

RESEARCH BRIEF

Racial Inequality in the Labor Market and Employment Opportunities

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The contributions of workers of color in building and supporting the US economy cannot be overstated. Workers of color have planted and picked our fields, built our roads and railways, taught our children, built financial empires, advocated for our rights in the streets and in the halls of justice, and served in the highest reaches of government. And in the current moment, workers of color continue to serve and support our economy as essential workers who make and deliver our food, keep our lights on, and treat our sicknesses.

But for much of American history, people of color (Black people in particular) have faced inequities that deprive them of the chance to fully participate in and reap the benefits of the American economy. Racial inequality is a long-standing and fundamental feature of labor and work in the United States. And although the Civil Rights victories of the 1950s and 1960s outlawed practices such as school segregation, employment discrimination, and redlining and brought rapid progress in the period that followed, that progress has stagnated in recent decades. Today, workers of color continue to earn lower wages and experience higher unemployment and job turnover, and they are increasingly working in nonstandard work arrangements that offer less protection and support than more traditional employment relationships.

These gaps are not the result of individual failures. They reflect the effects of a host of structural disadvantages and discriminatory practices, such as long-standing racial discrimination in hiring and promotion, mismatches between where people of color live and where good jobs are located, the quality of schools in neighborhoods where people of color live, the decline of unions and weakened worker protections, the deleterious consequences of mass incarceration in communities of color, and wealth disparities that arise from a legacy of racism.

Now, as the COVID-19 pandemic and economic crisis has so clearly exposed racial and ethnic inequalities in the labor market and throughout our society, we must clearly identify the sources of these disparities and develop efforts to address them. In doing so, we not only work toward real racial equity in employment and in the economy, we also affirm with new commitment the equitable value and contributions of all workers in building our collective future.

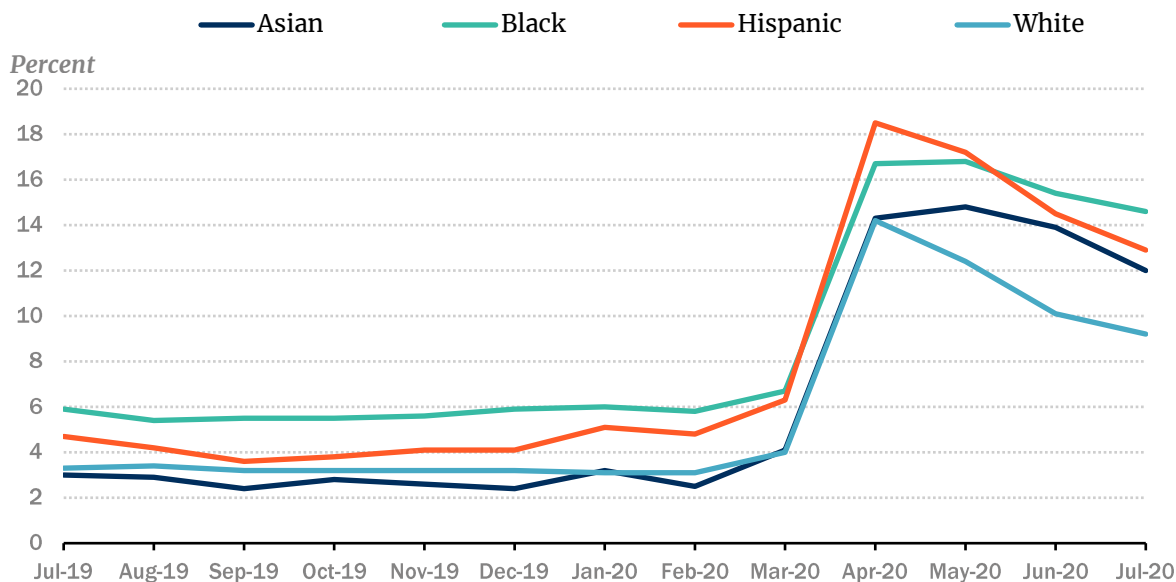
Our Current Moment

Although the COVID-19 crisis has hurt all corners of society, both in terms of health and economic well-being, it has had the greatest impact on people of color. Black, Latinx, and Native American people have not only died at higher rates than white people from COVID-19-related complications, they have also borne a disproportionate economic burden both in the rate of jobs lost and in the risk they take on having to work outside the home in lower-paying but “essential” jobs.¹ These disparities are the most recent manifestation of long-standing inequalities that reflect the greater constraints and barriers that people of color face.

Unemployment and Job Loss

In 2020, nearly every racial and ethnic group that the US Bureau of Labor Statistics tracks has seen record increases and highs in unemployment and job loss.² Table 1 shows that these record highs far exceed previous highs set by the Great Recession. The peak unemployment rate for white workers was 54 percent higher than it was during the Great Recession; the peak for Asian workers was 76 percent higher; and the peak for Latinx¹ workers was 33 percent higher. Black workers, who have faced higher unemployment than any other racial group for as long as unemployment data have been collected by race and ethnicity (with the exception of April and May 2020), were the only group not to exceed their Great Recession high. However, the Black unemployment rate in May still represents an increase of over 300 percent from the widely reported record-low Black unemployment rate (5.4) reached a year earlier in August 2019.

FIGURE 1
Unemployment Rate by Race, August 2019 to July 2020



Source: Bureau of Labor Statistics Employment Situation

¹ Although “Hispanic” is the term used throughout the data sources to refer to people of Latin American origin living in the United States, the author has chosen to use Latinx because it may be more inclusive of how members of this population identify. Language and terms are constantly evolving, and although no term wholly captures how people self-identify, we have chosen Latinx both to be gender inclusive and to be inclusive of people of Latin American descent both with and without Spanish ancestry.

These different unemployment rates are partly because Latinx and Asian workers are disproportionately employed by industries that have suffered the greatest job losses in the current crisis.³ People working in industries such as leisure and hospitality; retail trade; temporary work; and sections of education, health care, and social assistance (like dentists' offices and day cares)⁴ have been most at risk for layoffs and reductions in hours.⁵

TABLE 1
Unemployment Rate Peaks during the COVID-19 Crisis compared with Great Recession Peaks

	Great Recession unemployment peak ^a	2020 unemployment peak	Percentage difference
Asian	8.4 (Feb 2010)	14.8 (May)	76% higher
Black	16.8 (Mar 2010)	16.8 (May)	No difference
Latinx	13.9 (Jan 2010)	18.5 (April)	33% higher
White	9.2 (Nov 2009)	14.2 (April)	54% higher

Source: Bureau of Labor Statistics (percentage difference author's calculation).

Note:

^a Uses latest month of peak rate.

TABLE 2
Selected Detailed Industries deemed Essential and Racial/Ethnic Representation in those Industries

	Share of Industry workers who identify as Black	Share of Industry workers who identify as Latinx	Share of Industry workers who identify as Asian
Bus service and urban transit	31.4	18.7	7.2
Construction	6.4	30.4	1.9
Food manufacturing	14.3	29.7	5.7
Grocery stores	12.6	20.5	6.2
Hospitals	16.0	10.8	8.9
Justice, public order, and safety	16.4	13.3	2.6
Nursing care facilities	27.6	12.6	4.3
Postal service	27.2	11.3	3.8
Utilities	9.7	11.9	4.3
Warehousing and storage	23.8	32.2	5.2
Share of total workforce	12.3	17.6	6.5

Source: Bureau of Labor Statistics' Labor Force Statistics from the Current Population Survey 2019 Annual Averages, table 18, "Employed persons by detailed industry, sex, race, and Hispanic or Latino ethnicity."

