

Labor Day 2019

# **Black workers endure persistent racial disparities in employment outcomes**

**Report** • By **Jhacova Williams** and **Valerie Wilson** • August 27, 2019

**Summary:** Black workers are twice as likely to be unemployed as white workers overall (6.4% vs. 3.1%). Even black workers with a college degree are more likely to be unemployed than similarly educated white workers (3.5% vs. 2.2%). When they are employed, black workers with a college or advanced degree are more likely than their white counterparts to be underemployed when it comes to their skill level—almost 40% are in a job that typically does not require a college degree, compared with 31% of white college grads. This relatively high black unemployment and skills-based underemployment suggests that racial discrimination remains a failure of an otherwise tight labor market.

The current economic expansion is the longest in U.S. history, marking over 100 consecutive months of job growth as of June 2019, with more than 21 million jobs added in that time. While the pace of the recovery has been slow and uneven at times, the length of the recovery has resulted in a national unemployment rate of 4% or lower since March 2018. The length of the recovery has also been instrumental in bringing the black unemployment rate down to the lowest it has been since the Bureau of Labor Statistics began reporting it in 1972. The average black unemployment rate for the 12 months ending in June 2019 was 6.4%.

## Outcomes vary significantly by race and education

In light of the severity of the Great Recession, there is no question that these numbers indicate a solid recovery. Yet even at exceptionally low rates of unemployment, outcomes vary significantly by race and level of education. For example, even with the tightest labor market in almost 20 years and a historically low black unemployment rate (6.4%), black workers remain twice as likely to be unemployed as white workers (3.1%)—a pattern that has persisted for more than 40 years. In fact, this 2-to-1 ratio holds in practically **every state in the nation** where black workers make up a significant share of the workforce.<sup>1</sup>

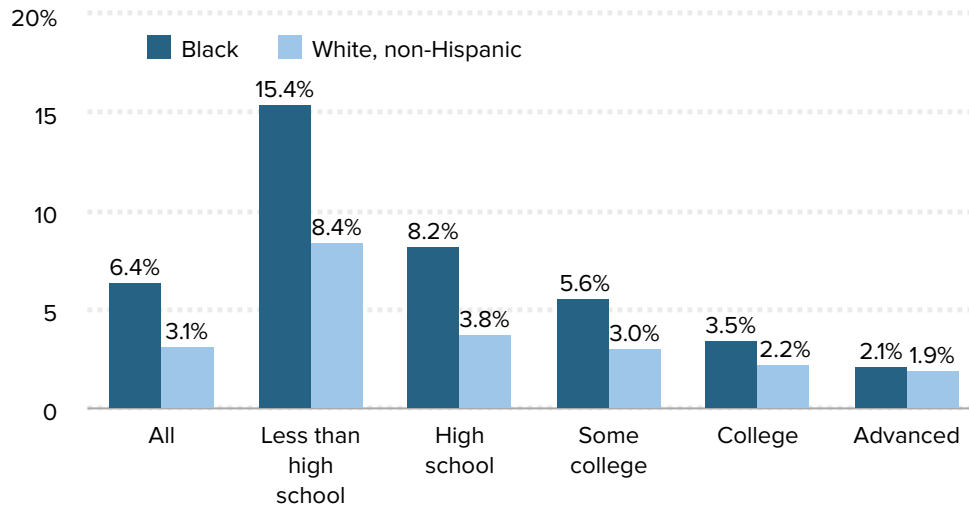
These overall numbers—as troubling as they are—mask still bigger differences in rates of unemployment for black and white workers within and across levels of education. As shown in **Figure A**, the black unemployment rate is roughly double the white unemployment rate at every level of education, except among those with a bachelor's or an advanced degree. The graph also shows that only black workers with college and advanced degrees have unemployment rates below 4%, that is, only the most highly educated black workers are reaching levels of unemployment at least as low as the national average. In contrast, with the exception of those with less than a high school diploma, white unemployment is below 4% at *all* levels of education.

## Black workers' skills are more likely to

Figure A

## Black workers are twice as likely to be unemployed as white workers at almost every education level

Unemployment rates by race and education, 2019



**Notes:** Estimates are based on a 12-month average (July 2018–June 2019). “Black” includes blacks of Hispanic ethnicity. Whites are non-Hispanic.

**Source:** Authors’ analysis of Current Population Survey basic monthly microdata from the U.S. Census Bureau

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## be underutilized in the workplace

In addition, even among those most likely to be employed, black workers don’t necessarily have the same opportunities as their white counterparts to utilize and develop their skills. The Bureau of Labor Statistics (BLS) points out that “when workers are unemployed, they, their families, and the country as a whole lose”<sup>2</sup>—but what about when workers are *underemployed*?

