

Racial and Ethnic Disparities in Employment

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Motivation and Overview

- Long-standing racial and ethnic disparities in labor market outcomes
- These disparities have been influenced by many policies and interventions, for ex:
 - Civil Rights Legislation, Immigration Policies, Affirmative Action Policies, Minimum Wage Policies
 - Monetary Policy
- What kinds of policies might reduce racial/ethnic employment gaps? What kinds of policies might exacerbate them?

Motivation—Fed Policy and the Dual Mandate

“In conducting monetary policy, we will remain highly focused on fostering as strong a labor market as possible for the benefit of all Americans. And we will steadfastly seek to achieve a 2 percent inflation rate over time.”

Chair Powell, August 27, 2020 speech available at

<https://www.federalreserve.gov/newsevents/speech/powell20200827a.htm>

Emphasis added.

Board of Governors of the Federal Reserve System

The Federal Reserve, the central bank of the United States, provides the nation with a safe, flexible, and stable monetary and financial system.

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Review of Monetary Policy Strategy, Tools, and Communications

[2019-2020 Review: Overview](#)

[2020 Statement on Longer-Run Goals and Monetary Policy Strategy](#)

[Guide to changes in the 2020 Statement on Longer-Run Goals and Monetary Policy Strategy](#)

2020 Statement on Longer-Run Goals and Monetary Policy Strategy

Adopted effective January 24, 2012; as amended effective August 27, 2020

The Federal Open Market Committee (FOMC) is firmly committed to fulfilling its statutory mandate from the Congress of promoting **maximum employment**, stable prices, and moderate long-term interest rates. The Committee seeks to explain its monetary policy decisions to the public as clearly as possible. Such clarity facilitates

Related Information

[Guide to changes in the 2020 Statement on Longer-Run Goals and Monetary Policy Strategy](#)

[Historical Statements on Longer-Run](#)

<https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications-statement-on-longer-run-goals-monetary-policy-strategy.htm>

Emphasis added

2020 Statement on Longer-Run Goals and Monetary Policy Strategy

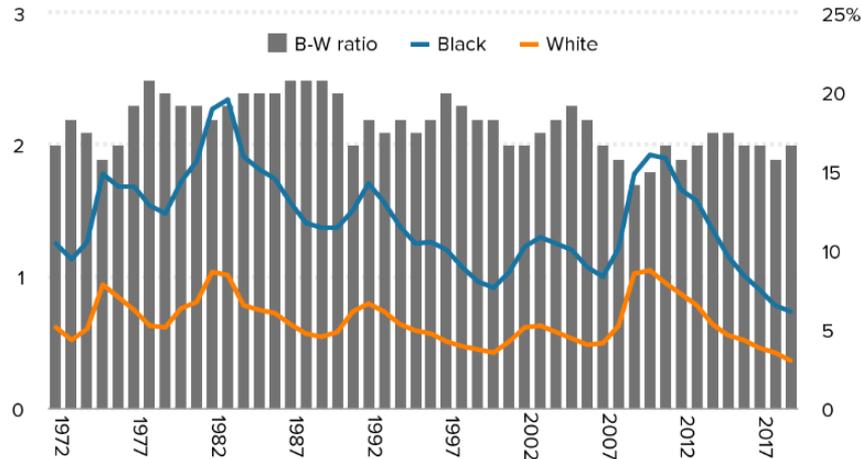
“The maximum level of employment is a broad-based and inclusive goal that is not directly measurable and changes over time owing largely to nonmonetary factors that affect the structure and dynamics of the labor market. Consequently, it would not be appropriate to specify a fixed goal for employment; rather, the Committee's policy decisions must be informed by assessments of the shortfalls of employment from its maximum level, recognizing that such assessments are necessarily uncertain and subject to revision. The Committee considers a wide range of indicators in making these assessments.”

<https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications-statement-on-longer-run-goals-monetary-policy-strategy.htm>

Emphasis added

Racial Disparities in Unemployment

Unemployment rate by race, 1972–2019



Note: Black and white are both non-Hispanic.

Source: 1972–2019 series by race & ethnicity, EPI analysis of monthly CPS microdata, downloaded from EPI SWA Data Library.

Economic Policy Institute

Wilson, Valerie and William Darity Jr. 2022. Economic Policy Institute.

