

# Examining the Role of Job Separations in Black-White Labor Market Disparities

2019 Federal Reserve System

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Federal Reserve Board of Governors



Investing in America's Workforce

Improving Outcomes for Workers and Employers

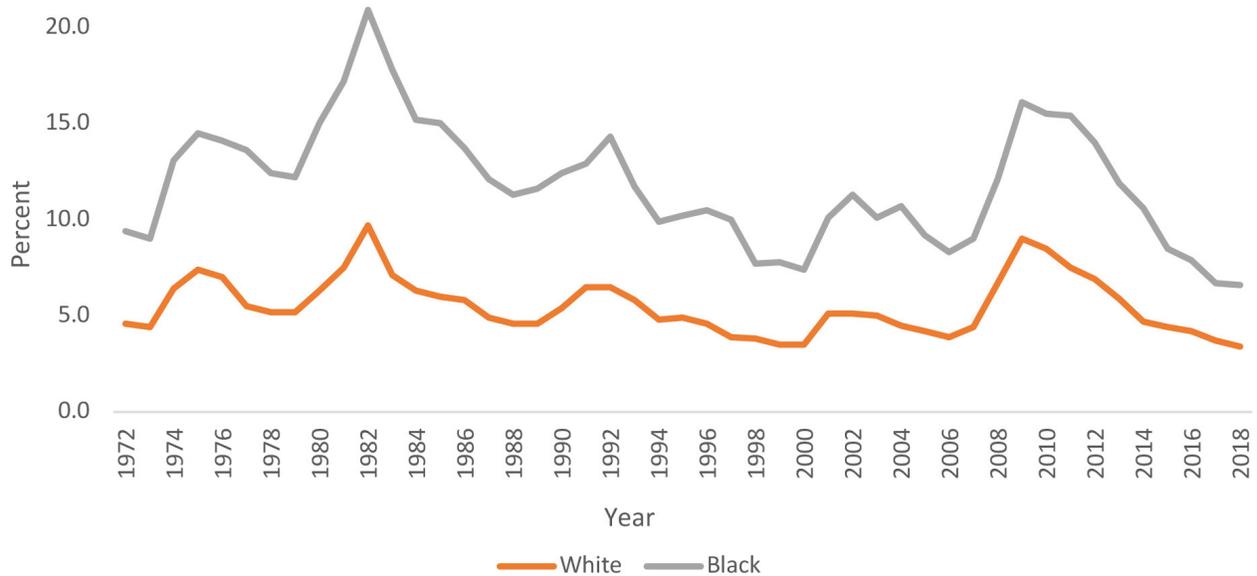
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2019 Special Topic Brief

## Topic Overview

Economic research provides strong evidence of wide racial disparities in the labor market. Numerous studies document the gap between black and white unemployment that has persisted for upwards of 40 years. In fact, black and white workers experience such distinct labor market outcomes that the highest level of white unemployment has rarely exceeded the lowest level of black unemployment over the past four decades (see Figure 1).

**Figure 1. Unemployment Rate by Race, 1972 to 2018**



Source: Bureau of Labor Statistics based on the Current Population Survey<sup>1</sup>

The Federal Reserve System adheres to a dual mandate to promote maximum employment and stable prices. The process to determine the extent to which the labor market is at full employment drives the Federal Reserve to understand disparities in employment, labor force participation, and wealth. Using findings from recent studies and data from the Federal Reserve's 2017 Survey of Household Economics and Decisionmaking (SHED), this special topic brief elaborates on the causes of the persistent black-white unemployment gap. Recent studies have shown that black workers have higher rates of job loss, longer periods of unemployment, and lower labor force participation than white workers. These disparities continue to exist when researchers control for factors such as education, age, and income, leading some to conclude racial segregation and discrimination contribute to gaps. The pervasiveness of these disparities should guide future research, and underscore the importance of investments in community infrastructure like transportation, education, and childcare, as well as workforce supports like mentors to help workers maintain or regain employment.

## The Role of Job Separations in Black-White Labor Market Disparities

While academics widely acknowledge the existence of the black-white unemployment gap, they continue to study and debate the causes of the disparity. A recent study by Tomaz Cajner and colleagues<sup>2</sup> used census data to examine racial gaps in labor market outcomes across time. The authors found that differences in educational attainment, age, marital status, and state of residence explain very little of the disparity between black and white unemployment rates.

