two-Stage effect regression across these three ethic groups. they address the heterogeneity bias using panel data and an individual fixed effects (FE) model which allows them to purge the estimates time-invariant unobservable person-specific factors by following a given individual over time. More specifically, they specify a log hourly wage regression. The two-stage FE model is useful to separate the individual-specific characteristics to other factors that affect earnings. OLS is applied to estimate the coefficients. This paper is contributed to the wage gap literature by estimating the fraction of the black/white and Mexican/whit wage gaps for young men that are explained by differences in labor force attachment and education.

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Article2: Understand the City Size of Wage Gap

By using the NLSY data, this paper decomposes city size wage premia into various components. They base these decompositions on an estimated on-the-job search model that incorporates latent ability, search frictions, firm-worker match quality, human capital accumulation, and endogenous migration between large, medium, and small cities. They utilize a model of on-the-job search that incorporates endogenous migration between small, medium and large cities. Then estimate parameters from the model allow for a decomposition of the components that potentially interact:1. unobserved abilities across cities. 2.differences in search friction, unemployment benefits, and the distribution. 3.variation in wages -level effects 4. Variation in returns to experience across cities and abilities.

This paper is a heavily empirical research which demonstrates the identification of the relative importance of four broad channels and provides new information about the relevance of certain classes of micro-founded theories over others for generating the city size wage premium.

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