<https://www.epi.org/unequalpower/publications/understanding-black-white-disparities-in-labor-market-outcomes/>

Racial and Ethnic Disparities in Employment-to-Population Ratio

Employment-to-population ratio, by race and ethnicity, men ages 25–54, 2000–2017

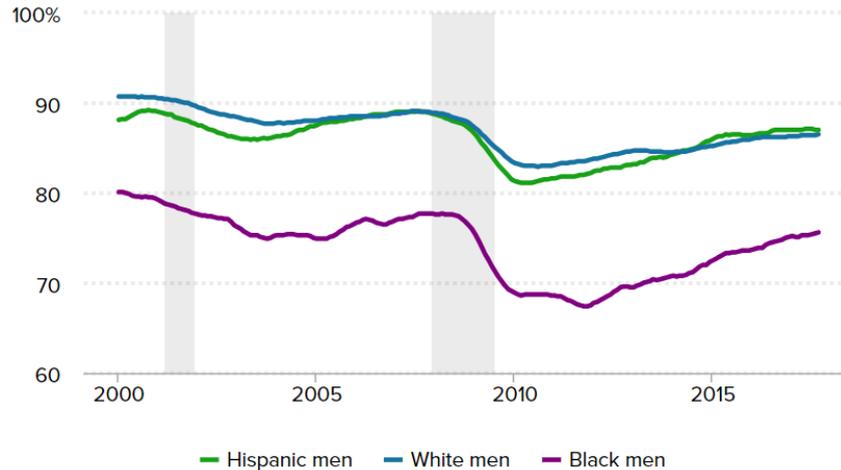


Chart Data

Note: Shaded areas denote recessions.

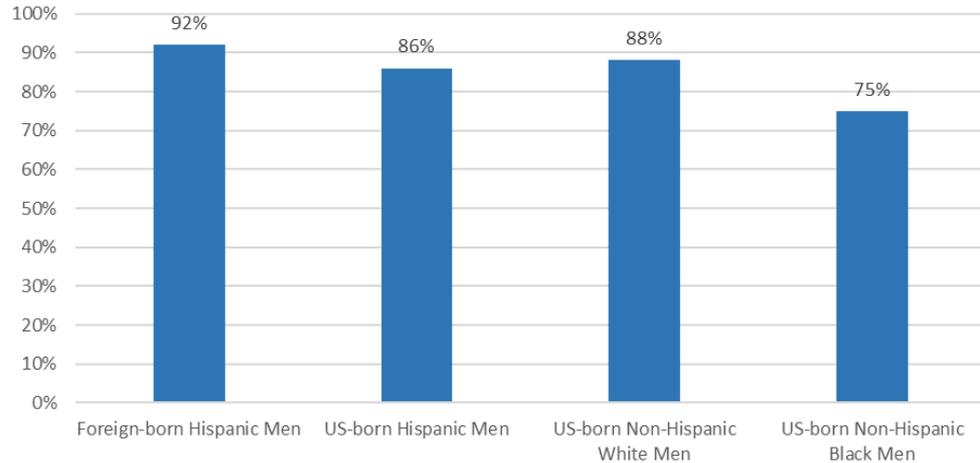
Source: Authors' analysis of Current Population Survey Outgoing Rotation Group microdata

Economic Policy Institute

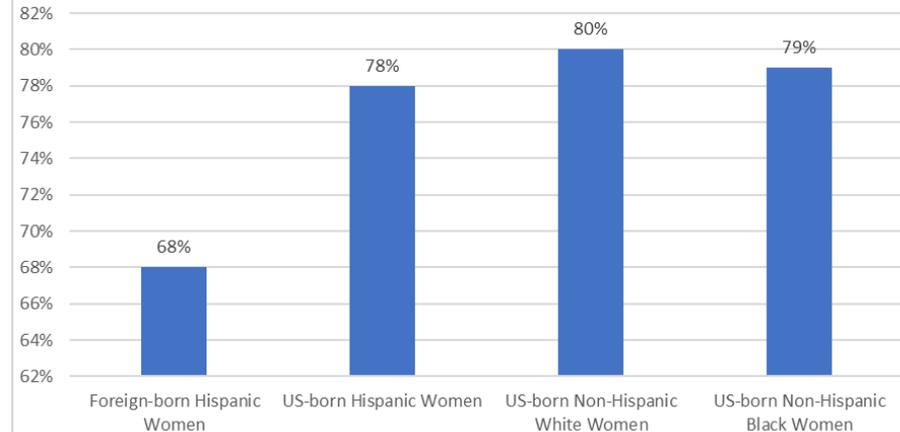
Wilson, Valerie and Janelle Jones. 2018. Economic Policy Institute.
<https://www.epi.org/publication/trends-in-work-hours-and-labor-market-disconnection/>

