



The Continuing Power of White Preferences in Employment

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Executive Summary

By investigating a range of group comparisons, ranging from educational attainment to city of residence, this report reveals that White people as a group always have better employment outcomes than similar Black people. The report investigated the following categories and found that White preferences persisted across them: veterans, people with disabilities, people who are formerly incarcerated, foreign-born people. All fare better in finding employment if they are White, and even when educational attainment, skills, and city of residence are the same, Black job-seekers do worse.

Key takeaways can be found below:

- From 2000 to 2022, in 14 out of 23 years, the overall Black unemployment rate was higher than the rate for White high school dropouts.
- Across five different categories of college majors, the Black unemployment rates are double the respective White rates.
- The Black teen unemployment rate is nearly double the White rate. Even when employers have little or no skill requirements, they still prefer White candidates.
- The White-Black unemployment disparity is much larger within Chicago, New York, and the District of Columbia than in the nation overall.

Some of these outcomes can be attributed to overt anti-Black attitudes, while others to the more covert form of discrimination that results from hiring within White social networks. To address these trends, the U.S. needs stronger anti-discrimination enforcement, a Federal Reserve committed to achieving maximum employment, and a national, subsidized employment program targeted to high-unemployment communities. None of these policy solutions can stand alone, but rather can work alongside one another to close the White-Black unemployment gap.

Introduction

Many people would like to be able to say that the country has put anti-Black racial prejudice and discrimination behind it. Unfortunately, the United States is still struggling to create a society where there is equal opportunity for all.

This report illustrates the continuing problem of racial discrimination against Black people in employment. Or, to put it another way, the continuing power of White preferences in the labor market. The report shows that across several varied White-Black group comparisons — among people with the same educational attainment, among people with the same skills, among people living in the same cities, among veterans, among people with disabilities, among the formerly incarcerated, and among immigrants — White people as a group always have better employment outcomes than similar Black people. This consistent superior outcome for White people over similar Black people is due to a significant bias against Black people and a preference for White people among employers generally. Scholars confirm that anti-Black bias persists in the U.S. population and that there are discriminatory processes in hiring that favor White people over equally qualified Black people.

The United States has progressed to the point that there are no occupations that have strong restrictions on the hiring of Black people as was the case prior to the Civil Rights Movement of the 1950s and 1960s. Thus, one can find many individual Black employment success stories. Also, there are employers who give Black applicants a fair opportunity. But there are still many who do not. The effects of those who do not are revealed at the broader, aggregate level. This report highlights the White preference that is revealed at this broader level of analysis.

White and Black Unemployment Comparisons

For Finding a Job, Is It Better to Be a White High School Dropout or a Random Black Person?

About half of adults in the United States attribute the worse economic outcomes for Black people to a low level of education.¹ This viewpoint is not supported by the unemployment data. As the economist William Spriggs has noted, the *overall* Black unemployment rate is regularly *higher* than the unemployment rate *just for White high school dropouts*.² More than 90 percent of the Black labor force has a high school diploma or higher level of educational attainment,³ but White high school dropouts tend to have an equal or better chance than the average Black person in finding employment.

¹ Author's analysis of General Social Survey data (Variable RACDIF3, <https://gss.norc.org/>). For the survey years of 2016, 2018, and 2021, based on the sample, slightly more than half of adults believe that education is an important factor in explaining the worse economic outcomes for Black people.

² Nerkar, 2023.

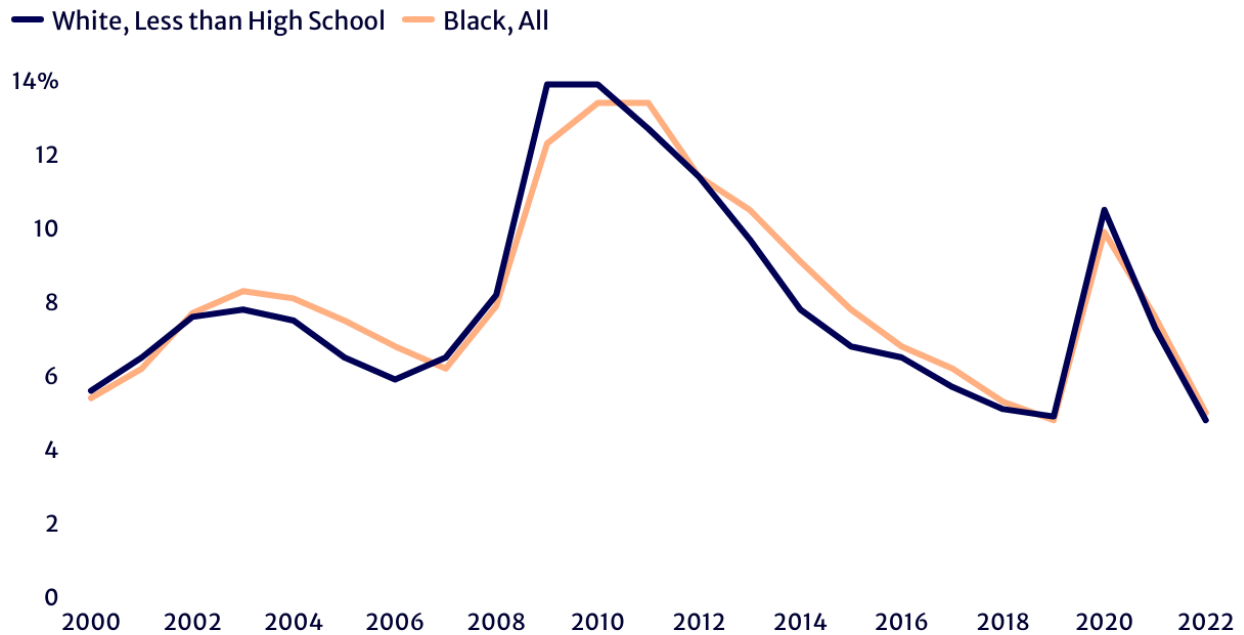
³ Author's analysis of Current Population Survey data from the U.S. Bureau of Labor Statistics. See also National Center for Education Statistics, 2022.



Figure 1

The White High-School-Dropout Unemployment Rate is Often Lower than the Rate for the Average Black Person

Annual Unemployment Rates of White People without a High School Diploma and All Black People, 2000 to 2022



Data are for individuals 25 years old and over. White and Black Hispanics included.

Source: Author's analysis of Current Population Survey data, US Bureau of Labor Statistics.



Figure 1 illustrates this fact. In 2022, the overall Black unemployment rate was 5 percent, and the unemployment rate for White high school dropouts was 4.8 percent. From 2000 to 2022, in 14 out of 23 years, the overall Black unemployment rate was higher than the rate for White high school dropouts. For the sake of obtaining employment, if one had to choose between being a White high school dropout or a random Black person, the correct choice would be to be a White high school dropout. If one is White, one doesn't need education to have a better unemployment outcome than a Black person.

To better understand why the Black labor force does so poorly in comparison with White high school dropouts, it is useful to examine the data in more detail by educational attainment.