Still at Work outside the Home

Even before the pandemic, Black and Latinx workers were less likely than their white and Asian counterparts to work remotely. In 2017–18, only 19.7 percent of Black and 16.2 percent of Latinx workers were able to work from home compared with nearly 30 percent of white workers and 37 percent of Asian workers.⁶ During the pandemic, Black and Latinx

workers have remained less likely than White and Asian workers to work from home (Karpman et al. 2020).

Jobs losses have been less drastic for Black workers than for other people of color in part because Black workers are disproportionately employed in jobs considered “essential” (table 2). Despite being able to stay employed, however, these essential workers face a higher risk of contracting COVID-19 than those who can work remotely (McCormack et al 2020).

New COVID Crisis Reflects Long-Standing Disparities

That workers of color and white workers end up in different kinds of jobs is not random. These differences in employment outcomes during the COVID-19 crisis are driven largely by labor market segregation. Although much existing research has focused on occupations, segregation in both industries and occupations has been a consistent feature of the labor market for decades because of differences in education, place of residence, segregated job-search and referral networks, and persistent discrimination in hiring (Stainback and Tomaskovic-Devey 2012; Pedulla and Pager 2019; Quillian et al 2017). The patterns that lead to people from different racial groups disproportionately working in one type of job or another derive from patterns and processes that have shaped racial disparities in the labor market for decades.

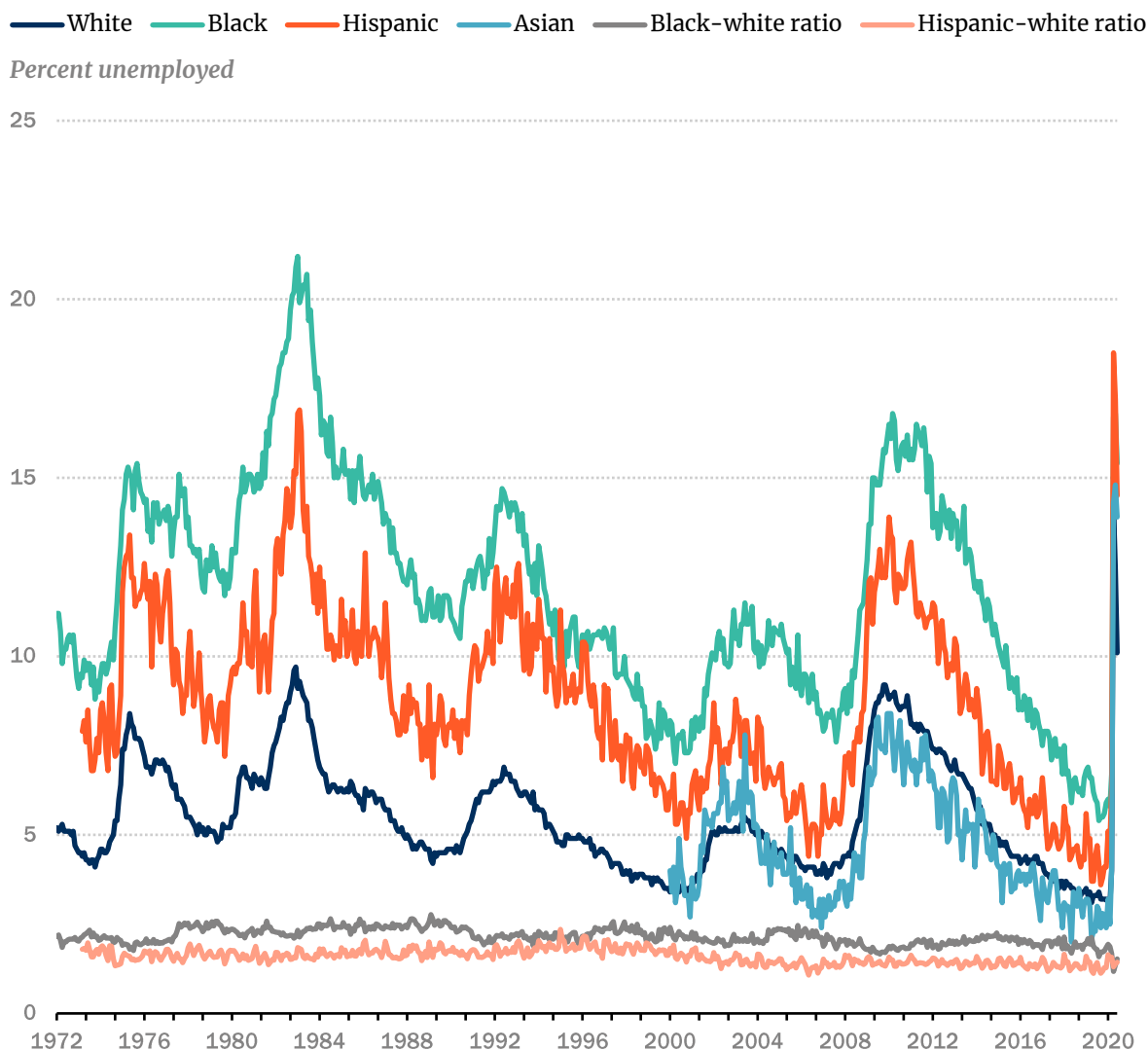
Disparities across the Labor Market and over Time

Unemployment

The Black unemployment rate has persistently been much higher than the white unemployment rate, typically at a two-to-one ratio. Even in August 2019, when the Black unemployment rate fell to its lowest point in 50 years, it was still 1.6 times higher than the white unemployment rate. The Latinx unemployment rate, although historically lower than the Black unemployment rate, also tends to be higher than the white unemployment rate, approximately 1.5 times higher over the past few decades. As figure 2 shows, these gaps, have remained fairly constant (as evidenced by the ratios), even across booms and busts.