Racial and Ethnic Disparities in Annual Employment Rate

Annual Employment Rates for Men by Race/Ethnicity in 2019



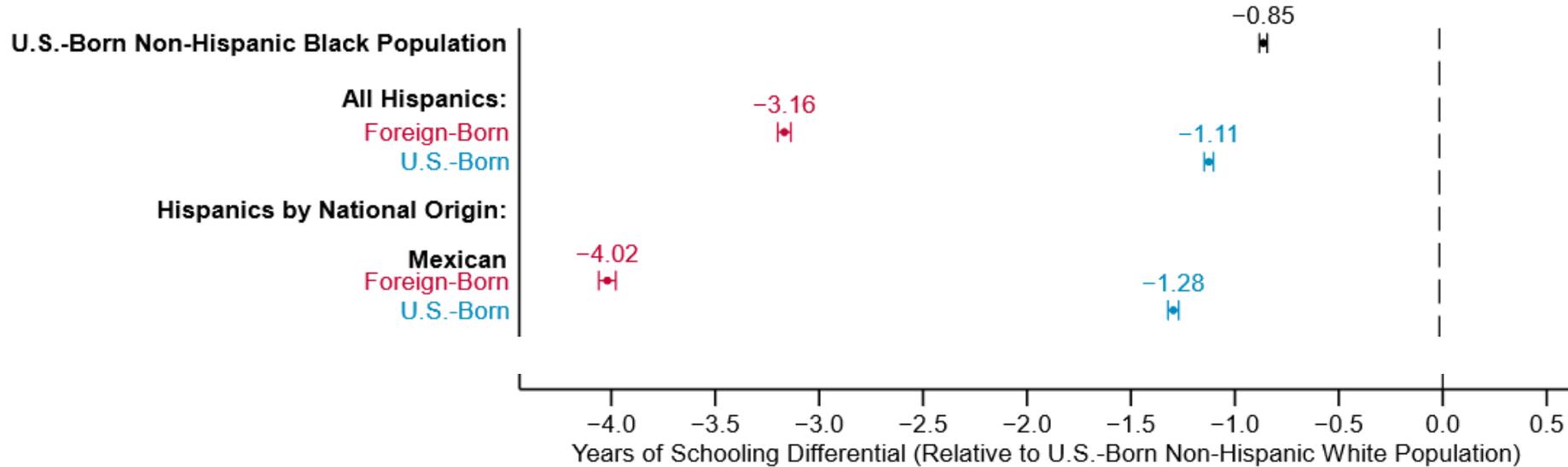
Annual Employment Rates for Women by Race/Ethnicity, 2019



Antman, Francisca M., Brian Duncan, and Stephen J. Trejo. Forthcoming. "Hispanic Schooling and Earnings Disparities." *The Minority Report*.
Source: 2019 ACS microdata from IPUMS USA.

Racial and Ethnic Disparities in Education

Figure 1. Years of Schooling Differentials (Relative to U.S.-Born Non-Hispanic White Population), by Race, Ethnicity, and Nativity, 2019

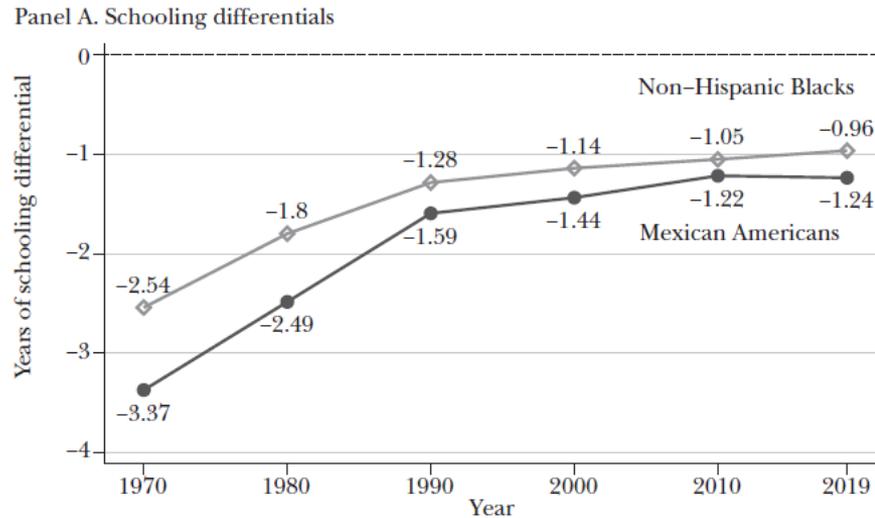


Antman, Francisca M., Brian Duncan, and Stephen J. Trejo. Forthcoming. "Hispanic Schooling and Earnings Disparities." *The Minority Report*.