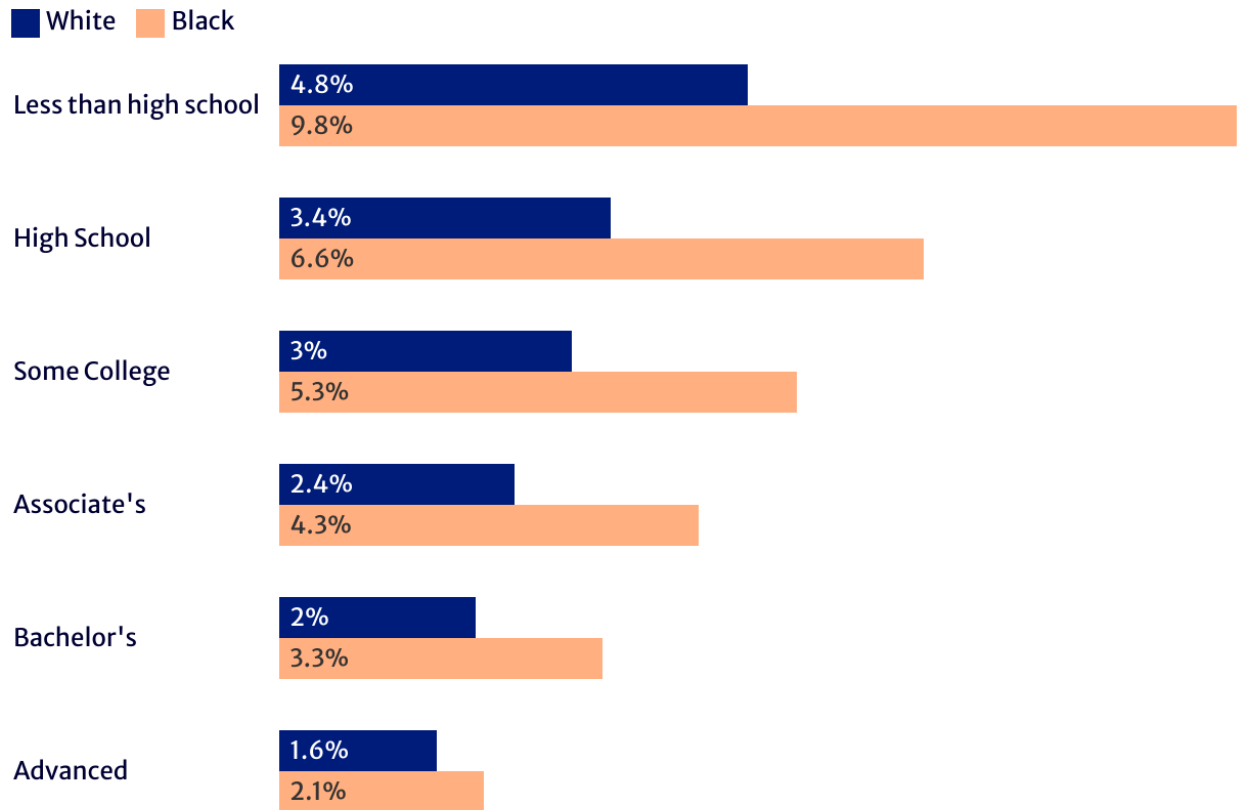


Figure 2 shows that the Black unemployment rate is higher than the White rate at every level of educational attainment. Further, the Black rate is twice, or close to two times, the White rate in all cases except for individuals with advanced degrees. Only when Black people have an associate's degree do they do slightly better than White high school dropouts at obtaining employment. Only when Black people have an advanced degree do they do significantly better than White high school graduates. This is not what would occur if there were equal opportunity based on educational attainment.

Figure 2

White People Have an Employment Advantage at Every Level of Educational Attainment

White and Black Annual Unemployment Rates by Educational Attainment, 2022



White and Black Hispanics included.

Source: Author's analysis of Current Population Survey data, US Bureau of Labor Statistics.



Multivariate analyses that examine educational attainment along with other possible causes of unemployment disparities still fail to explain the White-Black difference in unemployment rates. Studies which, in addition to educational attainment, also control for family, neighborhood, and state socioeconomic factors, individual personality factors and cognitive-ability scores, and criminal activity still show that White people are more likely to be employed



than Black people who are similar on all of the control variables.⁴ Notably, these factors can account for the White–Hispanic gap, but not the White–Black gap.⁵

Are The Worse Unemployment Outcomes for Black People Due to a Lack of In-Demand Skills?

Skill differentials also are not behind the White–Black unemployment disparities. One way to examine this is to compare White and Black college graduates with bachelor’s degrees in the same major field of study. Black college graduates have a similar distribution of majors for bachelor’s degrees as White graduates. For example, for the academic year spanning 2020–2021, the most popular major for Black students receiving bachelor’s degrees was in business (18.4 percent of Black degrees), the same as White students (19.2 percent) (**Table 1**). Health professions were the second most popular for both groups. While the distribution and ranking are not exactly the same for both groups, they are quite similar. The top 10 majors for Black students receiving bachelor’s degrees accounted for 76.4 percent of all Black bachelor’s degrees. These same majors accounted for 69.9 percent of all White bachelor’s degrees. Different skills resulting from differences in the choice of majors is not likely to be an explanation for the difference in employment outcomes among college graduates.

⁴ See Mason, 2023, pp. 254–256; Ritter and Taylor, 2011; McDaniel and Kuehn, 2013; Cajner et al., 2017.

⁵ See Ritter and Taylor, 2011; Cajner et al., 2017.

Table 1

White and Black College Students Have Similar Choices of Majors

Distribution of Bachelor's Degrees by Majors for White and Black Graduates by the Top 10 Bachelor's Degree Fields of Study for Black Graduates, 2020–2021

Field of study	White	Black
Business	19.2%	18.4%
Health professions and related programs	13.7%	16.3%
Psychology	5.5%	7.6%
Social sciences and history	7.3%	7.1%
Biological and biomedical sciences	5.9%	5.5%
Communication, journalism, and related programs	4.6%	5.1%
Homeland security, law enforcement, and firefighting	2.4%	5.0%
Computer and information sciences and support services	4.2%	4.4%
Visual and performing arts	4.5%	3.7%
Parks, recreation, leisure, fitness, and kinesiology	2.7%	3.4%
Sum	69.9%	76.4%

Source: Author's analysis of Digest of Educational Statistics, 2022, Table 322.30.

It is possible to explore this issue further by examining the unemployment rates for Black and White people by college majors. The analysis will be restricted to 25- to 34-year-olds, ages when specific college majors are more likely to affect unemployment outcomes. It uses data from the 2015–2019 American Community Survey.

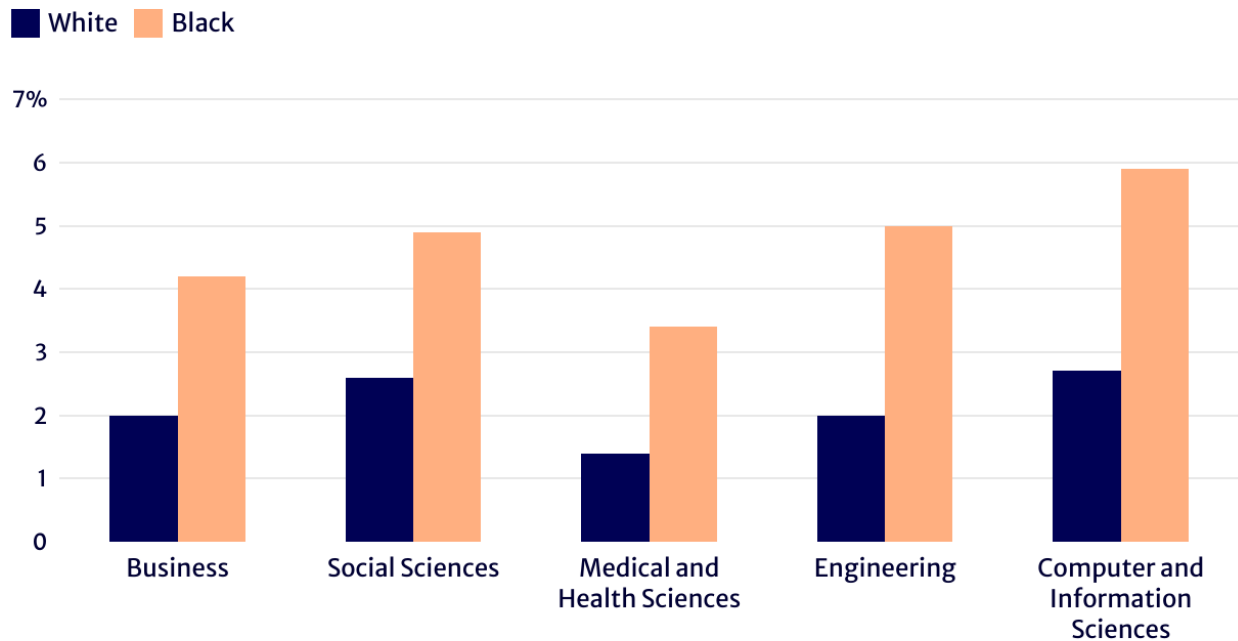
Figure 3 shows that across five different categories of majors the Black unemployment rates are double the respective White rates. Even in STEM fields, this relationship holds. The Black unemployment rate for engineering is 2.5 times the White rate. The Black unemployment rate in computer and information sciences is 2.2 times the White rate. Apparently, no particular set of skills will provide Black college graduates with the same odds of finding employment as White graduates.