Compared with white Americans, higher shares of Black Americans in their prime working years (25 to 54) are not in the labor force, meaning they are not employed or looking for work (Buffie 2015; Stone 2020). And research finds that the racial gaps in the unemployment rate would be even higher if employment statistics accounted for incarcerated people, who are currently not included despite the fact that many do work for pay (Western and Pettit 2000).⁷

FIGURE 2
Unemployment Rates by Race, 1972 to 2020

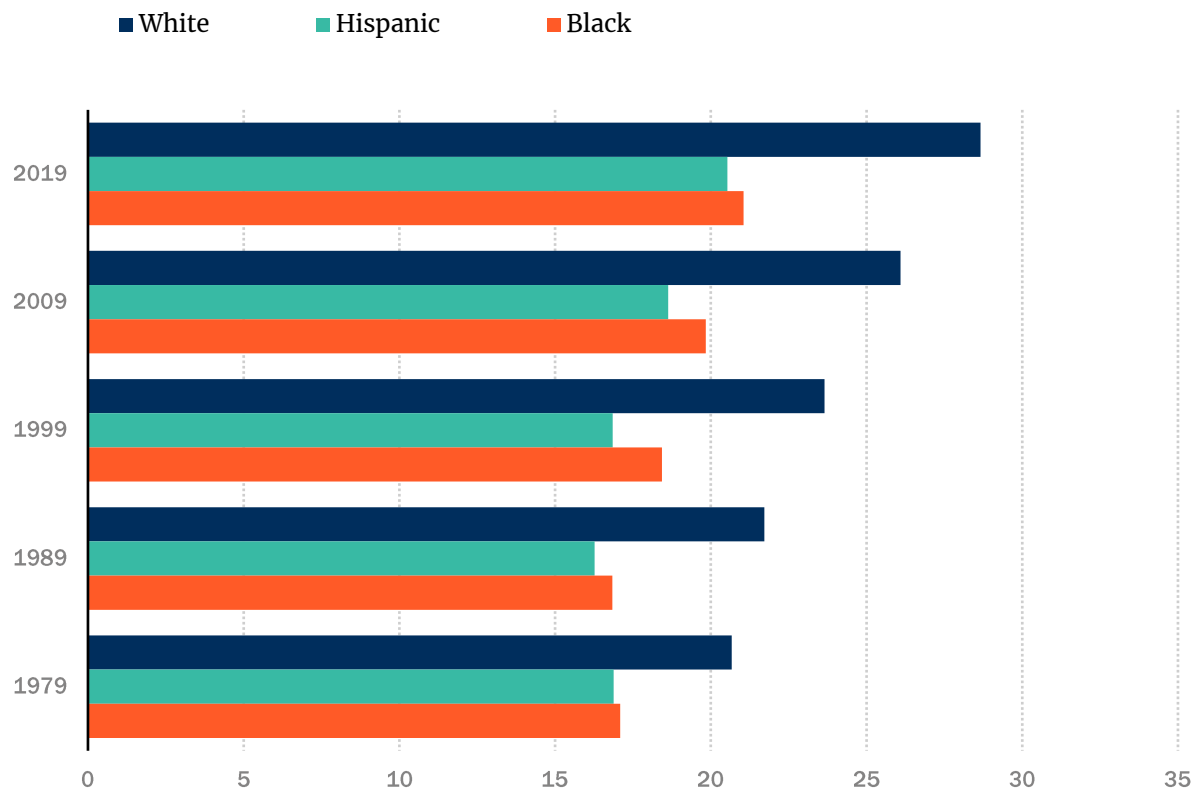


Source: Bureau of Labor Statistics

Wages

Black and Latinx workers also are typically paid less than white workers. Figures 3 and 4 show trends in the earnings of people of color compared with white wage earners. Figure 3 shows that although each group has seen increases in their real earnings since 1979 (with Black and Latinx workers seeing real dips in their wages in the 1980s before they went back up), the gaps between white workers and Black and Latinx workers have only grown. In 1979, the wage gaps between white workers and Black and Latinx workers was 17.3 percent and 18.8 percent, respectively, but by 2019 those gaps had risen to 26.6 percent and 28.4 percent.

FIGURE 3
Average Wage by Race, 1979 to 2019

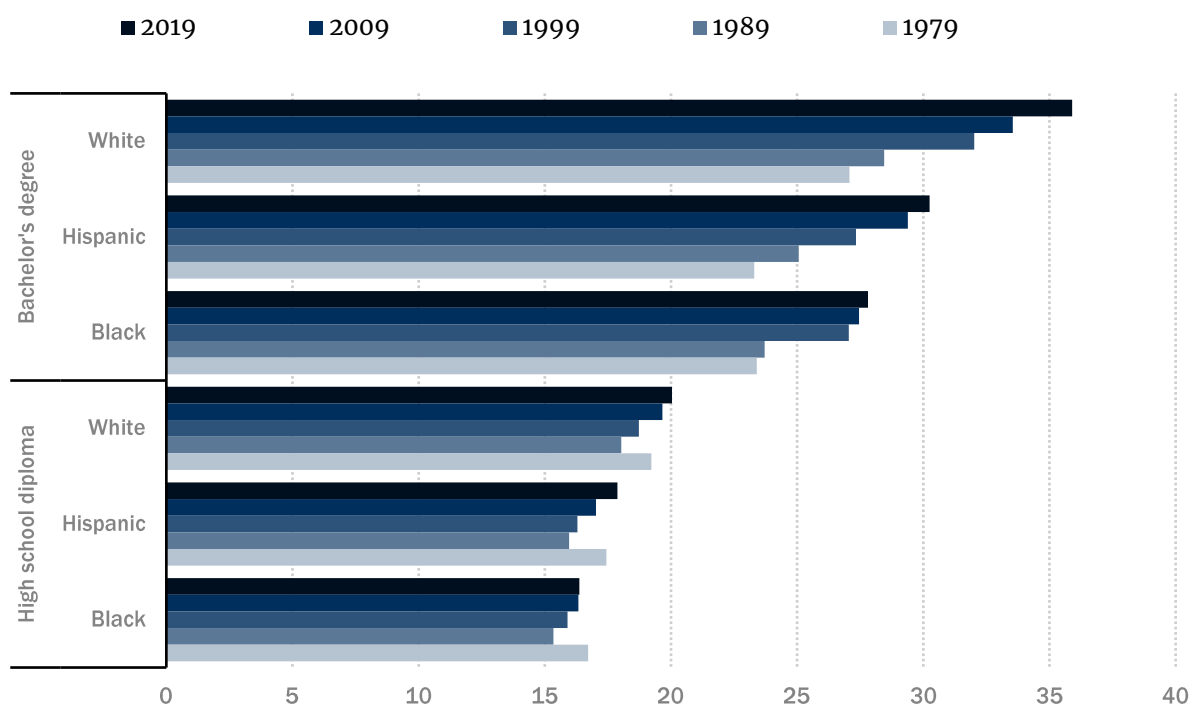


Source: Calculations from CPS Outgoing Rotation Group microdata, 2019 (in 2019 dollars).

Additional education does not close these wage gaps. Although postsecondary education leads to higher wages for all racial groups shown in the figure, the relative gap between white and Black workers and between white and Latinx workers actually increases with additional education.⁸ In 2019, the wage gap between white and Black workers was

18.8 percent for those with a high school diploma and 22.5 percent for those with at least a bachelor's degree. And between white and Latinx workers, it was 10.8 percent for those with high school diplomas and 15.7 percent for those with at least a bachelor's degree.