The Cajner et al. study found that while black and white workers secured new jobs at similar rates, job-loss rates for black workers far exceeded job-loss rates for white workers. This disparity exists even when controlling for educational attainment and age. As a result, the authors demonstrate that variation in job separation (another term for involuntary job loss or voluntary resignation) contributes to the persistent black-white unemployment gap. Furthermore, Cajner et al. suggested that the relatively high job losses among black workers lead to lower labor force participation rates (the share of workers working or looking for work) among black workers, particularly among black men.

Like the Cajner et al. study, a study by Mary Daly and colleagues<sup>3</sup> found that black workers are more likely to experience job separation than white workers, and that those higher rates of job separation drive much of the unemployment gap between black and white workers. Daly et al. also found that black workers, particularly black men, have longer average non-employment periods than white workers. Notably, the authors showed that the relatively lengthy periods of unemployment among black men slow down career and wage growth. The more frequent and lengthy disruptions in employment among black workers can also accumulate into sizable earnings gaps.

## Job Separations and Related Challenges: Findings from the 2017 Survey of Household Economics and Decisionmaking (SHED)

### *Higher Rates of Involuntary Job Separations among Black Workers*

Data on employment activities collected in the 2017 SHED expand upon Cajner et al.'s and Daly et al.'s findings of disparities in job loss by race. The SHED measures the economic well-being of U.S. households, and identifies potential risks to their finances. The 2017 SHED results are based on a national sample of 12,246 respondents weighted to be representative of adults ages 18 and older living in the United States.<sup>4</sup>

According to a review of the SHED data, while black workers were equally as likely as white workers to have “voluntarily left a job” (9 percent), black workers were significantly more likely than white workers to have been “laid off or fired from a job” (9 percent and 3 percent, respectively). See Table 1.<sup>5</sup> In this data set, race remains the strongest predictor for a respondent getting “laid off or fired from a job” even when controlling for age, gender, and education.<sup>6</sup>

**Table 1. Reason for job loss in the past 12 months (among all workers)**

	<b>White</b>	<b>Black</b>
<b>Voluntarily left a job</b>	<b>9%</b>	<b>9%</b>
<b>Got laid off or fired from a job</b>	<b>3%</b>	<b>9%</b>
<b>n</b>	<b>3,803</b>	<b>666</b>

Source: Survey of Household Economics and Decisionmaking, 2017, Federal Reserve Board

Similarly, among just the unemployed workers, black and white respondents “voluntarily left a job” in the past 12 months at nearly the same rate (21 percent and 20 percent, respectively).<sup>7</sup> And, like the total worker pool, a significantly larger share of unemployed black workers had been “laid off or fired from a job” compared to their white counterparts (50 percent and 27 percent, respectively). See Table 2.<sup>8</sup>

**Table 2. Reason for job loss in the past 12 months (among unemployed workers)<sup>9</sup>**

	<b>White</b>	<b>Black</b>
<b>Voluntarily left a job</b>	<b>20%</b>	<b>21%</b>
<b>Got laid off or fired from a job</b>	<b>27%</b>	<b>50%</b>
<b>n</b>	<b>233</b>	<b>100</b>

Source: Survey of Household Economics and Decisionmaking, 2017, Federal Reserve Board

### *Longer Periods of Unemployment among Black Workers*

As noted above, Daly et al. found that black workers experience longer spells of unemployment than white workers. While the SHED provides descriptive data on unemployed workers’ efforts to find a job, the survey does not delve into how long workers have been unemployed or barriers workers faced when seeking jobs. The 2017 SHED shows that a slightly larger share of unemployed black workers applied for a new job (86 percent) than their white counterparts (81 percent). And, a slightly smaller share of unemployed black workers started a new job in the past year (29 percent) than their white counterparts (33 percent). See Table 3. However, these differences were not statistically significant.

**Table 3. Job search activities in the past 12 months (among unemployed workers)**

	<b>White</b>	<b>Black</b>
<b>Applied for a new job</b>	<b>81%</b>	<b>86%</b>
<b>Started a new job</b>	<b>33%</b>	<b>29%</b>
<b>n</b>	<b>233</b>	<b>100</b>

Source: Survey of Household Economics and Decisionmaking, 2017, Federal Reserve Board

### *Lower Rates of Labor Force Participation among Black Men*

The SHED data provide greater insight into the factors underlying the discrepancy in labor force participation rates between black and white men, as noted by Cajner et al. For example, the 2017 SHED data show that significantly larger shares of black men did not work due to “business conditions or lack of work” (20 percent), a “disability” (15 percent), or “childcare or family obligations” (11 percent) than their white counterparts (9 percent, 8 percent, and 4 percent, respectively). See Table 4.<sup>10</sup>