Figure 3

White People Have an Employment Advantage Regardless of College Major

White and Black Unemployment Rates for Individuals with Bachelor's Degrees in Selected Majors, 2015–2019



Data are for individuals 25 to 34 years old.

Source: Author's analysis of American Community Survey data, IPUMS USA, University of Minnesota, www.ipums.org.



Another approach to the skills question is to try to minimize the importance of skills by focusing on a population with minimal skills. Teenagers have little work experience and are very early in their acquisition of work-related skills. Employers who hire teenagers are not likely to have very high skill requirements. If skills are of low importance in hiring, will Black people have more similar employment outcomes with their White peers?

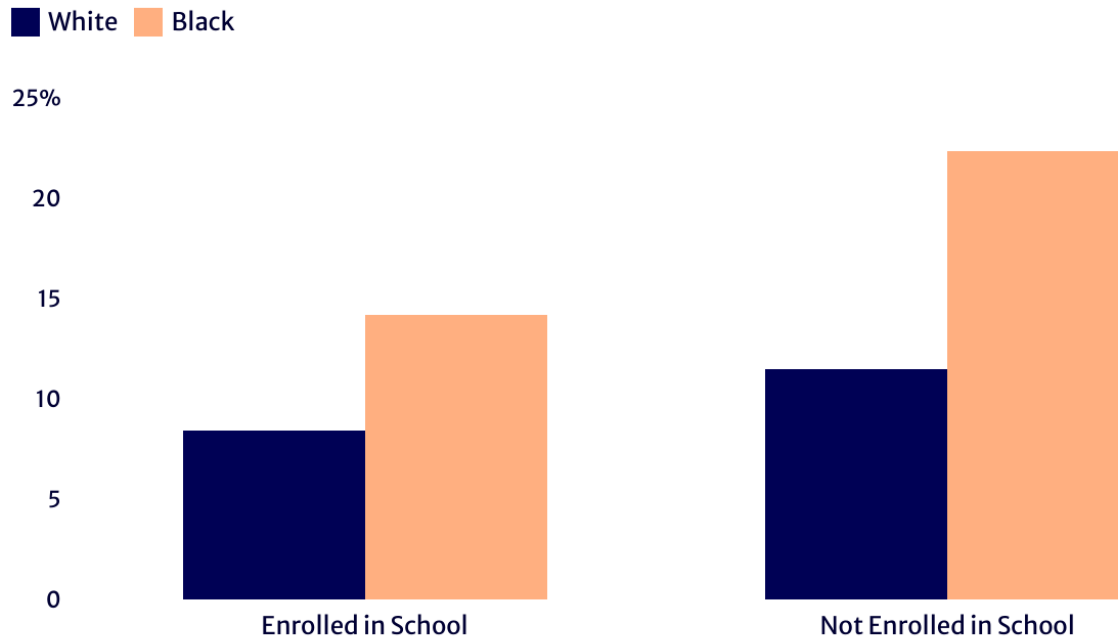
Figure 4 shows the 2022 unemployment rates for 16- to 19-year-olds at times when they are enrolled in school and when they are not. The Black teen unemployment rate is nearly double the White rate in both circumstances. Even when employers have little or no skill requirements, they still prefer White candidates.



Figure 4

Even among the Low-Skill and Inexperienced Teen Population, White People Have an Employment Advantage

White and Black Teen Unemployment Rates by School Enrollment Status, 2022



Data are for individuals 16 to 19 years old. White and Black Hispanics included.

Source: Author's analysis of Current Population Survey data, US Bureau of Labor Statistics.



This finding holds even under multivariate analyses. The economists Marla McDaniel and Daniel Kuehn find that at age 18, Whites are more likely to be employed full time than similar Blacks even after controlling for family and neighborhood socioeconomic circumstances, cognitive-ability scores, arrest record, and other factors. They also find that at 18 years old, White high school dropouts are more likely to obtain work than Black high school graduates.⁶

The sociologist Deidre Royster's study of White and Black male vocational high school graduates from the same school in Baltimore provides an explanation for why White youth have such a strong advantage over Black youth. She reports, "Both Black and White students had attended

⁶ McDaniel and Kuehn, 2013.



the same school, performed at comparable levels, and demonstrated similar strengths and weaknesses of character. Nonetheless, even in this carefully matched sample, race continued to be a powerful predictor of wages and employment.”⁷ She found that the Black graduates were 10 percent less likely to be employed.⁸ The White graduates were able to obtain good blue-collar jobs because they had social ties to White men who were the dominant group in the Baltimore blue-collar industries. Notably, White teachers in the high school, some of whom also had businesses which hired vocational school students, also favored their White students for hiring and referrals.⁹

Royster’s study suggests that *if one is White* then *whom* one knows is very important to finding employment — at least as important as *what* one knows. Since the Black Baltimore students were both Black and not well-connected to the older White men in the blue-collar industries, they were largely locked out of those jobs.¹⁰

In situations like the one Royster documents, a Black person’s educational credentials don’t matter. On average, Black youth, regardless of educational credentials, don’t have the social ties to influential White people for them to be as effective as White youth in finding employment. Because of these social connections, White high school dropouts can have an advantage over Black high school graduates. Only when employers are deciding *among* Black candidates would educational credentials matter.

Are The Worse Unemployment Outcomes for Black People Due to Their Distance from Jobs?

Some researchers see the high unemployment rates for Black people as being influenced by a spatial mismatch between where Black people reside and where jobs are concentrated.¹¹ In this case, the issue of racial discrimination is, to at least some degree, shifted from the labor market to the housing market: The racial discrimination that created and maintains residential segregation helps to keep Black people away from job opportunities. Other researchers find that

⁷ Royster, 2003, p. 60.

⁸ Royster, 2003, p. 61.

⁹ Royster, 2003, pp. 118–143.

¹⁰ Royster, 2003. See also DiTomaso, 2013; Pedulla and Pager, 2019.

¹¹ See the discussion in Covington, 2018.

in general there remain jobs close to where Black people live,¹² but Black people may be less likely to be hired for those jobs because of discrimination in the labor market and other factors. These positions are not incompatible since it is possible for Black people to be disadvantaged in the labor market both because of a spatial mismatch, which is due in part to racial discrimination anyway, *and* labor market discrimination.

It is informative to look at unemployment rates within the same city to see if the White–Black unemployment disparity is reduced or eliminated when both groups are more likely to have access to the same pool of jobs. **Figure 5** shows recent quarterly unemployment rates for White and Black people in New York City and the District of Columbia, and the 2020 annual unemployment rate for White and Black people in Chicago. Each of these cities also have good public transportation systems which are predicted to mitigate spatial mismatch disadvantages.¹³

¹² Hellerstein, Neumark, and McNerney, 2008; Taylor, and Ong, 1995.

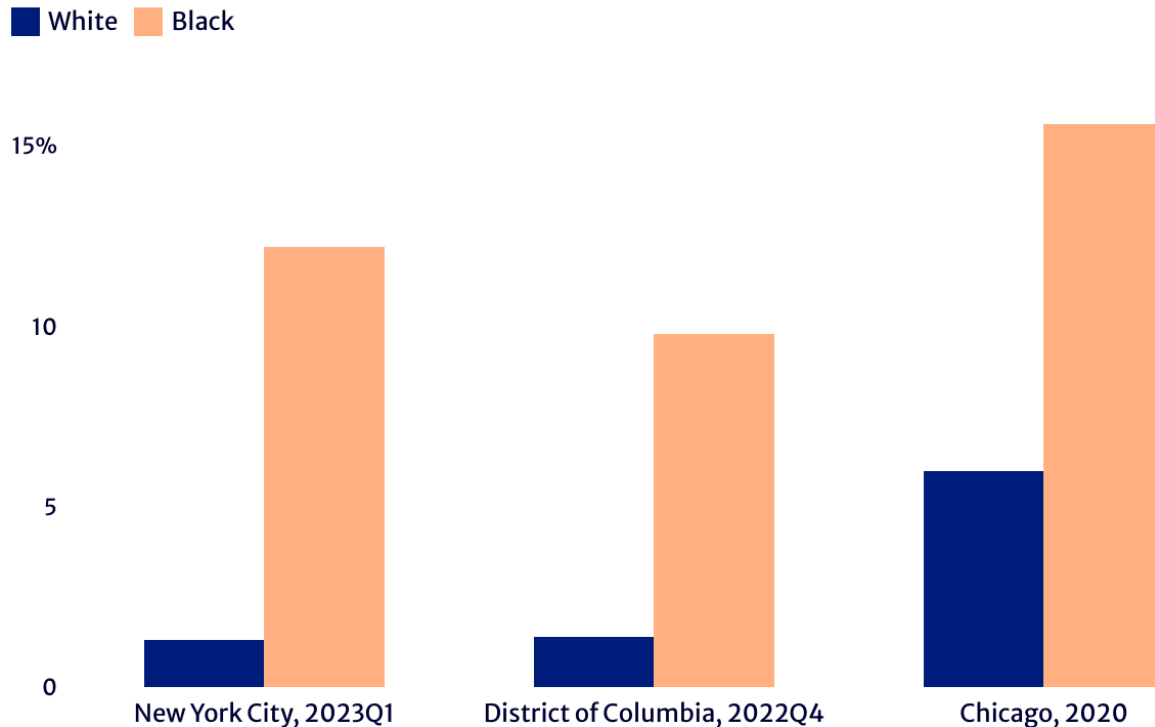
¹³ Brandtner, Lunn, and Young, 2019; Covington, 2018.