Source: 2019 ACS microdata from IPUMS USA. Note: Error bars show 95% confidence intervals.

Racial and Ethnic Disparities in Education

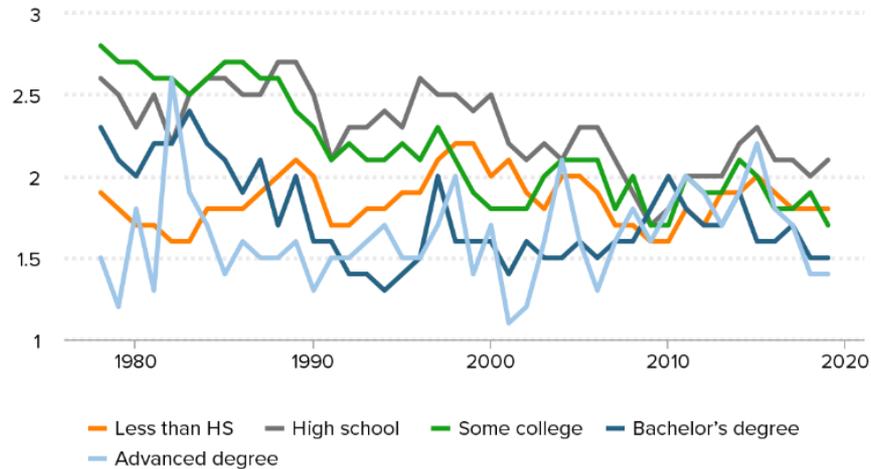
Figure 1
Schooling and Earnings Differentials, Relative to US-Born Non-Hispanic Whites, for US-Born Mexican-American and Black Men, 1970–2019



Antman, Francisca M., Brian Duncan, and Stephen J. Trejo. 2023. "Hispanic Americans in the Labor Market: Patterns over Time and across Generations." *Journal of Economic Perspectives*, 37 (1): 169-98. *Source*: 1970–2000 Census and 2010 and 2019 American Community Survey microdata from IPUMS-USA.

Racial Disparities in Unemployment, by Educational Attainment

Black-white unemployment rate ratios by educational attainment, 1978–2019



Source: 1978–2019 series by race & ethnicity, EPI analysis of monthly CPS microdata, downloaded from EPI SWA Data Library.