FIGURE 4
Average Wages by Race and Education, 1979 to 2019



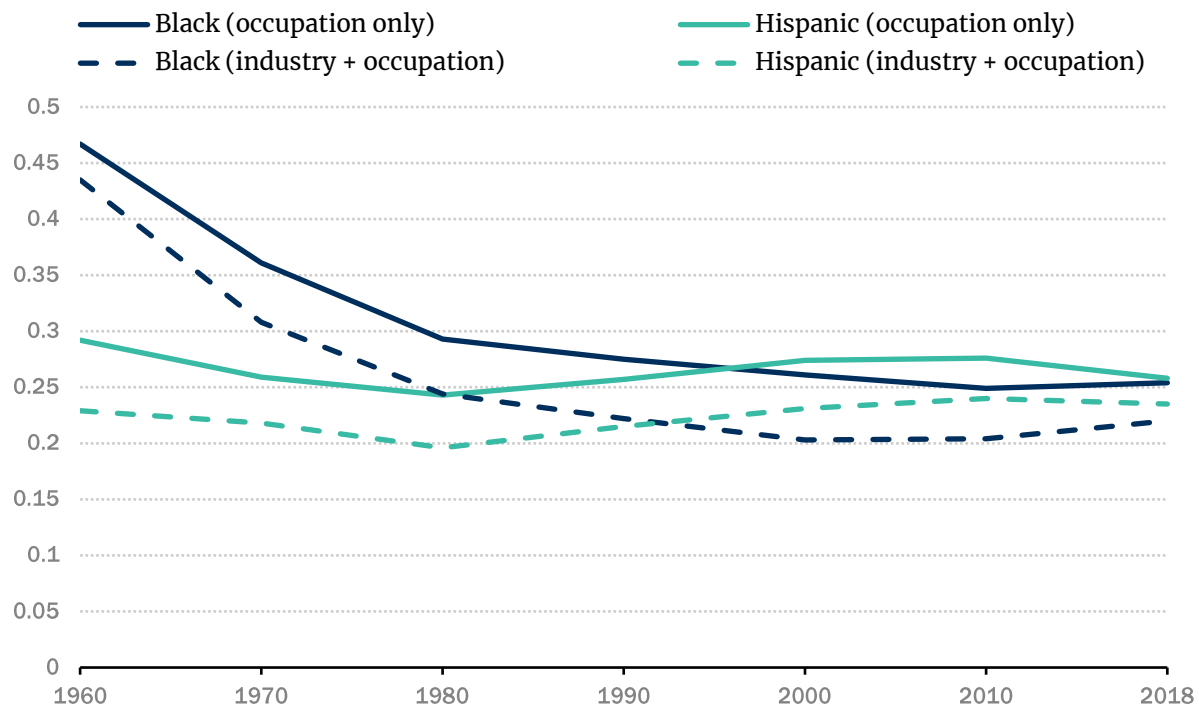
Source: Calculations from CPS Outgoing Rotation Group microdata, 2019 (in 2019 dollars).

Occupational Segregation

Until the Civil Rights Act of 1964,⁹ employers were legally allowed to discriminate against people of color. These restrictions set the foundations for occupational and industrial segregation and limited opportunity for workers. Occupational segregation occurs both within firms and across the labor market. Occupational segregation was high until the 1960s, but research finds that in the early years immediately following the Civil Rights Act, it fell as educational gains and legal enforcement allowed people of color into now-integrated jobs and workplaces. However, occupational segregation began to slow in the mid-to-late 1980s because of weakening enforcement of equal employment laws (Stainback and Tomaskovic-Devey 2012).

The uneven distribution caused by occupational segregation can lead to diminished opportunity if certain groups disproportionately work in occupations with lower pay and less mobility. Black and Latinx workers tend to hold jobs in lower-paying occupations, a pattern that exists across gender and at all levels of educational attainment (Hamilton, Austin, and Darity 2011). Although people who hold the same occupations tend have more similar pay than people who hold different ones, occupational integration does not lead to full pay equity, because racial and gender pay gaps persist even for those with the same jobs (Grodsky and Pager 2001, Holder 2020).

FIGURE 5
Occupational and Industry Segregation by Race, 1960-2018



Source: Author’s analysis of IPUMS Census and American Community Survey data based on IPUMS 1990 harmonized industry and occupation schemes

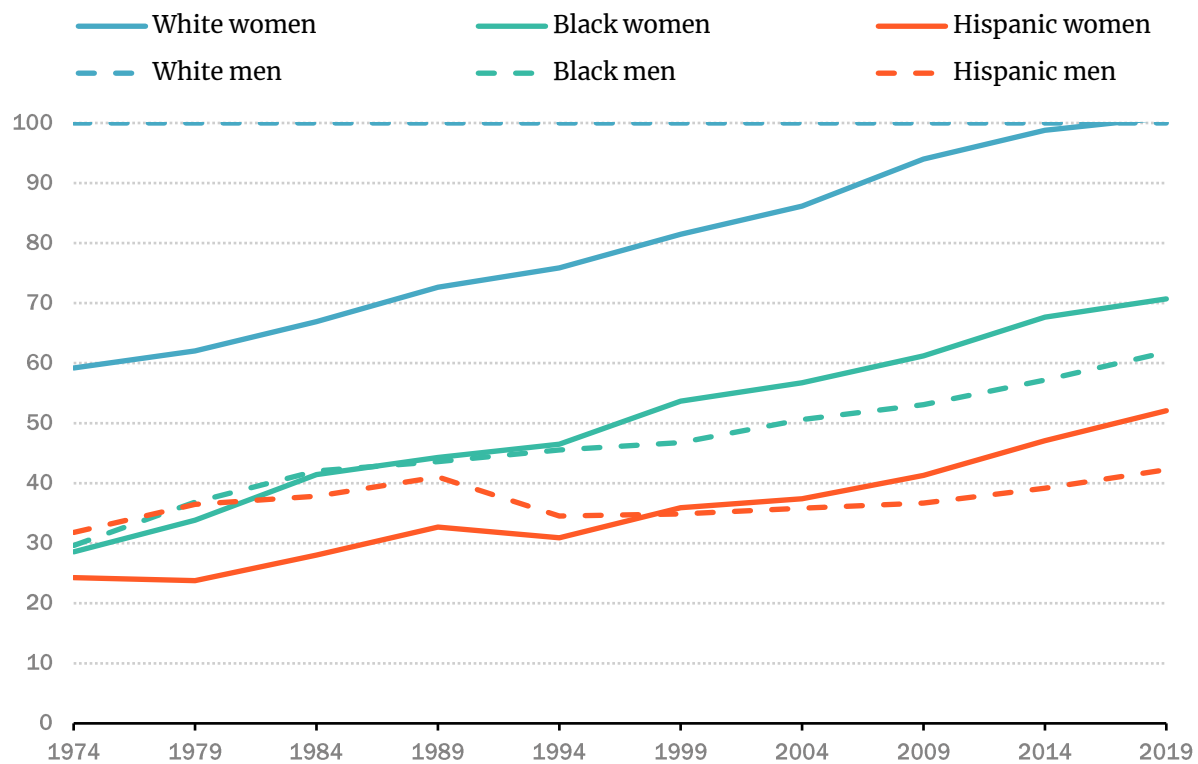
Figure 5 measures occupational segregation using the index of dissimilarity, which indicates the share of white workers who would need to move into a more diverse occupation in order for that occupation to have a proportionate share of white workers to workers of color. The figure draws on data from workers who work in the same occupation (and in the same industry and occupational pairings) nationally; the rate of occupational segregation within the same firm tends to be higher.

In 1960, before the passage of the Civil Rights Act, 47 percent of white workers would have needed to move into different occupations in order to achieve proportional representation with Black workers. By 1980, that share had fallen to just under 30 percent, largely because of efforts to integrate workplaces and advancements in educational attainment. Since 1980, however, there has been little to no further integration across occupations.