Figure 5

White People Have an Employment Advantage in U.S. Major Cities

White and Black Unemployment Rates in New York City, the District of Columbia, and Chicago



Source: Center for New York City Affairs, Economic Update, April 27, 2023; Economic Policy Institute, State unemployment by race and ethnicity, March 2023; Chicago Metropolitan Agency for Planning, ON TO 2050 plan update. New York City data excludes White and Black Hispanics. Chicago data excludes White Hispanics.



Surprisingly, the White–Black unemployment disparity is much larger within these cities than in the nation overall. Residing in the same city and having access to good public transportation does not eliminate the White advantage in finding employment.

It is possible that these city unemployment–rate disparities are being caused by differences in educational attainment. Generally, people with higher educational attainment have lower rates of unemployment. If White and Black unemployment rates are similar by educational attainment, then the difference in the educational distributions may be driving the differences. For example, hypothetically, if Whites and Blacks had equal unemployment rates by educational attainment, but 90 percent of Black workers were high school dropouts and 90 percent of White



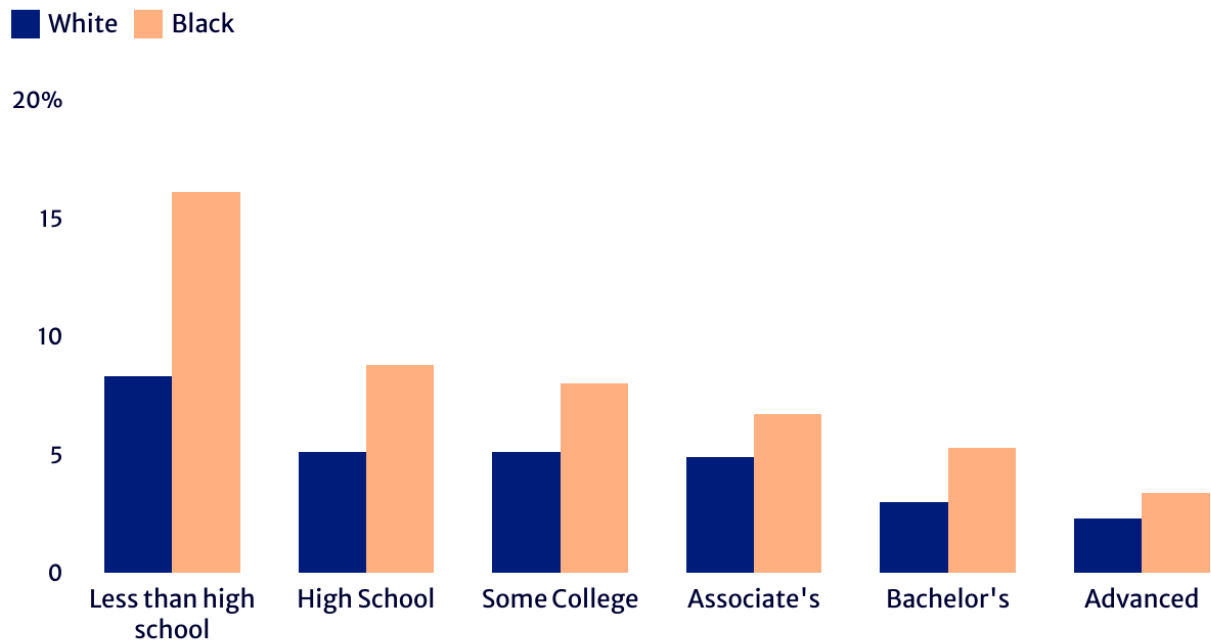
workers had bachelor's degrees, then there would be stark unemployment-rate differences without any White advantage by education. To explore this issue, the analysis will turn once again to the 2015–2019 American Community Survey. This analysis will be restricted to 25- to 54-year-olds.

The pattern of the 2015–2019 New York City unemployment rate data by educational attainment looks very similar to the national data. Again, a Black person in New York City needs an associate's degree to have better odds of finding employment than a White high school dropout.

Figure 6

In New York City, White People Have an Employment Advantage at Every Level of Educational Attainment

New York City White and Black Unemployment Rates by Educational Attainment, 2015–2019



Data are for individuals 25 to 54 years old. White and Black Hispanics omitted.

Source: Author's analysis of American Community Survey data from IPUMS USA University of Minnesota, www.ipums.org.



The District of Columbia is a unique city in many respects. One way that it is unique is in the educational profile of its residents. The District of Columbia has a much larger proportion of adults with graduate degrees than any of the other 50 largest cities.¹⁴ Because it is the nation's capital, the city attracts many highly educated individuals to work in the federal government or to work in businesses or organizations relating to the federal government in some way. Many of its residents have migrated to the District of Columbia from other parts of the United States and from other parts of the world.¹⁵

¹⁴ Florida, 2019.

¹⁵ Aisch, Gregor, Robert Gebeloff, and Kevin Quealy. 2014.

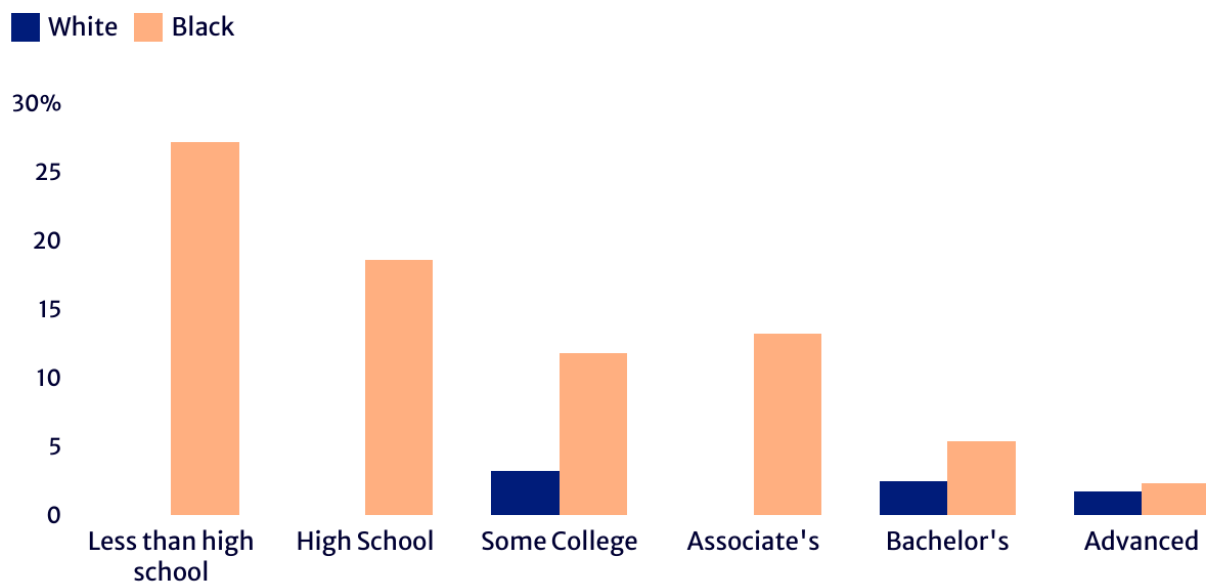


In the District of Columbia, many of the White residents are highly educated migrants, while the Black residents are more likely to be individuals who are native to the District. The educational profiles of the White and Black residents tend to reflect this situation. The White population is much more highly educated than the White population nationally; the Black population looks very similar to the national Black population in terms of education.¹⁶ Because there are only negligible amounts of White District residents with educational attainment levels of less than high school, high school, and associate's degree, it is not possible to obtain meaningful estimates for those categories.