Additionally, white men were more likely to have left the labor force due to retirement. Notably, in the 2017 SHED, a significantly larger share of white men are retired (71 percent) than black men (53 percent).<sup>11</sup>

**Table 4. Reasons for not working (among men who are not participating in the labor force)**

	<b>White</b>	<b>Black</b>
<b>Retired</b>	<b>71%</b>	<b>53%</b>
<b>Have a disability but not retired</b>	<b>8%</b>	<b>15%</b>
<b>Business conditions or lack of work</b>	<b>9%</b>	<b>20%</b>
<b>Childcare or family obligations</b>	<b>4%</b>	<b>11%</b>
<b>n</b>	<b>1,360</b>	<b>234</b>

Source: Survey of Household Economics and Decisionmaking, 2017, Federal Reserve Board

### *Lower Rates of Compensation Increases among Black Men*

In the 2017 SHED, while employed black men were more likely than employed white men to have “asked for a raise at work” in the previous 12 months (21 percent and 16 percent, respectively), black men were significantly less likely than white men to have received a raise (44 percent and 56 percent, respectively). See Table 5.<sup>12</sup>

**Table 5. Raises in the past 12 months (among employed men)**

	<b>White</b>	<b>Black</b>
<b>Asked for a raise at work</b>	<b>16%</b>	<b>21%</b>
<b>Received a raise at work</b>	<b>56%</b>	<b>44%</b>
<b>n</b>	<b>1,651</b>	<b>229</b>

Source: Survey of Household Economics and Decisionmaking, 2017, Federal Reserve Board

## Opportunities for Investment

Evidence that the black-white unemployment gap reflects a higher risk of job loss among black workers is an important finding that can guide future investments in workers and their workplace environments. As noted above, the negative effects of employment disruptions that accumulate over a worker's career add to the urgency of addressing these disparities.

### *Investment in Community Infrastructure*

Where a person lives can affect their ability to access and maintain stable employment. For example, workers residing in low-income communities may struggle with insufficient transportation, schools, and childcare. Black adults disproportionately reside in low-income neighborhoods that lack these types of community infrastructure. According to a study by John Logan,<sup>13</sup> black neighborhoods are often separate and unequal from white neighborhoods. Logan's research also shows that neighborhood disparities persist due to racial segregation and discrimination that hinder blacks who achieve higher incomes from moving to areas with more economic opportunity.

Investment in community resources for majority black neighborhoods may provide necessary supports for black workers to maintain steady employment. Raj Chetty and his colleagues have developed a body of work describing the relationship between neighborhoods and economic mobility. Their research documents substantial variation in economic mobility by neighborhood.<sup>14</sup> More specifically, Chetty et al. found that within a given commuting zone, counties with higher rates of upward mobility tend to have less segregation by income and race, lower levels of income inequality, better schools, lower rates of violent crime, and a larger share of two-parent households. The authors find that areas with a larger black population tend to have lower rates of upward mobility.<sup>15</sup>

Based on Chetty et al.'s findings, investing in community infrastructure at the neighborhood level, including public transportation, quality K-12 education, and childcare options, could increase economic mobility for the residents. Investments in majority black neighborhoods, which typically lag white neighborhoods in terms of supportive community infrastructure, could also improve job stability among black workers who live in such neighborhoods.

### *Investment in Support Services for Workers*

Investment in on-the-job supportive services for workers may also reduce disparities in job loss. In 2017, the Federal Reserve System hosted 52 listening sessions across 32 states and Puerto Rico to gain insights into the regional aspects of improving workforce outcomes and investments. During these sessions, workforce leaders from their respective regions discussed numerous nonskill barriers to employment.<sup>16</sup> Participants in nearly every listening session mentioned that investments in comprehensive supportive services are essential to ensure client success in any workforce program.

Training, health resources, and mentoring programs may help workers maintain their employment. For example, research by Lilian Ebyand and colleagues<sup>17</sup> showed that workplace mentoring is associated with more motivated workers and favorable career outcomes such as promotions.

Furthermore, Jain Newman's research<sup>18</sup> found that support services such as counseling, case management, and public benefits that offer community supports (transportation, childcare, and medical and housing assistance) help workers maintain stable employment and increase access to training. Notably, while some training programs offer support services, post-employment support services are equally important, allowing clients not only to obtain but also maintain employment.