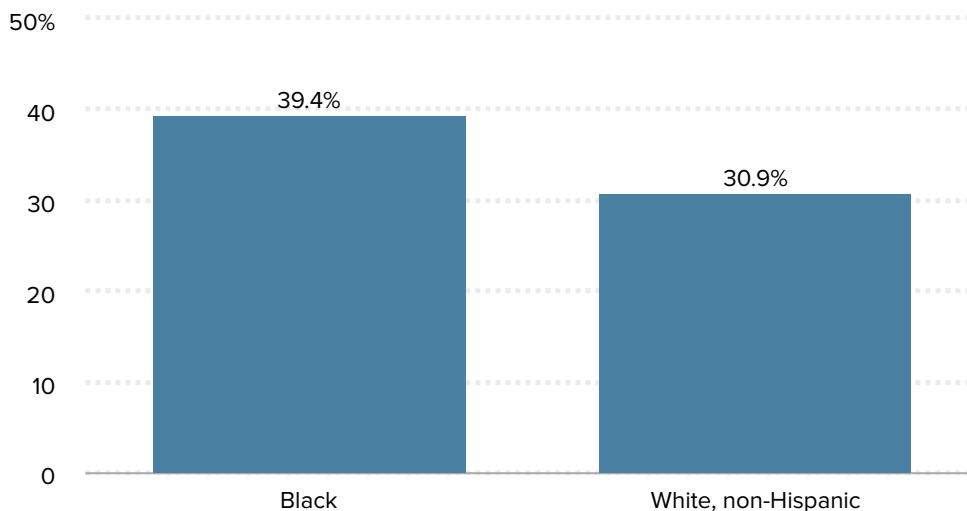
The term “underemployment” is commonly used to encompass a broader definition of labor underutilization that includes not only the unemployed but also involuntary part-time workers (those part-time workers who would prefer to be working full time) and those who are marginally attached to the labor force (those who have given up looking for work—and so are not counted in official unemployment numbers—but who are willing and able to work if the opportunity presented itself).<sup>3</sup> Essentially, this traditional definition of underemployment measures the underutilization of workers’ potential available time. Under this definition, black workers have significantly higher rates of underemployment than white workers, as we have documented [elsewhere](#).<sup>4</sup>

However, Abel and Dietz have introduced an alternative definition of underemployment—which we would like to adopt here—that focuses on underutilization of workers’ *skills*: They look at the share of recent college graduates working in jobs that

Figure B

## Black college graduates are more likely than white graduates to be underemployed when it comes to their skills

Shares of workers with a college degree who are not employed in a college occupation, by race, 2019



**Notes:** Estimates are based on a 12-month average (July 2018–June 2019). College graduates include those with a bachelor’s degree or higher. “Black” includes blacks of Hispanic ethnicity. Whites are non-Hispanic. See the methodology for how “college occupation” is defined.

**Source:** Authors’ analysis of Current Population Survey basic monthly microdata from the U.S. Census Bureau

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typically do not require a college degree.<sup>5</sup> Following Abel and Dietz’s definition, we estimate the extent to which black workers’ skills are being underutilized relative to white workers’ skills.

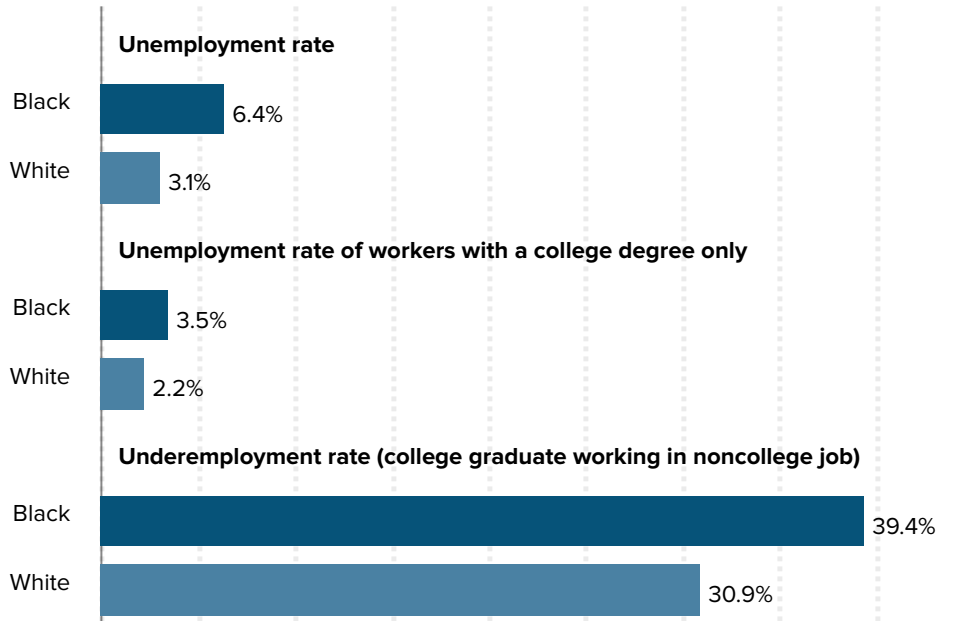
To do this, we calculate the percentage of black and white workers (among all workers, ages 16+) who have at least a bachelor’s degree and whose occupation is classified as a “college occupation”—that is, an occupation that typically requires a college degree or for which the majority in that occupation hold a college degree. Examples of college occupations include (but are, of course, not limited to) elementary and middle school teachers, social workers, accountants, education administrators, chief executives, financial managers, and software developers. (For more information about how these classifications are determined, see the methodology.)

