

Racism and the Economy: Focus on Employment

Nov 17, 2020

“Virtual video event presented by the Federal Reserve Banks of Atlanta, Boston, Cleveland, Dallas, Minneapolis, and San Francisco”

<https://www.frbatlanta.org/economy-matters/inside-the-fed/2020/10/05/new-webinar-series-to-examine-racism-effects-discuss-solutions>

First Speaker : Raphael Bostic

This series is intended to place a focus on systemic racism and sparking structural change.

Why is the federal reserve talking about this?

-The federal reserve has a dual mandate. Stable prices and maximum employment. Unemployment rates pre-covid were worse for minority groups despite long term economic growth. We have a structural limitation.

What are we talking about today?

-Employment, a very multifaceted issue, but we are focusing on occupational segregation, employment discrimination, and the role of quality jobs.

-Occupational segregation is when workers of color are disproportionately represented in certain types of jobs.

False narratives:

-“It’s the workers’ problem--unwilling to work”. We need to stop blaming workers and start to look at underlying causes.

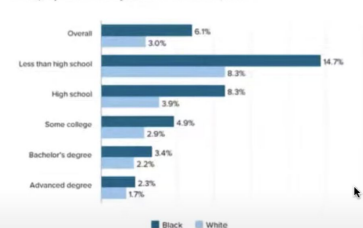
Second Speaker : Valerie Wilson

Racial Equity is “the condition that would be achieved if one’s racial identity no longer predicted how one fairs”.

Racial Identity predicts labor market outcomes. When we consider the social construction of race in this country and beyond this should be no surprise.

Black workers are far more likely to be unemployed than white workers at every level of education, 2019

Unemployment rates by race and education, 2019

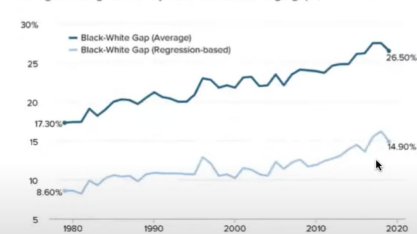


Notes: White refers to non-Hispanic whites, black refers to blacks alone. Educational categories are mutually exclusive and represent the highest education level attained for all individuals ages 16 and older.
Source: Economic Policy Institute, State of Working America Data Library, (Unemployment by race and education), 2019.

Economic Policy Institute

Black-white wage gaps are wider now than 40 years ago and largely unexplained by factors associated with individual productivity

Average and regression-adjusted black-white wage gaps, 1979-2019

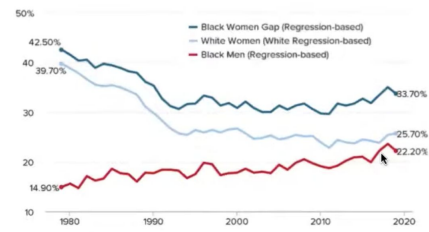


Source: Economic Policy Institute (EPI), 2020. Current Population Survey Extracts, Version 1.0.4, <https://microdata.epi.org>.

Economic Policy Institute

The intersection of race and gender imposes dual wage penalties on Black women

Regression-adjusted hourly wage gaps relative to white men, by race and gender, 1979-2019

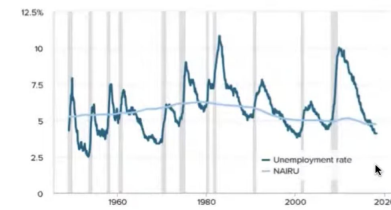


Source: Economic Policy Institute (EPI), 2020, Current Population Survey Extracts, Version 10.4, <https://microdata.epi.org>

Economic Policy Institute

There has been insufficient vigilance in fighting unemployment since the late 1970s

Estimate of the natural rate of unemployment and actual unemployment, 1949-2018



Note: NAIRU refers to the nonaccelerating inflation rate of unemployment (another term for the natural rate of unemployment).

Source: Data on the natural rate of unemployment from the Congressional Budget Office (2018); data on actual unemployment rate from the Bureau of Labor Statistics (2018). Shaded areas represent recessions.

Economic Policy Institute

Most people know “the talk” that black parents have with their children (around how to handle interactions with the police). There is also a talk about having to work twice as hard in the workplace to receive the same level of recognition and opportunity.

“Persistent racial disparities we observe in unemployment and wages arguably provide the most compelling arguments of structural racism in the labor market.”