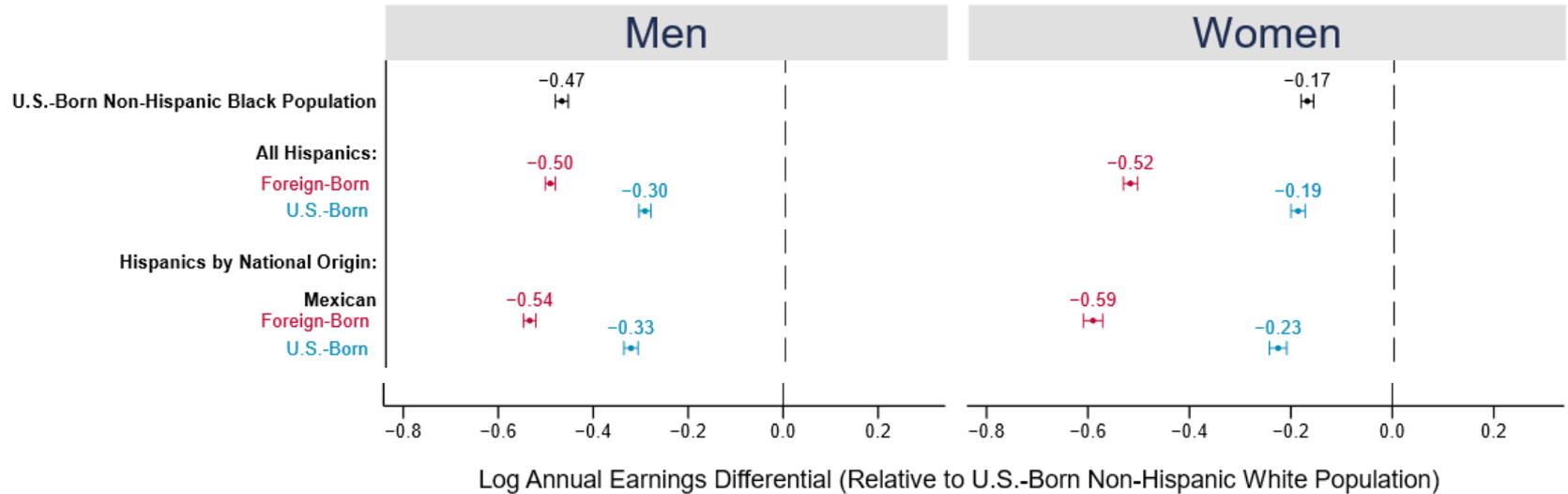
Economic Policy Institute

Wilson, Valerie and William Darity Jr. 2022. Economic Policy Institute.

<https://www.epi.org/unequalpower/publications/understanding-black-white-disparities-in-labor-market-outcomes/>

Racial and Ethnic Disparities in Earnings

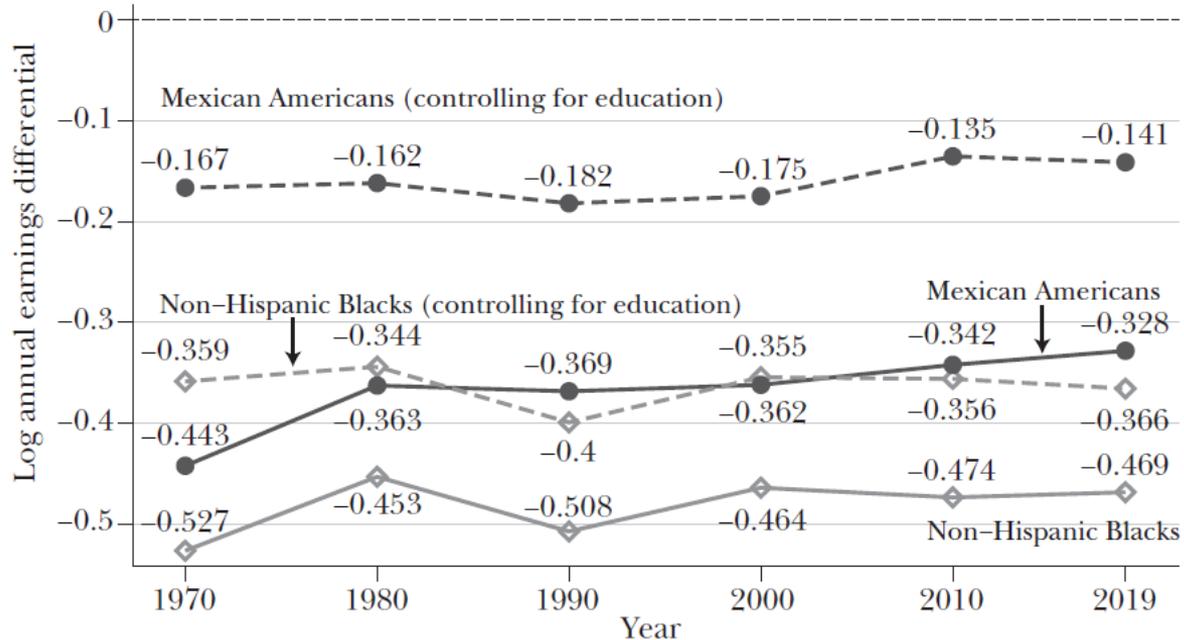
Figure 2. Log Annual Earnings Differentials (Relative to U.S.-Born Non-Hispanic White Population), by Race, Ethnicity, Nativity, and Sex, 2019



Antman, Francisca M., Brian Duncan, and Stephen J. Trejo. Forthcoming. "Hispanic Schooling and Earnings Disparities." *The Minority Report*.
 Source: 2019 ACS microdata from IPUMS USA. Note: Error bars show 95% confidence intervals.