Figure 7

In the District of Columbia, White People with College Degrees Have an Employment Advantage over Similar Black People

District of Columbia White and Black Unemployment Rates by Educational Attainment, 2015–2019



The percent of White individuals with educational attainments of less than high, high school, and associate's degrees are negligible. White and Black Hispanics omitted. Data are for individuals 25 to 54 years old.

Source: Author's analysis of American Community Survey data from IPUMS USA University of Minnesota, www.ipums.org.



¹⁶ Author's analysis of data from the National Equity Atlas. <https://nationalequityatlas.org/>

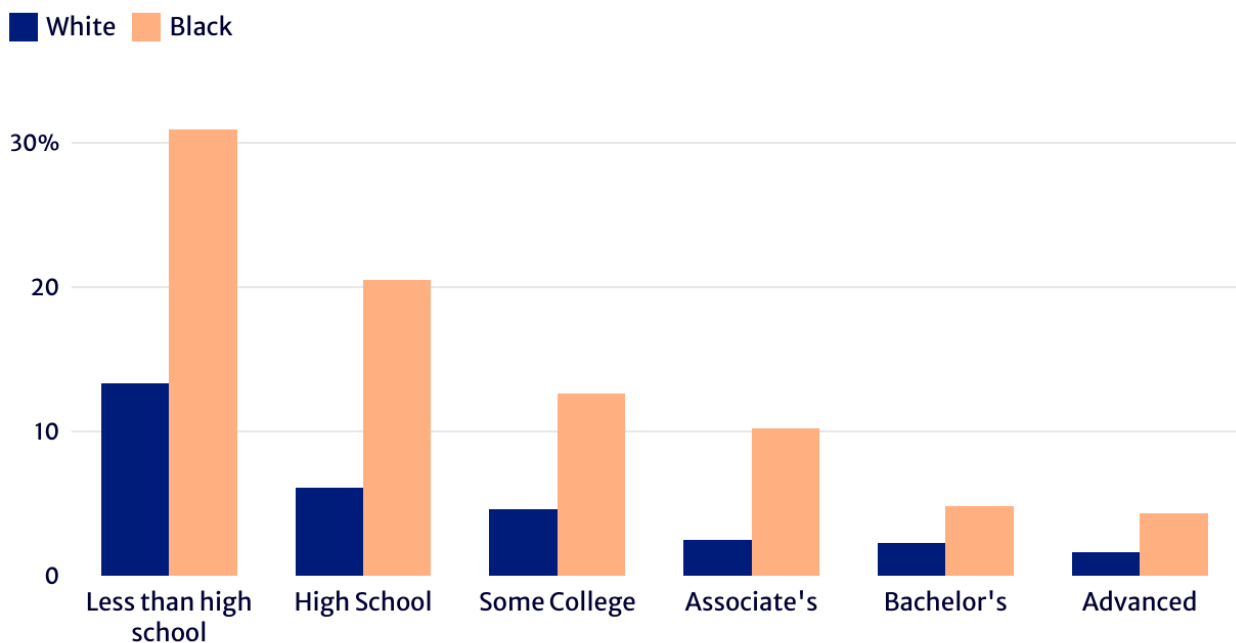


Figure 7 shows the available comparisons of unemployment rates by educational attainment in the District of Columbia. Although the individuals are in the same city and have access to a good public transportation system, the White–Black unemployment disparities are similar to the overall national picture. Black individuals with some college or a bachelor’s degree are significantly less likely to be employed than White individuals with the same educational attainment. For individuals with advanced degrees, the White and Black rates are quite close, but it seems that White individuals may have a slight advantage.

Figure 8

In Chicago, White People Have an Employment Advantage at Every Level of Educational Attainment

Chicago White and Black Unemployment Rates by Educational Attainment, 2015–2019



Data are for individuals 25 to 54 years old. White and Black Hispanics omitted.

Source: Author's analysis of American Community Survey data from IPUMS USA University of Minnesota, www.ipums.org.



In Chicago, the familiar pattern reappears (see **Figure 8**). At every level of educational attainment, White people have an advantage and are more likely to find employment. Earlier



research showed that many employers in Chicago consciously did outreach to White neighborhoods while excluding Black neighborhoods.¹⁷ This type of White preference in the labor market would contribute to White–Black unemployment disparities like what is seen here.

Do White and Black People Have Similar Unemployment Rates if They are Veterans, Have a Disability, or Were Formerly Incarcerated?

There are a good deal of public displays of respect and honor for members of the military and veterans in the contemporary United States. There is also legislation explicitly prohibiting employment discrimination against veterans and some veterans are covered in employment affirmative action programs.¹⁸ Will these policies lead to equal unemployment rates for White and Black veterans?

¹⁷ Wilson, 1996, p. 133–4.

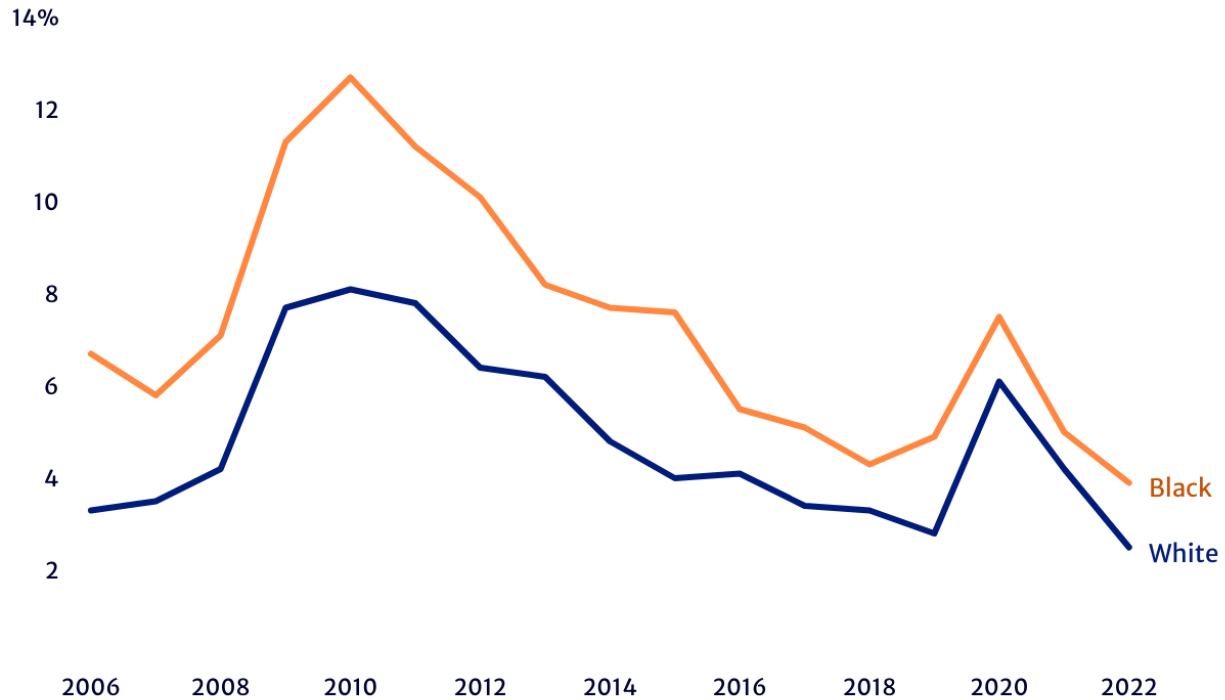
¹⁸ Veteran's Employment & Training Service. n.d.; Office of Federal Contract Compliance Programs. n.d.



Figure 9

Among Veterans, White People Have an Employment Advantage

White and Black Veterans' Annual Unemployment Rates, 2006–2022



Data are for individuals 18 years old and over. White and Black Hispanics are included.