Racial and Gender Differences

Important gender differences underlie and contribute to the racial disparities in labor market outcomes. Although women obtain comparable or even more education than men of their same race, women of color experience gaps in pay and participation relative to men of the same race and white women.

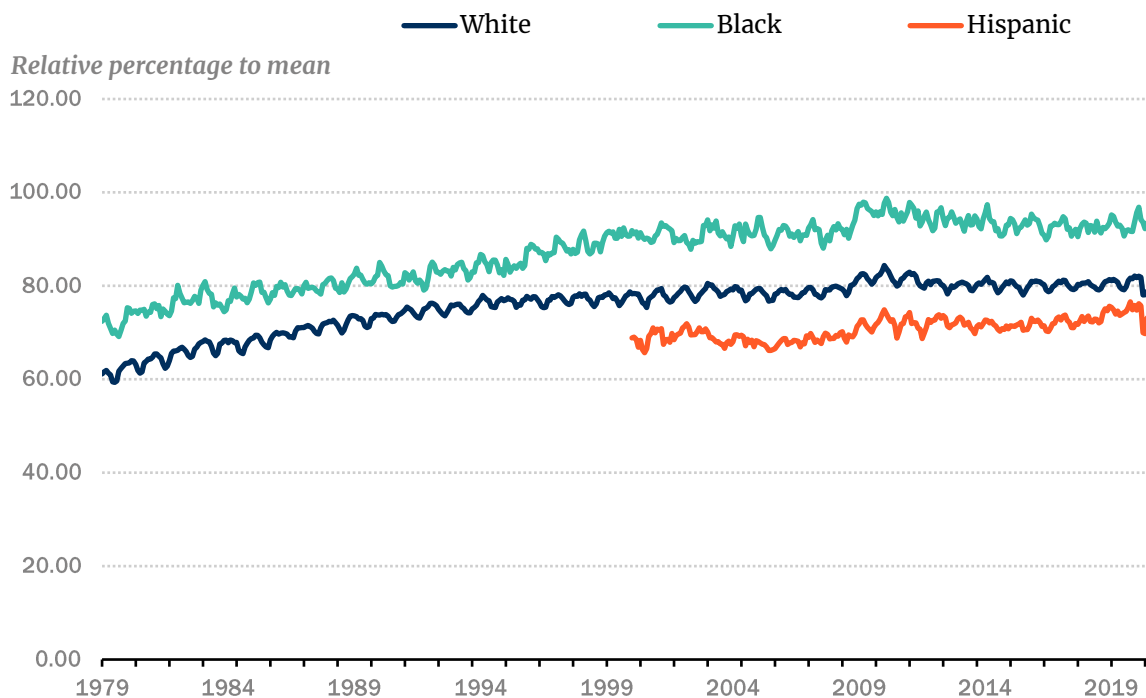
FIGURE 6
Relative Educational Attainment of at least a Bachelor’s Degree by Race and Gender, 1974 to 2019



Source: Author’s calculations from the CPS–ASEC (Current Population Survey Annual Social and Economic Supplement). Educational attainment is measured for all adults ages 25 or older who have obtained a least a bachelor’s degree (included advanced degrees).

Figure 6 presents the relative attainment of bachelor’s degrees by white women and by Black and Latinx men and women compared with white men. Educational attainment increased substantially for all groups over this period. In 1979, 18.9 percent of white men had at least a bachelor’s degree; by 2019, that share rose to 39.9 percent. And relative to white men, all groups gained ground. By 2019, white women had closed the college completion gap, and Black and Latinx adults also experienced substantial growth in educational attainment (although the gaps relative to white adults have remained). In both cases, in the 1990s, Black and Latinx women began a trend of even higher bachelor’s degree attainment rates than men of the same race.

FIGURE 7
Gender Gap in Employment-Population Ratio by Race, 1979 to 2020



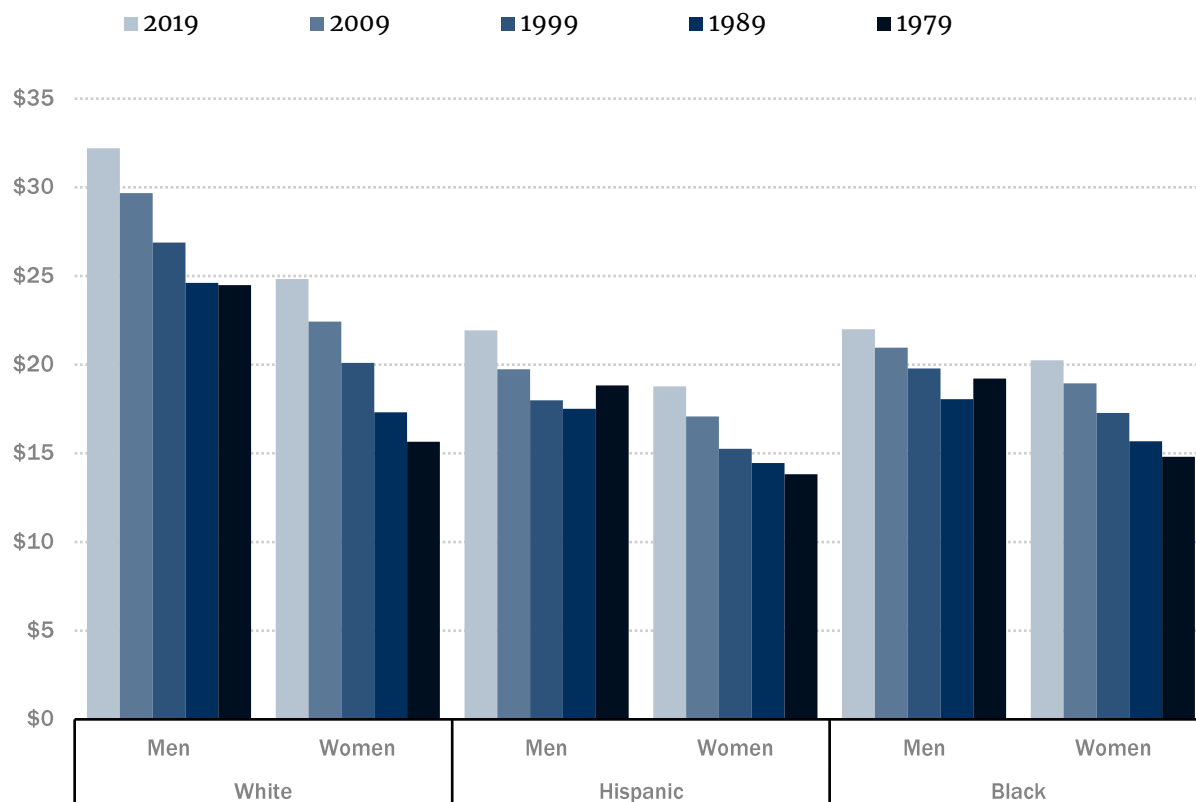
Source: Author’s calculations from U.S. Bureau of Labor Statistics, Employment Situation. Employment participation as a percentage of population is for adults ages 20 and older.