The results, presented in **Figure B**, show that working black graduates are nearly 10 percentage points more likely to be in a noncollege occupation compared with working white graduates when those in both groups have at least a bachelor’s degree.

Figure C

## Black unemployment and skills-based underemployment are still too high

Black workers are twice as likely to be unemployed as white workers and black college grads are 28% more likely to be in a job that doesn't require a college degree



**Notes:** Estimates are based on a 12-month average (July 2018–June 2019). “Black” includes blacks of Hispanic ethnicity. Whites are non-Hispanic. College graduates in the bottom panel include those with a bachelor’s degree or higher. See the methodology for how “college occupation” is defined.

**Source:** Authors’ analysis of Current Population Survey basic monthly microdata from the U.S. Census Bureau

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## Conclusion

The persistence of racial disparities in employment outcomes across levels of education is troubling. While a tighter labor market has helped to reduce the black unemployment rate, even that has not been enough to eliminate multiple layers of racial inequality in the labor market, as we have shown here and as we summarize in **Figure C**. In particular, the fact that the country’s most highly educated black workers are still less likely to be employed than their white counterparts, and when they are employed, are less likely to be employed in a job that is consistent with their level of education, strongly suggests that racial discrimination remains a major failure of an otherwise tight labor market.

## Methodology

In Figure B, we calculate the percentage of black and white workers who have at least a

bachelor's degree and whose occupation is classified as a "college occupation." In order to identify what a college occupation is, we use data from the [O\\*Net 23.3 Data Dictionary](#) (O\*Net). O\*Net provides a listing of almost 1,000 occupations along with the percentage of individuals in a given occupation who report having each education level. We define an occupation to be a "college occupation" if at least 50% of the individuals in the occupational category report having at least a bachelor's degree. O\*Net occupations are matched to Current Population Survey (CPS) occupational codes using a crosswalk obtained from the BLS that maps O\*Net occupational codes to Standard Occupational Classification (SOC) occupational codes and then using a crosswalk that maps SOC codes to CPS codes. CPS codes that are matched to multiple O\*Net codes are assigned college occupation status based on the average college occupational status among multiple O\*Net codes. For example, if all O\*Net codes matched to one CPS code are (or are not) classified as college occupations, then the equivalent CPS code is (or is not) classified as a college occupation. If at least half of O\*Net codes matched to one CPS code are classified as college occupations, then the equivalent CPS code is classified as a college occupation. Otherwise, the CPS code is not classified as a college occupation.

According to this definition, 30% of occupations listed in CPS are classified as college occupations, accounting for 35% of total employment. Examples of college occupations include elementary and middle school teachers, social workers, accountants, education administrators, chief executives, financial managers, and software developers. Examples of noncollege occupations—those occupations for which less than half of those employed have at least a bachelor's degree—include general and operations managers, police officers, cashiers, customer service representatives, administrative assistants, and teacher assistants.

We examine individuals in the CPS basic monthly files for the 12-month period from July 2018 to June 2019 in order to determine whether the likelihood of being employed in a college occupation is different for black and white college graduates.

## Endnotes

1. Valerie Wilson, *Black Unemployment Is at Least Twice as High as White Unemployment at the National Level and in 14 States and the District of Columbia*, Economic Policy Institute, April 2019.
2. Bureau of Labor Statistics, "How the Government Measures Unemployment" (web page), last modified October 8, 2015.
3. See description of measure U-6 at Bureau of Labor Statistics, "Table A-15. Alternative Measures of Labor Utilization," last modified August 2, 2019.
4. Economic Policy Institute, *State of Working America Data Library*, "Underemployment by Race" (data table), last updated February 28, 2019.
5. Jason R. Abel and Richard Deitz, "Underemployment in the Early Careers of College Graduates Following the Great Recession," National Bureau of Economic Research Working Paper no. 22654, September 2016.