Source: Author's analysis of Current Population Survey data, US Bureau of Labor Statistics.



Figure 9 shows that being a veteran does not break the pattern of lower unemployment rates for White people compared to Black people. There does appear to be somewhat of a narrowing of the gap with the tightening of the labor market post-2015, and the COVID-19 recession hit too strongly and too fast for there to be much distinction based on race in terms of who was laid off first. The big picture, though, is that it appears that among veterans, employers are more likely to hire White veterans than Black.

People with disabilities are often stigmatized, and they often fail to receive the necessary accommodations that would allow them to work. As a result, they tend to have high

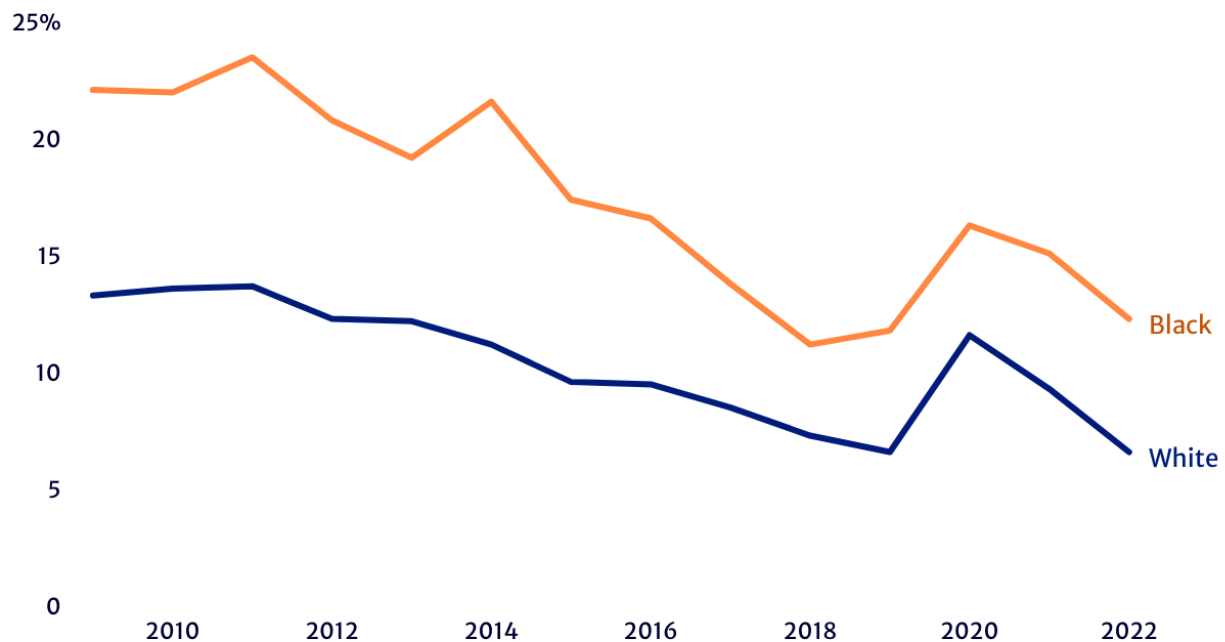


unemployment rates.¹⁹ Will disability lead to similar unemployment rates for White and Black people?

Figure 10

Among People with a Disability, White People Have an Employment Advantage

White and Black Annual Unemployment Rates for People with a Disability, 2009–2022



White and Black Hispanics included.

Source: Author's analysis of Current Population Survey data, US Bureau of Labor Statistics.



Having a disability does not change the pattern of higher unemployment rates for Black people. The same strong and persistent White advantage in finding employment also exists for people with disabilities (see **Figure 10**).

Individuals who were formerly incarcerated face significant difficulties finding employment because of the fears of the employers and customers. Additionally, there are several laws and policies that restrict individuals who were formerly incarcerated from gaining access to jobs and

¹⁹ Brown, 2022.

resources that can be helpful in finding employment.²⁰ These obstacles make it harder for the formerly incarcerated to become productive members of society. Do White and Black people who were formerly incarcerated have similar unemployment rates or is being formerly incarcerated *and Black* an additional burden?

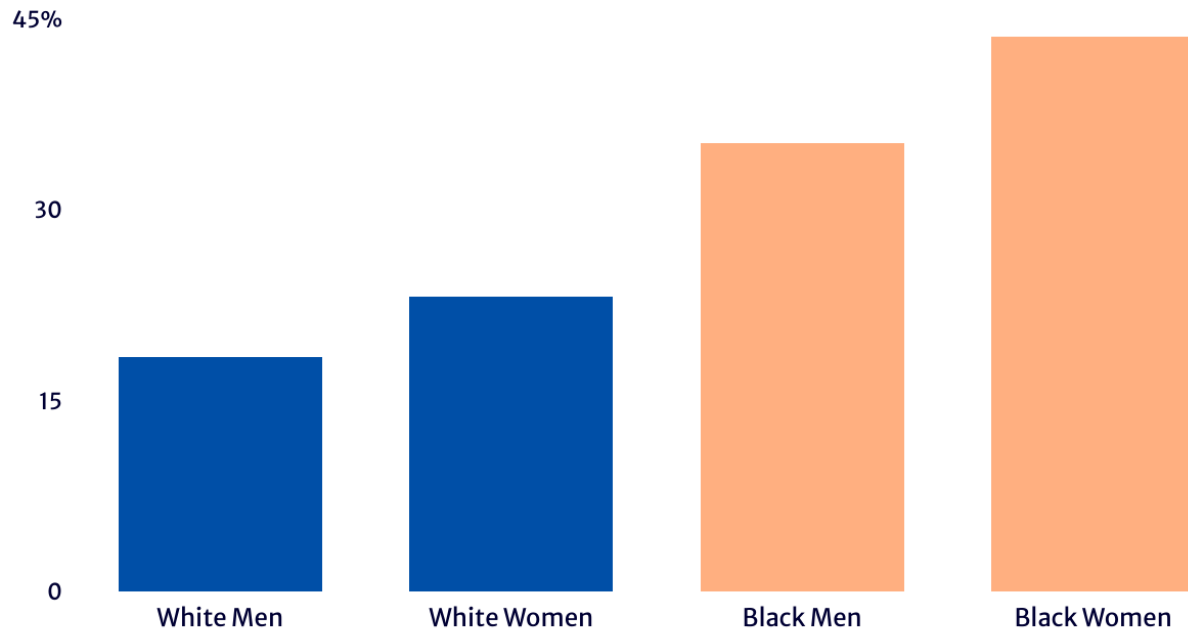
²⁰ Couloute and Kopf, 2018.



Figure 11

Among the Formerly Incarcerated, White People Have an Employment Advantage

White and Black Unemployment Rates by Sex for the Formerly Incarcerated, 2008



Data are for individuals 35 to- 44 years old.

Source: Couloute and Kopf, 2018.



While all of the formerly incarcerated face considerable challenges finding work, Black ex-offenders have a more difficult time.²¹ The Black unemployment rates are much higher than the White rates (see **Figure 11**). In fact, they are about twice the respective White rates.

²¹ See also Pager, 2003.

Do Black Immigrants Have Similar Unemployment Rates as U.S.-Born Whites?

Some people see Black immigrants as “model minorities,” meaning that they have values which cause them to succeed in the United States.²² This viewpoint dismisses the idea of anti-Black racial discrimination by pointing to the supposed success of Black immigrants.