2 to 1. Black job seekers are half as likely to secure employment as white job seekers (during a consecutive four week period). More than 45 years of data can be summed up in that one ratio. Racial pay gaps persist even after accounting for merit. In 2019 black workers with a degree were more likely to be underemployed based on their skill level.

Four distinct periods of change in black/white wage inequality:

- Late 1960s through 1970s. *Gap closed* because of the passage of civil rights legislation/ active enforcement of anti-discrimination and affirmative action policies.
- Gap widened* in the 1980s. Retrenchment of that policy. Failure to increase minimum wage; poor union representation.
- 1990's economic boom--*gap closed*.
- Gap has been widening* since 2000 due to the great recession and sluggish economic growth.

“Tighter labor markets could have stopped the deterioration of the black/white median wage gap.”

Racial Justice is the “proactive advancement and reinforcement of policies, practices, attitudes, and actions that produce equitable power, access, opportunity, treatment, impacts and outcomes for all.”

Who can and has a responsibility to help?

- Federal Reserve
- Labor Unions
- Legislators
- Businesses

“Racial justice demands action, racial equity is the goal, passivity is not an option.”

Third Speaker : Mary Daly Q/A for Valerie Wilson

Question 1: “What would you do to ensure these gaps aren't with us in the future?”

Answer: “Consistent full employment, targeted policies to address remaining gaps, robust enforcement of anti-discrimination laws, transparency.”

Question 2: “What have policy makers and economists gotten wrong for so many years?”

Answer: “Racial inequality is normalized so we need to interrogate what economic models tell us. Disparity is driven by structural factors and not just individual factors. Disparities are not just about disadvantage they are also about advantage.”

Question 3: “The college educated black man starts behind (in wages) the college educated white man. Then the gap **grows** throughout his career. Can you talk about that and what policy leverage we could use to treat that?”

Answer: “This goes back to the 2 to 1 ratio and occupational segregation.”

Question 4: “Why do you still have hope for change?”

Answer: “There is no other option. The audience of people willing to listen and consider change has grown.”

Fourth Speaker : Kimberly Adams

Solutions/Proposals:

Joshua Bolten (Business Roundtable):

“Our members called on congress to adopt higher federal standards for policing. We are expanding our work with HBCUs and tackling student debt. We are calling on companies to report annually on their progress towards diversity. We are finding ways to be more supportive of black owned small businesses and community lending institutions. We are calling on congress to fund early literacy programs and help fund better education. We

are changing our hiring processes and developing transparent job advancement pathways.”

Multiple Pathways: Recruitment, hiring, and advancement opportunities for underrepresented populations. There are more ways to get skills than a four year degree. Example- IBM’s New Collar Initiative.

Rebecca Dixon (National Employment Law Project):

“We should focus on occupational segregation that is baked into our foundational policies. Example- labor market stratification curtailed the new deal and led to the exclusion of half of all black men, mexican-american men, indigenous men, and women (plus many asian american workers).

Three strategies to increase labor market equity:

- Enforcing equal opportunity regardless of geographic location. Substantial investment in EEOC is warranted if it is to be effective. Its leadership must be supported by political will to challenge labor market inequities.
- We need to transform insecure work. Give workers more general rights and power.
- Enacting health and safety protections. States and cities must step in to protect the health of the workforce.

William Rodgers (Rutgers University):

“Implement a second step act”

- Assisting offenders, especially non violent drug offenders.
- Reduce the number of offenders sent to prison.
- Allow undocumented immigrants to cash in their time/credits for early release
- Adjust the algorithm that determines who can earn credits.

“Increase the EEOC funding”

- Can reduce the large backlogs in the number of days before claims can get resolved.
- Requiring equal pay collection.

“Pass the federal reserve racial and economic activity act”

There is no silver bullet policy.

Relative earnings today for blacks are what they were in 1979, adding in mass incarceration and the drop out labor force it's more like 1950.

We need to:

- Raise labor force participation.

- Increase employment population/decrease unemployment.
- Lower worker idleness, help raise productivity.
- Lower crime, incarceration, recidivism rates.
- Put upward pressure on earnings.
- Create safe and fair workplaces.

