

“Pigmentocracy” in America:

Skin-Color, Human Capital Accumulation and Labor Market Outcomes in the US

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EXTENDED ABSTRACT

A number of studies detect significant association between individual characteristics used to infer ethnic ancestry and various measures of socioeconomic success. Bertrand and Mullainathan (2004) provide experimental evidence that (randomly selected) firms in the United States are less likely to interview job-applicants with distinctively black names (see also Fryer and Levitt, 2004). Hammermesh and Biddle (1994) and Biddle and Hammermesh (1998) find evidence of appearance premia. Their reasoning could also be applied to hair curliness, nose width, lip thickness, steatopygia (accumulation of fat on the buttocks), and to any of the physical traits that can be linked to membership in the black or white ethnic groups. In particular, skin-color or complexion still represents the main indicator of European ancestry in the colonies, and plays a key role in social stratification. Analysis of US historical data can be seen in Bodenhorn (2003), Bodenhorn and Ruebeck (2005), Dollard (1937), Freeman et al. (1966), Hill (2000), Ransford (1970), Reuter (1918) and Seeman (1946), among many others.

We use unique and novel data collected specially with the purpose of detecting skin-color differentials for a large and representative sample of the US population. A skin-color module was added by the Bureau of Labor Statistics to the National Longitudinal Study of Youth (Cohort 1997) following approval of research proposal submitted by one

of the authors of the present article (Rangel). We use the richness of NLSY97 data set and the broadness of information collected to assess the pertinence of skin color differentials in the contemporary US economy. We contribute to the ongoing debate within the United States regarding the future of racial and ethnic inequality. How are multiracials going to fit into the system of racial stratification (see Bonilla-Silva, 2002; Campbell, 2007; Gans, 1999; and Yancey, 2006)? Is the growth in the number of multiracials triggering a stratification system that resembles the Latin American three-tiered system based on skin color (with the addition of a honorary white group), or would they be incorporated on the binary system that prevailed until today? As in Goldsmith et al. (2007), we examine these alternative hypotheses (rainbow and one-drop models, respectively) and their explanatory power on our new source of data.

There are a number of factors that could explain skin-color differentials in the labor market context. It is possible that dark-skinned individuals receive lower wages, are less likely to be employed, or have limited access to certain jobs due to discrimination. Alternatively, observed differences may be the result of darker-skin individuals' relatively lower investment in the accumulation of skills, which translates into a scarcity of economic opportunities. These are most likely simultaneously at work. With skills not being fairly rewarded, members of the group discriminated against have less incentives to invest in them. We use the richness of NLSY97 data to untangle the role of each of these alternative explanations.

There are data sets in the United States that contain information on skin color. Historical censuses (1850 to 1930) use the mulatto classification. Others like the National Survey of Black Americans collected information on three generations: child, parent and grandparent but they have limited information on labor market and pre-market investment in skills. More recently, the National Survey of Adolescent Health (Add Health) has collected skin color information on their main teen-respondent. Finally, the New Immigrant Survey of 2003 also collected information on skin color, but they do not cover, as the survey-name conveys, American-born African descendants. The NLSY97

skin-color module provides an excellent source of information on these intriguing socio-demographic phenomena.

We employ our data with 6433 respondents to investigate, employment, wages, employment and unemployment duration spells conditioning for a large number of differences in human capital stocks and family background among individuals at different sections of the skin-color spectrum. We further explore these differences in skills and attempt to understand the source of these investment-pattern differences. In fact we detail differential investments in human capital that emerge among siblings with different complexion. In essence, the present paper is based on the examination of how mixed-race families (the ones in which skin-color differences is more likely to occur), through parenting practices and decisions, mediate the impact of society-wide skin color differentiation over their children. The analysis has to consider different conceptual ways by which welfare optimizing parents may generate systematic differences in the patterns of investment depending on skin color: i) they may respond to differences in expected returns to human capital investments; ii) they may respond to differences in the costs of those investments (including opportunity or psychological costs); iii) parents may simply prefer one skin color over another (evaluate identical outcomes differently). The interesting questions here are: Do parents operate so as to maximize or minimize the effects of genetic endowment of "whiteness" on earnings? Do parents fully compensate darker-skinned kids for the steeper social ladder they are likely to face?

Our preliminary results show that most of the differences in labor market outcomes among individuals of different skin-color can be explained away by differences in the amount of skills they bring to the market. Nonetheless, there are differences in the rate of return to investment in those skills for dark and light-skinned individuals of the same racial group. The version new version of our exercises attacks the heart of this matter by investigating the investment process of families with sibling that "look" different.