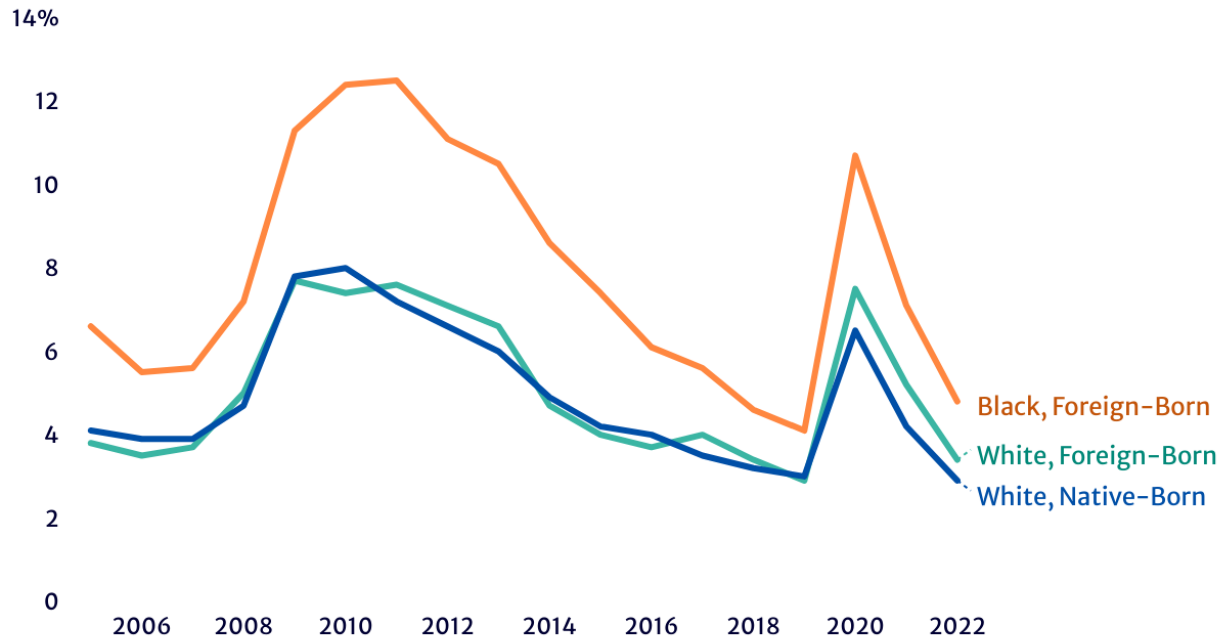
Figure 12 is a challenge to this view. The unemployment rate of White immigrants tends to be very close to the rate of U.S.-born Whites. At times, it is even slightly lower than the rate for the U.S.-born White population. The unemployment rate for foreign-born Black people is significantly higher than for Whites who are U.S.-born and for those who are foreign-born.

²² See Ukpokodu, 2018; Ifatunji, 2016.

Figure 12

Among the Foreign-Born, White People Have an Employment Advantage

White U.S-Born, White Foreign-Born, and Black Foreign-Born Annual Unemployment Rates, 2005 to 2022



White and Black Hispanics excluded.

Source: Author's analysis of Current Population Survey data, US Bureau of Labor Statistics.



The economist Patrick L. Mason has conducted a more thorough multivariate analysis of the probability of employment for U.S.-born and foreign-born Black people which controls for age, sex, educational attainment, age of arrival in the United States, citizenship status, and other factors. He finds that, after controls, all groups of Black people are similarly disadvantaged in finding employment.²³ Regardless of nativity, White people are advantaged.

²³ Mason, 2023, pp. 281–282. See also Hamilton, 2019.



Anti-Black Discrimination in Employment

Anti-Black discrimination in employment can be more overt or more covert. Some employers may be more overt because they have strong anti-Black attitudes. Some may less intentionally and less overtly discriminate against Black people by relying on White social networks in hiring.

It can be easy to underestimate the prevalence of anti-Black attitudes in the United States since they are usually not broadcast publicly. A Virginia-based IT firm, however, this year, made the mistake of publicizing that its business analyst job opening was for Whites only. The Whites-only annotation was supposed to be kept as internal company communication, but the notation was not removed when the job advertisement was posted.²⁴

Social scientists continue to find that anti-Black attitudes are fairly widespread. Recent studies have found that roughly 40 to 60 percent (depending on the measure) of Whites express anti-Black attitudes on nationally representative surveys.²⁵ It is therefore reasonable to expect that about half of all people making hiring decisions have some degree of anti-Black bias.

Who you know can be as important as *what* you know in finding a job. Social networks have been found to be very valuable for obtaining employment.²⁶ However, the U.S. is to a significant degree racially segregated, not just in residences, but also in social networks. Most White people have no Black friends.²⁷ Most of the people in positions to make or influence hiring decisions are White,²⁸ and if they rely on their social networks, they will tend to be giving an advantage to White people over Black people.²⁹

²⁴ Strachan, 2023.

²⁵ Yadon, and Piston, 2019; Peyton, and Huber, 2021.

²⁶ The recruiting software company Jobvite finds that referrals are five times as likely to lead to a hire as the overall average for recruitment strategies. Shetelboim, Hsu, and Van Nuys, 2017, p. 13. See also Pedulla, and Pager, 2019.

²⁷ Ingraham, 2014. <https://www.washingtonpost.com/news/wonk/wp/2014/08/25/three-quarters-of-whites-dont-have-any-non-white-friends/>.

²⁸ White people are the majority of the population, and they are more likely to be in management and professional occupations than Black and Latino people. U.S. Bureau of Labor Statistics, 2023.

²⁹ Pedulla, and Pager, 2019; DiTomaso, 2013; Royster, 2003.

Audit Studies or Field Experiments for Observing Discrimination

Social scientists find strong evidence of anti-Black discrimination in hiring through the use of audit studies, which are also known as field experiments of discrimination. In these studies, White and Black individuals are trained to present similar applications to the same or similar employers. An alternative methodology is to send similar resumes but with stereotypically “White” and “Black” names (e.g., Emily and Greg versus Lakisha and Jamal). In this manner, the researchers are varying only the race or the assumed race of the job candidate. Over two dozen studies, for over 25 years, find that in aggregate, employers have a preference for White candidates over essentially identical Black candidates.³⁰

³⁰ Quillian et al., 2017; Kline, Rose, and Walters, 2022.



Policy Recommendations

Stronger Anti-Discrimination Enforcement

Although the United States has anti-discrimination laws and policies, it should be clear from this report that they have not been very effective at preventing anti-Black discrimination in the labor market. Part of the problem is the failure to provide adequate resources toward the enforcement of these laws and policies. For example, the economist Olubenga Ajilore observes, “The Equal Employment Opportunity Commission (EEOC), an important federal agency charged with enforcing anti-discrimination laws,” has had its staffing reduced “from 3,390 to only 1,968 between 1980 and 2018, even as the U.S. population increased by more than 44 percent during the same period.”³¹ This means that the Commission has become considerably weaker over time.

Affirmative action in employment is a policy meant to try to counteract the White preferences in the labor market discussed above. Affirmative action in employment in this discussion refers specifically to the policy requiring federal contractors of a particular size and doing a particular amount of business with the federal government to develop an affirmative action plan to address any underrepresentation of protected groups within their firm.³² (The specifications for developing an affirmative action plan differ for protected veterans in comparison with other protected groups, so there is not one set of criteria.³³) The goal of affirmative action is to “ensure that applicants are employed, and employees are treated during employment, without regard to their race, color, religion, sex, sexual orientation, gender identity, national origin, disability, or status as a protected veteran.”³⁴ It is distinct from affirmative action in elite higher education admissions, and it is distinct from general diversity, equity and inclusion policies. As detailed, several different groups are protected by affirmative action from employment discrimination, but this discussion will focus on Black people.

³¹ Ajilore, 2020.

³² Office of Federal Contract Compliance Programs, 2022.

³³ Office of Federal Contract Compliance Programs, 2022.

³⁴ Office of Federal Contract Compliance Programs, 2022.

Affirmative action in employment is a fairly modest and weak program. Only about a fifth of U.S. workers are covered by affirmative action programs.³⁵ Since the vast majority of workplaces are *not* covered by affirmative action, even if it were a strong program, it would have a limited effect. Aside from an affirmative action plan, there are no strong requirements for an affirmative action federal contractor. For example, the economist Ward Thomas' study of affirmative action in electronics firms in Los Angeles in the 1990s only found differences in degree of commitment in using particular hiring practices and not in the kind of hiring practices used. Affirmative action firms had a somewhat better approach in advertising positions so that Black candidates could learn of the openings, and they relied more on objective criteria in evaluating applicants. Thomas found that in affirmative action firms 3.7 percent of employees were Black compared to 2.4 in non-affirmative action firms.³⁶ At the time, about 9 percent of the Los Angeles labor force was Black.³⁷ Since affirmative action guidelines are based on the share of the underrepresented group *with the necessary qualifications* — information that is not available for this discussion — Ward's 3.7 percent for affirmative action firms cannot be evaluated. But the percentage does show that the share of Black workers in these affirmative action firms is not high relative to the overall composition of the Los Angeles labor force.