Racial and Ethnic Disparities in Earnings

Panel B. Earnings differentials



Antman, Francisca M., Brian Duncan, and Stephen J. Trejo. 2023. "Hispanic Americans in the Labor Market: Patterns over Time and across Generations." *Journal of Economic Perspectives*, 37 (1): 169-98. Source: 1970–2000 Census and 2010 and 2019 American Community Survey microdata from IPUMS-USA.

Policies Affecting Racial Disparities in the US

- US Supreme Court ruling against affirmative action in higher education
 - Students for Fair Admissions, Inc. v. President and Fellows of Harvard College
- Title VI of Civil Rights Act of 1964 outlaws racial discrimination under any program receiving federal funding
- Past US Supreme Court decisions upheld the legality of affirmative action in higher education (*Grutter v. Bollinger*; *Fisher v. University of Texas*) so long as it serves a compelling governmental interest and is narrowly tailored to fit that interest
- Colleges/universities have argued that affirmative action has important educational benefits and is one of a constellation of factors (holistic admissions) to meet these bars

Antman, Francisca M., Brian Duncan, and Michael F. Lovenheim. 2023. "The Long-Run Impacts of Banning Affirmative Action in US Higher Education." *In preparation for Oxford Review of Economic Policy special issue on Race.*

Policies Affecting Racial Disparities in the US

Based on the experience of US states that banned affirmative action in college/university admissions:

- What impact did banning affirmative action in US higher education have on the long-run earnings and employment outcomes of Hispanic/Latinos and Black/African Americans?
- Were impacts different for men and women?
- What might we expect to happen now that affirmative action in higher education is banned across the US?

Antman, Francisca M., Brian Duncan, and Michael F. Lovenheim. 2023. "The Long-Run Impacts of Banning Affirmative Action in US Higher Education." *In preparation for Oxford Review of Economic Policy special issue on Race.*

Affirmative Action Ban States

AFFIRMATIVE ACTION BANS IN UNDERGRADUATE ADMISSIONS BY STATE

State	Year of Enactment	Source of Ban
Texas	1997*	Court Ruling: <i>Hopwood v. Texas</i>
California	1998	Voter Initiative (Prop. 209)
Washington	1999	Voter Initiative (Initiative 200)
Florida	2001	Executive Order 99-281
Georgia**	2002	Court Ruling: <i>Johnson v. University of Georgia</i>
Michigan***	2006	Voter Initiative (Proposition 2)
Arizona	2010	Voter Initiative (Proposition 107)
New Hampshire	2012	Legislative Act (HB 623)
Oklahoma	2013	Voter Initiative (State Question 759)

*The affirmative-action ban in Texas was overturned in 2003 by the 5th Circuit Court of Appeals.

**This ruling only affects the University of Georgia. The race-based admission system used was ruled unconstitutional, but other public institutions in Georgia still consider race in admissions.

*** In July 2011, the Michigan affirmative action ban was ruled unconstitutional by the 6th Circuit Court of Appeals. The case was argued in front of the Supreme Court in October 2013, but no decision has been made on the constitutionality of this law.

Focus on early-adopter states of **Texas, California, Washington, and Florida.**

Table from Arcidiacono, Peter, and Michael Lovenheim. 2016. "Affirmative Action and the Quality-Fit Trade-Off." *Journal of Economic Literature*, 54 (1): 3-51.

Impacts of Banning Affirmative Action

- Bleemer (2022) uses the Affirmative Action ban in California (Proposition 209) to examine education and earnings outcomes.
 - Constructs longitudinal database linking all 1994–2002 University of California applicants to their educational experiences and wages
 - Underrepresented Minority applicants' average wages in their twenties and thirties declined, driven by declines among Hispanics
- Antman, Duncan, and Lovenheim (work in progress) focuses on long-run labor market outcomes **separately for men and women**, using variation from the affirmative action bans at the state-level across several states.
- How does banning affirmative action affect racial disparities?

Reference: Bleemer, Zachary. 2022. "Affirmative Action, Mismatch, and Economic Mobility after California's Proposition 209." *Quarterly Journal of Economics* 137(1): 115-160.