However, the educational gains for Black and Latinx women did not translate to relative equity or advantages in employment participation and pay. In regards to the employment-to-population ratio, Black and white women saw gains relative to men of the same race throughout the 1980s, 1990s, and most of the 2000s before that ratio stagnated. A similar stagnation is apparent between Latinx men and women (although it is based on fewer years

of data). And at no point have women seen employment participation equal to men. Although Black women reached nearly the same employment-to-population ratio as Black men in the late 2000s, this was driven more by larger relative job losses among Black men during the Great Recession rather than by employment gains for Black women.

Pay gaps persist across race and gender despite women having the same or greater educational attainment than men in recent years. Wages for women grew faster than for men over the past 40 years, but they continue to fall short of men’s wages. Same-race gender pay gaps decreased between the late 1970s and 2019, with the smallest gap currently among Black workers (7.8 percent in 2019) and the largest among white workers (22.9 percent in 2019). However, because Black and Latinx workers generally earn less than white workers, Black and Latinx women experience the dual effects of racial and gender disparities and are paid less than men of the same race and than white workers of any gender (Hegewisch and Williams-Baron 2018).

FIGURE 8
Average Wages by Race and Gender, 1979–19



Source: Calculations from CPS Outgoing Rotation Group microdata, 2019 (in 2019 dollars).

What Explains These Disparities?

For much of American history, people of color and Black people in particular have faced inequities that deprive them of the chance to participate in and reap the benefits of the American economy. Enslavement, active and legal discrimination and subjugation, and residential segregation (among many other harms) prevented people of color from fair access to work and from full rights to the fruits of their labor. Decades of activism and organizing paved the way for the civil rights victories of the mid-20th century, including the Civil Rights Act of 1964, which ended the legal discrimination in the workplace. Although this protection dramatically improved employment opportunities for people of color, substantial inequalities persist in access to jobs, pay, and upward mobility.

The persistence of these racial disparities and their appearance across so many aspects of employment point strongly to overarching structural factors. These labor market inequalities reflect the structural racism that permeates our society.

Many factors drive this continuing inequality; this reflects the complexity of the labor market and range of employment situations in which people work. But the following several factors are key drivers and pathways by which these inequalities have manifested over the past several decades.

The Opportunity and Limits of Education

People of color have lower educational attainment, which explains much of the differences in wages and the types of jobs held. However, as shown in figure 4, even when white people and people of color have the same education, people of color still earn lower wages. And in fact, wage gaps are larger among those with college educations (Grodsky and Pager 2001; Hamilton et al 2015; Cosic 2019).

The need to strengthen educational access and outcomes for all students, and particularly for students of color, is critical now as nature of work is changing. However, for all the opportunity that greater education provides for individual and collective advancement, education alone does not prevent or solve racial inequality in labor market opportunity. Calls to advance education and training solutions should be encouraged and celebrated, but they should also be followed by suggestions to support increased racial

equity in fair access to living-wage jobs, a workplace free of discrimination and harassment, and career advancement pathways.

Racial Discrimination, Particularly in Hiring

Discrimination, particularly in hiring, continues even in the wake of the Civil Rights Act of 1964 and serves as a primary cause of ongoing racial inequality in the labor market. The impact of racial discrimination in hiring is robust and well documented (Quillian et al. 2017). Research based on resume audit studies (i.e., experiments that use otherwise matching resumes for real job applications where the only difference is an indicator of race, gender, or other ascriptive characteristic) consistently find evidence of racial discrimination in hiring (Bertrand and Mullainathan 2004; Gaddis 2015; Agan and Starr 2018).

One foundational study found that resumes with white-sounding names received 50 percent more callbacks than Black-sounding names, and subsequent research has found similar results (Bertrand and Mullainathan 2004; Bertrand and Duflo 2017). This discrimination also extends to perceptions of criminality. Additional paired-tester research found that white applicants with a criminal record were more likely to get callbacks for entry-level jobs than Black men without a criminal record (Pager 2003).

The evidence suggests that between 1989 and 2017, the amount of hiring discrimination experienced by Black and Latinx job applicants did not decrease (Quillian et al. 2017). Discrimination against people of color in hiring up continues to be a standard feature of the labor market. Although the scale of the impact that this has on people of color and their employment outcomes is not fully understood, the implications are clear. This discrimination leads to diminished job opportunities and more time looking for work, which likely contributes to the consistently elevated racial gaps in the unemployment rate.

Discrimination continues after hire as well. In many firms, Black and Latinx employees are prevented or discouraged from face-to-face client engagement, such as by being tasked to work in a stock room rather than the floor of a retail assignment or by having diminished access to high-net-worth clients to build out a portfolio (Pager, Western, and Bonikowski 2009; Bielby 2012; Moss and Tilly 2001). This post-hire discrimination restricts many workers of color from accessing the roles, responsibilities, and opportunities that lead toward promotion and upward mobility (Collins 1997).

Mismatch and Distribution across Firms

The distribution of workers of color across firms further supports the evidence found by studies of discrimination that people of color do not have equal access to the same jobs and workplaces as white people. This uneven distribution further restricts access to better-paying jobs and career paths with greater mobility.

Following the civil rights gains of the 1960s and 1970s, as Black and Latinx workers moved into better jobs and attempted to move into better neighborhoods and send their children to integrated schools, white residents moved in larger numbers into suburbs, and the employers and firms soon followed (Wilson 1987; Miller 2018). This spatial mismatch reduced access to higher-paying and more stable employment for many residents of color who lived in the cities.

Research has suggested that in more recent decades, the access to employment and to particular firms has less to do with where firms are located and more to do with the firms where workers of color are hired. Black workers in particular are more likely to be hired in jobs in the places where black workers predominate and are less likely to be hired into jobs where white workers predominate, no matter where the jobs are located (Hellerstein, Neumark, and McInerney 2008). This research implies that black workers are segregated into certain occupations and firms less because of where a job is than because of who does and does not work there.

This firm separation has important implications for earnings. A key driver of growing wage inequality is the trend of highly paid jobs and workers being increasingly concentrated in fewer higher-paying firms (Song et al. 2019). If workers of color have decreased access to these firms, they may see lower growth in wages even for doing a similar job at a different firm. The lack of diversity in the technology sector in Silicon Valley offers a prime example. As of 2016, 10 percent of computer science majors nationally were Black and 12 percent were Latinx, yet Black and Latinx workers make up less than 4.5 and 7.5 percent of all employees across over 170 of the largest firms in Silicon Valley (Tomaskovic-Devey and Han 2018). The Black and Latinx computer science majors who end up in different firms will likely be paid less.

That people of color are distributed differentially across firms not only suggests structural disparities in access—it may also negatively affect employment outcomes.

Union Decline

For more than 100 years, collective worker engagement has led to many advances in workplace safety, benefits, pay, and equity, but union membership has been declining for decades. This decline has been found to be associated with stagnating wages for low-income workers and increases in income inequality (Card 2001; Mishel 2012).

Given these disparities, unions have been largely beneficial to workers of color. Although evidence shows that unions have historically discriminated against people of color, by the mid-1970s, over 40 percent of Black men and one-quarter of Black women were in unionized positions (Lichtenstein 2002; Pettit and Ewert 2009).