Byron Auguste (Opportunity at Work)

-Responding to Joshua Boltten-

Strengths of proposal:

- Focuses on indicators of skill and performance over degree and pedigree.
- Recognizes explicitly that pedigree hiring is very damaging to racial equity.
- Recognizes that employers must take lead in reshaping labor market structure and outcomes.

Suggestions:

- To define the overlooked talent pool that this initiative seeks to include.
- Clear sense of target allows you to measure impact. There are a limited number of gateway jobs that actually turn out to be important. How can businesses help those workers?
- To think specifically about african american stars (people with skills without degrees).

Really important to recognize that which jobs require bachelor's degrees are completely up to the employers/businesses. This is a labor market problem on the demand side too.

Ai-Jen Poo (National Domestic Workers Alliance)

Domestic workers make up over 2.5 million workers. Culturally devalued/associated with women of color. Been systematically excluded from equal rights and protection in labor law. High degrees of vulnerability and lack of job security. This is one example of occupational segregation.

We have the single greatest opportunity in generations to recover into a more racial equitable economy.

- New frame of essential work
- Around care economy, we realized how dangerous it is to not have secure infrastructure in the care economy. We have not invested in those workers (mostly women of color).

Ashleigh Gardere (Policy Link)

-Responding to William Rodgers-

Thank you for acknowledging the stubbornness of structural racism.

We have to realize the promise of democracy in America with:

- Laws that deliver families wages, access to employment.
- Removal of policy that intentionally harms black people/people of color.
- Expanding equitable policy.

Regarding EEOC recommendation:

- Invitation to reimagine what's possible for broader government.
- Who benefits and who pays? We need new standards that prioritize racial equity.
- Want to scale the work that's happening in local communities, conducting racial equity audits. Aggregate the outcomes by race.

We can't forget the role of community power. How do we activate it?

No matter who owns this work, we want to think about how federal agencies incentivize racial equity and equitable government in local and state government.

Ed Bastian (Delta Airlines)

-Responding to William Rodgers-

Implementation of a second step act is clearly needed.

It can be hard to look inward and admit you can do a better job with your hiring and work practices. We need to make certain that we are focused on transparency, awareness and accountability, and can't solely rely on the government to solve issues.

Looking into groups of the labor force that haven't been able to truly participate and giving them pathways is important.

General Panel Discussion

Overriding Themes

- How to address the skills gap. Front end vs. backend.

What is the role of companies?

Ed Bastian- "Companies that take these recommendations and put them into action will be rewarded in the marketplace. It's not just the right thing to do it's the smart thing to do."

Joshua Bolten- “Companies are spending more on diversity/inclusion training. All of our CEOs have made efforts to double down on that. Ed is a leader in this area but he’s not unique, we are pushing on an open door. I’m convinced we are in a moment where a lot of progress can be made in the private sector. We can’t solely litigate our way to racial equity.”

Byron Auguste- “I agree and believe that tapping into this skill has tremendous upside. Important to remember that to someone looking for a job, regulation is “what are the default settings on the applicant tracking systems of companies”. And those are more affected by company regulations than government regulations.”

Ai-Jen- “Huge opportunities with the frame of essential work. Fully support expanding resources for EEOC enforcement. But it is important to remember that they are only allowed to enforce workplaces of 15 employees or more. Increasingly more firms are smaller in nature.”

William Rodgers- “Yes, a growing number of freelancers as well. Going back to Ed and Joshua--we have to help private institutions build that story of reaching racial equity. It can be done and we are in that moment.”

Rebecca Dixon- “I discovered that when we had better enforcement and integration it was because we had a new law and companies wanted certainty. It’s true that policy doesn’t exist in a vacuum.”

Ashleigh Gardere- “Important inside the company to recognize the ship in the environment in the institution. Josh mentioned educational pathways and supporting policies, we also welcome corporate lobbying for criminal justice reform. How do we think about activating the Fed as an accountability structure that helps to deliver racial equity?”

Eric Rosengren and Mary Daly - Closing:

Eric Rosengren:

The quality of jobs is as important as the quantity.

Three anecdotes:

- Will requiring in person work have a disparate impact?
- Will employers providing health insurance during a pandemic have a disparate impact?
- If mass transit service is cut will that have a disparate impact?

Mary Daly:

Thank you.

What I learned:

- Inclusive economy is a productive economy.
- Economics and societies are about people and we built these institutions.
- We need to be fiercely impatient and we also need to have the long term view.

-End Of Session-