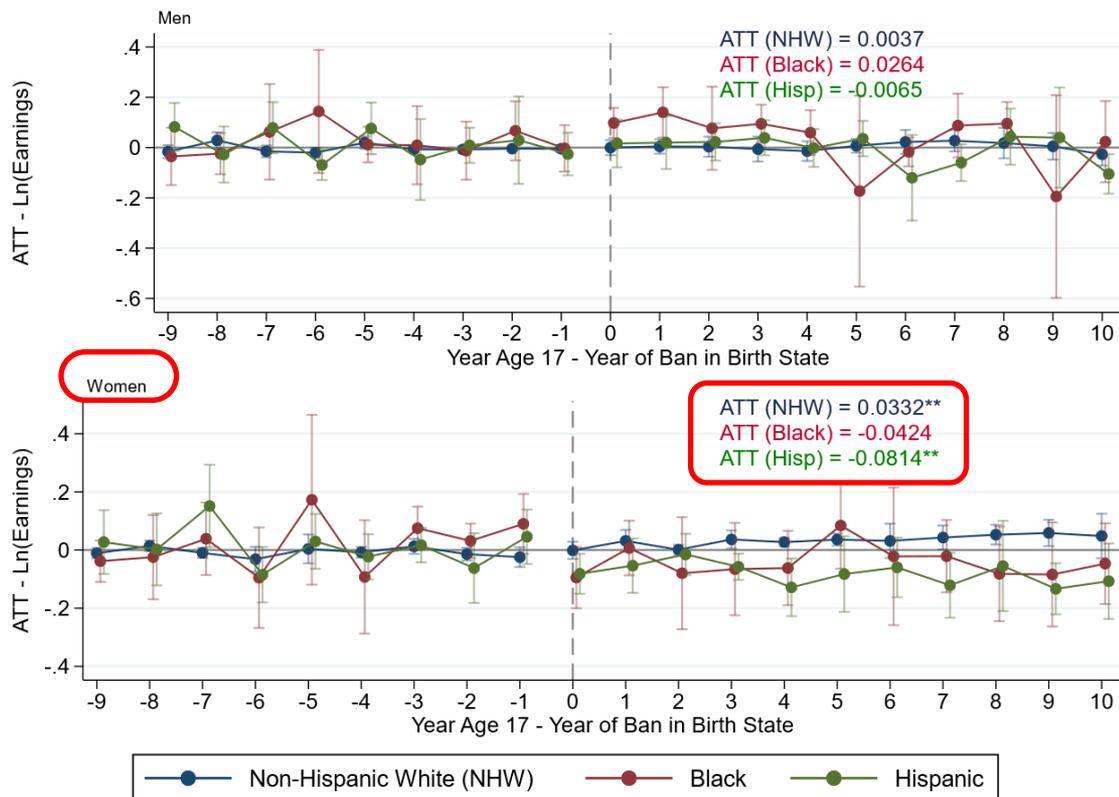
Data and Empirical Strategy

- Sample: Census 2000 and ACS 2001-2021. US-born individuals ages 25-59 in survey year and aged 17 within 20 years of State affirmative action ban.
- Collapse data into pseudo-panel at birth state, year age 17, race, and gender level using sample weights.
 - Exposure to a state affirmative action ban is calculated as the number of years the state's affirmative action ban had been in effect when the individual turned 17 years old
- Treated states include TX, CA, WA, and FL. Control states exclude NE, MI, AZ, NH, and OK.
- Callaway and Sant'Anna (2021) regressions are estimated separately for men and women and for non-Hispanic White, non-Hispanic Black, and Hispanic groups and control for age fixed effects
- Employment and Earnings outcomes

Reference: Callaway, Brantley, and Pedro H. C. Sant'Anna (2021). "Difference-in-differences with multiple time periods." *Journal of Econometrics*, 225(2): 200-230.