Research consistently finds that racial wage gaps are smaller among union members than among nonunion members. If unionization rates remained at their 1970s levels, weekly wage gaps between Black and white workers would be nearly 30 percent lower among women and 3 to 4 percent lower among men (Rosenfeld and Kleykamp 2012). Studies also suggest that a strong union presence benefits not just the members of the union but also other workers in the same industry and occupation (Denice and Rosenfeld 2018; Walters and Mishel 2003). The decline of unionization likely affects racial equality not only in terms of hourly wage increases but also in benefits. For example, union-covered workers are more likely to have employer-provided health care coverage and retirement plans, and this coverage is more likely to benefit less-educated workers (Bucknor 2016).

Career Pathways

Given the consistent findings of discrimination in hiring, people of color likely continue to face discrimination and limited opportunities once they are on the job. Although the research on the factors that most influence occupational mobility and advancement over workers' careers is less definitive than the research on hiring, abundant evidence exists of the disparities people of color face in the workplace.

As they enter the workplace, studies have found that Black and Latinx workers are steered toward certain occupations either during the interview process or after hire, such as when a person interviews for a server job but is offered a job in the kitchen (Pager, Western, and Bonikowski 2009).

After workers of color are fully on the job, the disparities persist at every step. Relative to similarly qualified white workers, workers of color have been found to have less favorable performance reviews, to receive less additional compensation for the same performance reviews, to be less likely to be promoted, to be more likely to stall mid-career, to be more likely to be demoted, and to be more likely to lose their jobs. (Castilla 2008; Couch and Fairlie 2010; Greenhaus, Parasuraman, and Wormley 1990; Maume 1999; Thomas and Gabarro 1999; Wilson and Roscigno 2010; Wilson, Sakura-Lemessy, and West 1999).¹⁰

And if they lose their job and become unemployed, Black jobseekers cast a wider net in the types of jobs they apply to than white jobseekers: they apply to jobs that require a broader range of skillsets that may not directly relate the type of job they held before (Pager and Pedulla 2015). The implication is that Black unemployed jobseekers may be more willing to change paths, which is in part a reaction to the potential discrimination in hiring, but this may hinder continued upward job mobility because of a switch in fields and a loss of relevant job experience (Holzer 1999; Neal 1995; Sullivan 2010).

Once workers of color are able to find a new job, the spiral may start all over again. The cumulative effects of all large and small slights could result in less prosperous careers and lower lifetime earnings for workers of color, even among those who began their careers with the same level of education and who started off in similar kinds of jobs as white workers (Tomaskovic-Devey, Thomas, and Johnson 2005).

Although the research is not definitive on whether all these disparities result from direct racial discrimination or other ostensibly race-neutral evaluation factors that disadvantage people of color, the results of the accumulative effects are clear. Throughout the labor market, workers of color face barriers and disadvantages that lead to persistent inequality in employment, wages, and upward mobility. These disadvantages not only constrain these workers' contributions to our economy and limit their ability to earn a living, save and grow wealth, and support their families—they stain our notion of the opportunity inherent in the American Dream.

Research on Potential Solutions

Complex processes drive racial market inequality. Macroeconomic changes and shifts in policies (such as automation and changing demand for skills, growing regional inequality in wages and productivity, increases in subcontracting and contingent labor, and declines in worker protections and the restrictions in the ability to collectively bargain) powerfully shape access to opportunity and mobility in the labor market. The large and persistent disparities in pay and employment access that people of color experience in part reflect these broader forces.

At the same time, these disparities also result from actions that occur in specific places at specific moments in time: a person loses out on a job opportunity because of discriminatory employers, a frustrated employee is passed up repeatedly for pay raises and promotions, or employees find themselves in the first round of job cuts when a business must contract. These situations happen to many employees of every race every day, but the evidence strongly suggests that they happen to people of color, and to Black workers in particular, more often, and that the cumulative effects of missed or blocked opportunities lead to diminished opportunities both for the employees and for the US economy.

To understand the causes of labor market inequality, researchers have tended first to look at the role of differences in education, training, and skills. Yet inequalities persist, especially in wages, even for people with the same education and the same jobs.

A second (and not mutually exclusive) approach considers what happens at transition points: during hiring, firing and separation, and upward transitions. The bulk of this research looks at hiring and makes abundantly clear that racial discrimination in hiring persists. Other research considers what happens after hiring but offers less definitive lessons, and many important questions remain.

Analyzing transition points presents both data and methodological challenges. In terms of methods, truly understanding promotions or firing requires full information on all the considered candidates, which is not available in publicly available data sources and rarely available even in privately provided sources. Longitudinal data can provide insights into individual career pathways, and although statistical methods can attempt to manage the variation and identify trends by race, gender, industry, or work experience, the workers in

those longitudinal files are employed in different firms and subject to those firms' internal processes, which the data do not capture.

Additional research on three questions could significantly contribute to our understanding of labor market inequality and help identify the kinds of policy solutions (state/federal, local, and firm-level) that could best reduce these disparities and increase opportunity.

- How widespread is discrimination in the labor market, particularly in hiring?

Although the research clearly indicates the regular occurrence of racial discrimination in hiring and in the labor market, much less is known about how widespread that discrimination is (i.e., how frequently it happens, whether it happens more in certain industries, and whether it happens more often in certain geographic places). Knowing the prevalence would identify how much discrimination in hiring contributes to friction in the labor market, and it would give a better sense of the scale of the policy response required to address the problem. If people of color needed to apply to three or four more jobs for every job that a white applicant must pursue to get hired, that continued search has implications for the unemployment rate, unemployment insurance, and those families' well-being during that time of unemployment. Also not well understood are the implications of racial discrimination in hiring for subsequent job access. The available research suggests that because of concerns of discrimination, workers of color may consider a wider range of jobs, but it is unclear how and whether that strategy is beneficial (Pager and Pedulla 2015).

- How does inequality manifest within organizations?

If discrimination is a common occurrence in hiring, it likely continues even after people get the job, but less is known about the factors that determine disparate opportunity in the workplace. Research can also provide a fuller extent to which firms provide equitable opportunities to their employees. The US Equal Employment Opportunity Commission (EEOC) collects and publishes data on the racial distribution of workers across 10 large occupational categories (EEO-1 data).¹¹ These data can provide insight into the degree to which firms are segregated (Stainback and Tomaskovic-Devey 2012). However, the capacity of these data to understand racial disparities in opportunity has yet to be fully unlocked. Although these data cannot as clearly identify every promotion opportunity and the relative strength of each candidate, they could help researchers understand racial differences in promotion and upward mobility broadly by facilitating analysis of not just segregation but also differences in transitions into managerial occupations. The EEOC also recently began collecting data on pay. After completing the collection

of pay data for fiscal years 2017 and 2018, that collection was halted and is under review.¹²

- How does inequality change over the course of one's career?