Affirmative action is monitored by the Office of Federal Contract Compliance Programs (OFCCP). It seems fair to say that the agency mainly just tries to encourage firms to improve their share of underrepresented protected groups within the firm. There are no specific results required for a firm to be in affirmative action compliance. The firm only has to convince the OFCCP that it is making a good-faith effort.³⁸ A major sanction the OFCCP has is recommending that a firm's federal contract be canceled. This almost never occurs. In the Clinton administration, out of about 190,000 firms, on average, only about 3 firms lost their federal contracts per year.³⁹ The Clinton administration was "tough" compared to the Reagan and George H. W. Bush administrations which canceled firms' contracts on average of less than one a year.⁴⁰

³⁵ Adams-Mott, n.d. <https://smallbusiness.chron.com/affirmative-action-plan-small-business-47364.html>.

³⁶ Thomas, 2000.

³⁷ Author's estimates for the metropolitan area based on American Community Survey data from IPUMS USA, University of Minnesota, www.ipums.org.

³⁸ Holmes, 1995.

³⁹ Holmes, 1995.

⁴⁰ Holmes, 1995.

Affirmative action enforcement has gotten even weaker over time. Like the EEOC, the OFCCP staffing has declined significantly. In 2006, the OFCCP had 670 staff.⁴¹ In 2022, the staffing level had fallen to 427, a 36 percent reduction.⁴² The agency reported that it had reached its “lowest level of staffing in decades.”⁴³ Although covered federal contractors are required to develop affirmative action plans, an analysis has shown that 85 percent of contractors failed to produce a plan in a timely fashion when it was requested.⁴⁴ This situation suggests that a large portion of contractors are not bothering to develop affirmative action plans. Given this state of affairs, it should not be surprising to learn that although affirmative action did have a positive effect on increasing Black employment among contractors, particularly in the 1970s and 1980s, researchers are no longer finding any positive effect in the 21st century.⁴⁵ Worse still, a recent audit study concluded that some firms engaging in discrimination against Black job applicants were federal contractors.⁴⁶ Because enforcement is so weak, it seems that it is possible to be in compliance with affirmative action *and* also discriminate against Black people.

To reduce White–Black unemployment disparities, it is necessary to enforce anti–discrimination laws and policies, but the enforcement apparatus has been significantly weakened. This needs to be reversed by increasing staffing, funding, and oversight. In addition to strengthening anti–discrimination enforcement, it is probably also necessary to create new anti–discrimination approaches. Some scholars have suggested that enforcement agencies use audit studies to assist them in identifying firms engaging in discrimination, for example.⁴⁷

A Federal Reserve More Seriously Committed to Maximum Employment

Through its control of interest rates, the Federal Reserve can affect whether the economy is expanding or contracting. For the Black population, this means that the Fed can influence whether the Black unemployment rate is, for example, 6 percent or 16 percent. Clearly, 6 percent is better. When the Black unemployment rate is at 6 percent the national unemployment rate is

⁴¹ This is the full-time equivalent number. Employment Standards Administration, 2008, p. 30.

⁴² This is the full-time equivalent number. Office of Federal Contract Compliance Programs, 2024, p. 6.

⁴³ Office of Federal Contract Compliance Programs, 2024, p. 13.

⁴⁴ Rosenberg, 2021.

⁴⁵ Amano–Patiño, Aramburu, and Contractor, 2022; Kurtulus, 2015.

⁴⁶ Kline, Rose, and Walters, 2022.

⁴⁷ Kline, Rose, and Walters, 2022.

significantly lower. A tight labor market makes it more costly for employers to discriminate against Black workers, and, therefore, they discriminate less. A Federal Reserve strongly committed to maximum employment will help to narrow White–Black unemployment–rate disparities.

It is important to recognize, however, that Federal Reserve interest–rate policy has never been able to eliminate the White–Black unemployment–rate disparity or even produce Black unemployment rates that would be considered low by White standards. For several years, from 2008 to 2016, the Fed held interest rates at close to zero, yet the disparities persisted. The Fed is a very important tool in reducing Black unemployment, but the Fed alone cannot guarantee equal opportunity.⁴⁸

Subsidized Employment for High–Unemployment Communities

It should be obvious that the most effective way to reduce unemployment is to give people jobs directly. But when politicians talk about “job creation” — and particularly for disadvantaged communities — this is very rarely what they mean. Job creation ideas for disadvantaged communities often involve giving money to quite advantaged investors and corporations and then hoping that the wealthy investors and corporations create jobs for disadvantaged communities.

To understand some of the reasons why this approach has a low probability of success, it is useful to spell out the steps necessary for this give–money–to–the–rich–and–hope approach to be effective for disadvantaged communities. For this approach to work, (1) the wealthy — investors and corporations — have to make new, additional investments and not use the money for investments that they were already planning to make. (Economist Timothy Bartik finds that *at least* 75 percent of state and local economic development incentives are wasted because the firms would have made the same decisions without the incentive.⁴⁹) (2) The investments need to be successful and create jobs. (Most new business ventures fail.⁵⁰) (3) The jobs have to be fulfilled in the United States and not in some other country. (4) The firms then need to hire individuals

⁴⁸ Austin, 2023. <https://cepr.net/the-fed-alone-cannot-create-black-full-employment/>.

⁴⁹ Bartik, 2018.

⁵⁰ Bryant, 2022.

from the targeted disadvantaged community and not from a more advantaged community nearby. Every step in this process is an opportunity for failure or, at least, a weakening of the effectiveness of the dollars spent. Consequently, while the give-money-to-the-rich-and-hope approach is often beneficial to wealthy investors and corporations, it usually does not provide disadvantaged communities with jobs.

A recent example of this give-money-to-the-rich-and-hope approach is Opportunity Zones. Opportunity Zones allow investors to reduce their taxes by investing in disadvantaged communities.⁵¹ Evaluations have found “little or no evidence of positive effects”⁵² and that Opportunity Zones “are not changing economic development outcomes in distressed neighborhoods.”⁵³

Subsidized employment is a much, much better approach. With subsidized employment, the government covers some or all of the labor costs of public, non-profit, or public sector employment. Only when a job is created is there a cost, so there is no money wasted investing in a venture that doesn't create jobs. Once one understands the simplicity and directness of the model, it is not surprising that a meta-analysis of 102 randomized control trials studies concluded that “[w]age subsidies show the greatest impact on labor earnings and employment relative to the control group.”⁵⁴ Subsidized employment is effective because people who are unemployed are given jobs.

The subsidized employment approach is much better than the wasteful give-money-to-the-rich-and-hope approach. Additionally, Bartik argues that “when we consider how job creation and higher employment rates affect a community — lower substance abuse, lower crime, stronger families and child development, better job skills, better fiscal conditions and public services, and so forth — the required social benefit measure might be twice the wage bill in a distressed community.”⁵⁵ In the long-term, effective subsidized employment programs could end up more than paying for themselves.

⁵¹ Rascoe, 2019.

⁵² Freedman, Khanna, and Neumark, 2023.

⁵³ Snidal and Newman, 2022. <https://www.jstor.org/stable/48657939>

⁵⁴ Levy Yeyati, Montane, and Sartorio, 2019. <https://dash.harvard.edu/handle/1/37366396>

⁵⁵ Bartik, 2022.

Currently, the national unemployment rate is low, but it is still quite high in many Black communities. (For example, review the Black city unemployment rates in Figure 5.) While Black communities are not the only communities suffering from high rates of unemployment, a national program targeting subsidized employment dollars to high-unemployment areas would be helpful in reducing the White-Black unemployment-rate disparity.

Conclusion

By investigating a range of group comparisons, ranging from educational attainment to geography, this report reveals that White people as a group always have better employment outcomes than similar Black people. Some of these outcomes can be attributed to overt anti-Black attitudes, while others to the more covert form of discrimination that results from hiring within White social networks. To begin to remedy the rampant anti-Black employment trends, the U.S. needs stronger anti-discrimination enforcement, a Federal Reserve committed to achieving maximum employment, and a national, subsidized employment program targeted to high-unemployment communities. None of these policy solutions can stand alone, but rather can work alongside one another to close the White-Black unemployment gap.



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