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:
  - 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.
Background

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Motivation

Racial Disparities in Employment
“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.”


Emphasis added
Racial Disparities in Unemployment

Unemployment rate by race, 1972–2019

Note: Black and white are both non-Hispanic.

Racial and Ethnic Disparities in Employment-to-Population Ratio

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

Note: Shaded areas denote recessions.
Source: Authors’ analysis of Current Population Survey Outgoing Rotation Group microdata

Economic Policy Institute

https://www.epi.org/publication/trends-in-work-hours-and-labor-market-disconnection/
Racial and Ethnic Disparities in Annual Employment Rate


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

Source: 2019 ACS microdata from IPUMS USA. Note: Error bars show 95% confidence intervals.
Racial and Ethnic Disparities in Education

Racial Disparities in Unemployment, by Educational Attainment

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


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

Source: 2019 ACS microdata from IPUMS USA. Note: Error bars show 95% confidence intervals.
Racial and Ethnic Disparities in Earnings

Panel B. Earnings differentials

<table>
<thead>
<tr>
<th>Year</th>
<th>Mexican Americans (controlling for education)</th>
<th>Non-Hispanic Blacks (controlling for education)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>-0.167</td>
<td>-0.359</td>
</tr>
<tr>
<td>1980</td>
<td>-0.162</td>
<td>-0.344</td>
</tr>
<tr>
<td>1990</td>
<td>-0.182</td>
<td>-0.369</td>
</tr>
<tr>
<td>2000</td>
<td>-0.175</td>
<td>-0.355</td>
</tr>
<tr>
<td>2010</td>
<td>-0.135</td>
<td>-0.342</td>
</tr>
<tr>
<td>2019</td>
<td>-0.141</td>
<td>-0.328</td>
</tr>
</tbody>
</table>

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

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?

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

Policy Environment

Data and Empirical Strategy

- 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

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

- **ATT (NHW)** = 0.0037
- **ATT (Black)** = 0.0264
- **ATT (Hisp)** = -0.0065

For men:
- ATT (NHW) = 0.0332**
- ATT (Black) = -0.0424
- ATT (Hisp) = -0.0814**

For women:
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

- ATT (NHW) = 0.0043
- ATT (Black) = 0.0195
- ATT (Hisp) = 0.0088

Policy Environment
Racial and Ethnic Disparities
## 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.

<table>
<thead>
<tr>
<th>Outcome: $\ln$(Annual Earnings)</th>
<th>Men</th>
<th>Women</th>
<th>Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Texas</td>
<td>.0512***</td>
<td>.0621*</td>
<td>.0631</td>
</tr>
<tr>
<td>2. California</td>
<td>-.0400***</td>
<td>-.0073</td>
<td>-.0535</td>
</tr>
<tr>
<td>3. Washington</td>
<td>-.0177***</td>
<td>-.0216</td>
<td>-.0508*</td>
</tr>
<tr>
<td>4. Florida</td>
<td>.0212**</td>
<td>.0722**</td>
<td>.0153</td>
</tr>
</tbody>
</table>

| Outcome: Employed                |           |            |            |
| 1. Texas                         | -.0014    | -.0013     | .0171      | .0184***  | .0140     | -.0019     | (.0027) | (.0177) | (.0204) | (.0020) | (.0190) | (.0232) |
| 2. California                    | -.0066*** | -.0110     | .0017      | .0084***  | .0315***  | -.0195     | (.0021) | (.0126) | (.0104) | (.0026) | (.0108) | (.0156) |
| 3. Washington                    | .0149***  | .0770***   | .0177*     | -.0019    | -.0812*** | -.0847***  | (.0029) | (.0122) | (.0102) | (.0020) | (.0170) | (.0133) |
| 4. Florida                       | .0103***  | .0131      | -.0011     | -.0084**  | .0217     | -.0373***  | (.0025) | (.0148) | (.0125) | (.0038) | (.0159) | (.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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