The largest gap in our understanding of labor market inequality is how discriminatory outcomes and disparate effects cumulatively shape opportunity. Researchers have recently explored gendered trajectories among MBA graduates to understand outcomes and potential challenges (Patterson, Damaske, and Sheroff 2017),¹³ but little research has considered similar approaches by race or for workers in the lower-wage end of the labor market. Longitudinal datasets, such as the National Longitudinal Survey of Youth's NLSY79 and NLSY97 and the Panel Study of Income Dynamics, provide some insight, but they lack the richness of detail around experiences with particular employers or the workers' understanding and articulation of the reasons for transition (e.g., choosing to leave an employer to pursue a different path versus leaving because of blocked or limited career pathways). A clearer understanding of the pathways would illuminate whether people of color face more constrained opportunities at certain points in their career (e.g., early career versus midcareer).

In addition to researching the causes of inequality, analysts have explored policies that could remedy the challenges faced by workers of color. Policy approaches generally fall into two categories:

- Strategies that address employment mobility for **all** workers who are unemployed, underemployed, or underpaid
- Strategies specifically designed to address racial disparities

The first approach seeks to improve labor market outcomes and provide supports for lower-income workers generally, where people of color are overrepresented. Research on the pandemic unemployment compensation (the \$600 bonus to weekly unemployment insurance supplements) found that this benefit helps curb the poverty rate overall and disproportionately for Black and Latinx people (Giannarelli, Wheaton, and Acs 2020; Giannarelli et al. 2020). Additional research could help identify how well universal programs that offer broad support to lower-wage workers can simultaneously close racial gaps. Examples of such programs include

- flexible adult learning and training programs that allow people to reskill for new jobs;

- policies at the federal, state, local, and employer level that allow for more employee voice and collective action; and
- efforts to build out counter-cyclical federally subsidized jobs programs that would ramp up as the unemployment rate increases.

The second approach specifically targets racial gaps by addressing the underlying structures and policies that give rise to disparities. Examples of this approach include the following:

- Ensuring the EEOC has the resources it needs to investigate and understand patterns indicative of discrimination and bring enforcement actions where necessary
- Actions by the Federal Reserve, consistent with its full employment mandate, that could decrease racial gaps in unemployment
- Methods to increase employer adoption of steps that address racial inequities, such as
 - » establishing mentoring programs that educate and empower senior leaders and provide learning opportunities for mentees and diversity task forces that represent the needs of workers of color and are able to influence leadership to address those needs;
 - » conducting regular audits of hiring, pay, and promotion decisions to account for and correct bias, and if necessary, institute new systems to prevent further bias; and
 - » taking steps to understand the demographics of the (1) firms' geographic region, (2) firms' peers and competitors, and (3) pipeline of the potential workforce.
 - » focusing on skills-based hiring and evaluation criteria and removing unnecessary requirements, such as college degrees or other credentials that can serve as discriminatory barriers.
- Efforts to improve the overall data infrastructure of discrimination in hiring and racial differences in occupational mobility and career pathways.

- » Although research documents consistent racial discrimination in hiring, much less is known on whether and where that discrimination is concentrated, such as in certain firms or in particular industries or occupations. Also, little is known about racial differences in career pathways, and to the extent racial differences exist, how much of those differences are driven by firm-level discrimination rather than by other structural factors (e.g., paying for certification programs that are required for a certain career).
- The role of improved supports, such as child care and health care, in improving employment outcomes for workers of color and for workers generally.

Conclusion

Employment opportunities for many people of color have been limited for too long. The barriers to equality are large but solvable through policies that address macroeconomic conditions, local labor markets, and firm-level practices. Research of the kind discussed in this brief can help better identify the policies and practices needed not only to ensure that workers of color can contribute fully to their own and to the country's economic success, but also to provide these workers with the dignity and fairness that should attend every job.

Notes

- ¹ Steven Brown, "How COVID-19 Is Affecting Black and Latino Families' Employment and Financial Well-Being," *Urban Wire*, May 6, 2020.
- ² "The Employment Situation—April 2020," news release, US Bureau of Labor Statistics, May 8, 2020, https://www.bls.gov/news.release/archives/empisit_05082020.htm.
- ³ Neil Paine, "The Industries Hit Hardest by the Unemployment Crisis," *FiveThirtyEight*, May 15, 2020.
- ⁴ Sarah Kliff, "How's the Economy Doing? Watch the Dentists," *New York Times*, June 10, 2020; Anna North, "'We Are On Our Own': How the Coronavirus Pandemic Is Hurting Child Care Workers," *Vox*, last updated April 6, 2020.
- ⁵ "COVID-19 and Jobs: Monitoring the US Impact on People and Places," McKinsey Global Institute, April 29, 2020; "Employers Announce 262,649 Job Cuts in July; Nearly 1.85M Job Cuts So Far This Year; Entertainment, Retail Continue to Be Hard Hit," news release, Challenger, Gray & Christmas, Inc.,

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- ⁶ Elise Gould and Heidi Shierholz, "Not Everybody Can Work from Home," *Working Economics Blog* (Economic Policy Institute), March 19, 2020.
- ⁷ Wendy Sawyer, "How Much Do Incarcerated People Earn in Each State?" Prison Policy Initiative, April 10, 2017.
- ⁸ A debate exists in the literature over the degree to which wage gaps are driven by unobserved skills. A 1996 paper by Neal and Johnson found a test score measure of basic skills among young adults—the Armed Forces Qualifying Test, or AFQT—explained all of the racial wage gap between early career white women and women of color (Black and Latinx) and most of the racial wage gap between early career white men and men of color (Black and Latinx). The conclusion was that a racial difference in “pre-market” skills, driven potentially by home or neighborhood environment or school quality, explain racial differences in wages more so than discrimination in the labor market. Responses by Rodgers and Spriggs (1996) argue not only are the underlying drivers in racial differences in AFQT scores not well understood, but also that the AFQT scores are racially biased and do not account for racial discrimination in the labor market.
- ⁹ "Title VII of the Civil Rights Act of 1964," US Equal Employment Opportunity Commission, accessed September 15, 2020, <https://www.eeoc.gov/statutes/title-vii-civil-rights-act-1964>.
- ¹⁰ Frank Dobbin and Alexandra Kalev, "Why Diversity Programs Fail," *Harvard Business Review* July–August 2016, <https://hbr.org/2016/07/why-diversity-programs-fail>.
- ¹¹ The EEOC also reports data on formal charges/complaints of race-based discrimination. While there were about 3,400 charges files in 2019, a separate EEOC report also acknowledges that there is drastic underreporting of workplace discrimination. See "Color-Based Charges (Charges Filed with EEOC) FY 1997– FY 2019," US Equal Employment Opportunity Commission, accessed September 24, 2020, <https://www.eeoc.gov/statistics/color-based-charges-charges-filed-eeoc-fy-1997-fy-2019>; and Feldblum and Lipnic (2016).
- ¹² "EEOC Announces Analysis of EEO-1 Component 2 Pay Data Collection," press release, US Equal Employment Opportunity Commission, July 16, 2020; "EEOC Reduces Employee Pay Data Requirements," Society for Human Resource Management, September 11, 2019, <https://www.shrm.org/resourcesandtools/legal-and-compliance/employment-law/pages/employers-should-review-eeo-1-guidance-before-pay-data-reporting-deadline.aspx>.
- ¹³ Robin J. Ely, Pamela Stone, and Colleen Ammerman, "Rethink What You 'Know' about High-Achieving Women," *Harvard Business Review*, December 2014.

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