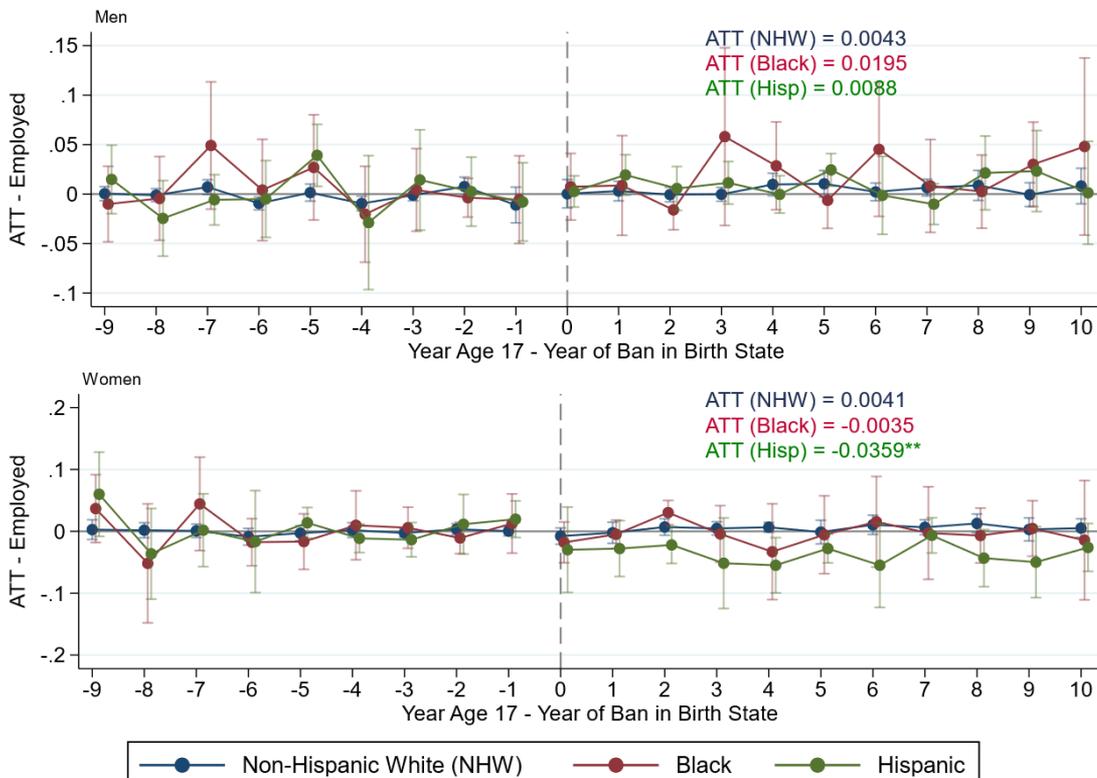
Long-Run Impacts of Affirmative Action Bans on Earnings

Figure 3B. Effect of Exposure to Affirmative Action Bans on the Log Earnings of Blacks, Hispanics, and non-Hispanic Whites



Long-Run Impacts of Affirmative Action Bans on Employment

Figure 4B. Effect of Exposure to Affirmative Action Bans on the Employment of Blacks, Hispanics, and non-Hispanic Whites



Long-Run Impacts of Affirmative Action Bans by State

Table 2: Callaway and Sant'Anna ATT estimates of exposure to affirmative action ban on outcomes of non-Hispanic white, Black, and Hispanic men and women.

	Men			Women		
	White	Black	Hispanic	White	Black	Hispanic
Outcome: ln(Annual Earnings)						
1. Texas	.0512*** (.0056)	.0621* (.0350)	.0631 (.0626)	.0687*** (.0061)	.0994*** (.0348)	-.0515* (.0285)
2. California	-.0400*** (.0073)	-.0073 (.0446)	-.0535 (.0436)	-.0034 (.0054)	-.0908*** (.0331)	-.0891*** (.0293)
3. Washington	-.0177*** (.0065)	-.0216 (.0336)	-.0508* (.0283)	.0518*** (.0061)	-.1678* (.0927)	-.0099 (.0265)
4. Florida	.0212** (.0090)	.0722** (.0294)	.0153 (.0344)	.0157** (.0069)	-.0105 (.0400)	-.1751*** (.0386)
Outcome: Employed						
1. Texas	-.0014 (.0027)	-.0013 (.0177)	.0171 (.0204)	.0184*** (.0020)	.0140 (.0190)	-.0019 (.0232)
2. California	-.0066*** (.0021)	-.0110 (.0126)	.0017 (.0104)	.0084*** (.0026)	.0315*** (.0108)	-.0195 (.0156)
3. Washington	.0149*** (.0029)	.0770*** (.0122)	.0177* (.0102)	-.0019 (.0020)	-.0812*** (.0170)	-.0847*** (.0133)
4. Florida	.0103*** (.0025)	.0131 (.0148)	-.0011 (.0125)	-.0084** (.0038)	.0217 (.0159)	-.0373*** (.0138)

Conclusions

- Policies and interventions impact racial disparities in labor market outcomes, including employment
 - Affirmative action policies in higher education and employment
- Federal Reserve Policy exists in a larger policy environment that contributes to racial disparities in labor market outcomes

Thank you!

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