A study by Belle Ragins and her colleagues shows the importance of mentors in reducing workplace discrimination. Ragins et al. found that workers who witness or are exposed to racial discrimination at work had lower organizational commitment than those who did not witness or experience discrimination. However, even when exposed to racial discrimination, a high-quality mentoring relationship "buffered" workers from a range of negative outcomes, including lower organizational commitment, physical symptoms of stress and insomnia, as well as stress-related absenteeism. This study suggests that mentoring could offer a safe harbor for employees who face indirect discrimination at work.<sup>19</sup> In this way, mentoring could result in higher job stability among black workers, especially in cases where job losses stem from racial discrimination.

## Conclusion

Despite 40 years of data showing a wide black-white unemployment gap (see Figure 1), researchers have struggled to explain fully the cause of the gap, and policymakers have struggled to implement policies to close it. Recent research suggests that the gap is partially driven by higher rates of job loss among black workers than white workers. Black workers also experience longer periods of unemployment and lower labor force participation. It is essential that policymakers and employers consider structural changes that support employed black workers and reduce barriers to employment. These supports may include community investment in transportation, schools, childcare, and work supports, such as mentors, that protect an inclusive work environment.

## Acknowledgments

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## Methodology

In 2017, the community development departments at each of the 12 Federal Reserve Banks organized regional meetings at locations around the country with nearly 1,000 workforce development leaders to confer on the status of the nation's workforce development system and the challenges it faces. The community development team at the Federal Reserve Bank of Philadelphia gathered and analyzed the information from those meetings, and it subsequently published [Investing in America's Workforce: Report on Workforce Development Needs and Opportunities](#).

In 2018, the Federal Reserve's community development departments conducted a second series of regional meetings with stakeholders across public, private, and nonprofit sectors. The meetings focused on several workforce-related topics that impact communities, which originated from themes captured in the 2017 report. A series of special topic briefs were created based on regional meetings and community development research interests. Briefs include research and insights from workforce development organizations, experts, and community development staff.

## About the Initiative

Investing in America's Workforce is a [Federal Reserve System](#) initiative in collaboration with the [John J. Heldrich Center for Workforce Development](#) at Rutgers University, the [Ray Marshall Center for the Study of Human Resources](#) at the University of Texas at Austin, and the [W.E. Upjohn Institute for Employment Research](#). Led by the community development function of the Federal Reserve System, the initiative aims to reframe and reimagine workforce development efforts as investments that can lead to scalable solutions and measurable outcomes. Components of the initiative to further this goal include:

- A series of listening sessions and [subsequent report and special topic briefs](#) aimed at gathering and analyzing information and ideas from people who work at the intersection of workforce training, recruiting, and finance.
- A [national conference](#) in Austin, Texas, in October 2017, where over 300 attendees discussed promising approaches to workforce development.
- A [three-volume book](#) that offers research, best practices, and resources on workforce development from a wide range of experts in various fields.
- A training curriculum for Community Reinvestment Act bank examiners on qualifying workforce investments under new Interagency Q&A clarifications for the regulation.

For more information about the initiative, and to read chapters from the three-volume book and other special topic briefs, please visit [www.investinwork.org](http://www.investinwork.org).

## References

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- 4 Since 2013, the Federal Reserve Board has conducted the Survey of Household Economics and Decisionmaking (SHED). See <https://www.federalreserve.gov/consumerscommunities/shed.htm>. The selection methodology for the general population sample from KnowledgePanel ensures that the resulting samples behave as an equal probability of selection method (EPSEM) samples. For more information on the SHED survey sample and weighting, see <https://www.federalreserve.gov/publications/2018-economic-well-being-of-us-households-in-2017-description-of-the-survey.htm>.
- 5 The difference in outcomes by race is statistically significant at a 10 percent significance level.
- 6 A simple probit model is used for analysis. More extensive research is necessary to examine whether this holds true when other variables—such as industry, occupation, income, and proxies that measure financial stress and housing stability—are taken into account.
- 7 In SHED, "unemployed" respondents indicated they were neither "working" nor "retired" in the past 12 months, and stated they "looked for work" in the past month.
- 8 Statistically significant at a 10 percent significance level.
- 9 See endnote 7.
- 10 Statistically significant at a 10 percent significance level.
- 11 Ibid.
- 12 The difference in "asked for a raise at work" is not statistically significant at a 10 percent significance level, but the difference in "received a raise at work" is statistically significant at a 10 percent significance level.
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