

THE RACIAL GAP IN WAGES AND EMPLOYMENT

Introduction

While income generated from employment does not by itself constitute wealth, it does provide a foundation for ensuring economic security and asset accumulation. In many cases, benefits associated with employment may also help a worker meet his or her retirement security and/or health, disability, or unemployment insurance needs.

Income disparities by race and ethnicity have been a persistent feature of the U.S. labor market. People of color have consistently received lower wages than whites. And, African Americans and Native Americans have traditionally experienced higher unemployment rates than whites.¹ Both supply and demand side factors contribute to the racial and ethnic gap in wages and employment.

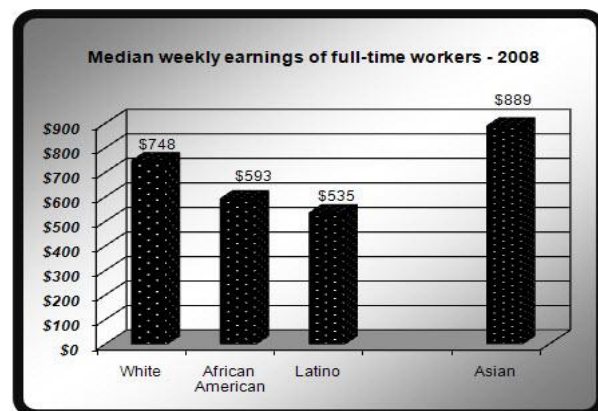
On the demand side, African Americans and Hispanics have, on average, lower educational attainment levels and fewer labor market skills when compared to whites. Language barriers also make it difficult to obtain higher quality employment and create barriers to educational and skill development. On the supply side, discrimination on the basis of race, ethnicity, and nationality persists. Racial and ethnic minority job applicants are less likely to attain jobs than equally qualified whites and more likely to earn less than equally qualified whites when employed.

Globalization, the decline of the manufacturing sector, the growth of the U.S. service economy, and lower rates of unionization are additional factors contributing to depressed wages and employment opportunities for people of color. Because individuals from communities of color represent the fastest growing segment of the U.S. labor market, it is critical for policymakers, industry leaders and others to create and support policies and programs that eliminate discriminatory employment patterns and advance education, training and skill development for affected populations.

There is a Persistent Wage Gap among Racial and Ethnic Groups

Racial and ethnic disparities in household and per capita income persist. People of color are also more likely than whites to live in poverty.

- The data is for full-time workers. In January of 2009 the unemployment rate for African American's was 13.4%; for Latinos, 11%; for Asian Americans, 6.2%; for whites, 7.8%.²
- In 2007 the median household income for African Americans was \$34,001, and for Latinos \$40,766, compared with \$53,714 for whites.³ In 2006, 8 percent of whites, 10 percent of Asians, 24 percent of blacks



Source: Bureau of Labor Statistics, "Median usual weekly earnings of full-time wage and salary workers."

(cont.) and 21 percent of Hispanics had incomes below the poverty level.⁴

- In 1999, the median household income for American Indian and Alaska Natives was \$30,599 and \$42,717 for Native Hawaiian and other Pacific Islander households.⁵ 26 percent of American Indian and Alaska Natives and 18 percent of Native Hawaiian and other Pacific Islanders had incomes below the poverty level.⁶
- Some Asian ethnicities such as the Chinese and South Asians garner higher wages as employees largely in the science and technological sectors in which they are pigeonholed. The Hmong are the poorest ethnicity in the United States.⁷

Unequal Employment Outcomes are Institutionalized in the U.S. Labor Market

Labor market discrimination in the form of occupational segregation, career immobility, and biased hiring patterns are still facts of life for workers of color.

- Studies have found that the U.S. labor market is not “race blind” and that race and ethnicity are significant factors in determining job placement and career opportunities.⁸
- Employers are more averse to hiring African American men than any other racial or gender demographic group and black men experience higher rates of long term unemployment.⁹
- The two-to-one ratio in unemployment rates between blacks and whites has been consistent over time *despite a shrinking gap in educational attainment between the two groups.*¹⁰
- Hispanics and African Americans are more likely to be segregated in occupations that are temporary in nature, service-related, or construction/transportation-related. These jobs are generally more physically demanding, have fewer benefits, and have lower pay than jobs held by whites.¹¹
- Race and ethnicity account for more of the wage differences between whites and people of color than educational attainment or work experience.¹²
- People of color living in rural areas are more likely than whites to be unemployed or underemployed.¹³

Recommendations

Recommendations to close the racial and ethnic gap in wages and employment include:

1. ***Strengthen enforcement and monitoring*** of Title VII of the Civil Rights Act of 1964 that prevents employment discrimination against individuals on the basis of race and ethnicity.
2. ***Support the freedom to organize*** which would open the door to workplace benefits and protections for more Americans. Unionization has been the most successful strategy for workers to achieve economic mobility and security.
3. ***Reshape funding formulas*** for community colleges and adult education systems.
 - Provide incentives and funding that allow community colleges and universities to tie curriculum to industry needs.
 - Provide funding for community colleges to open satellite campuses and outreach centers in high-poverty neighborhoods serving high concentrations of people of color.

- Link funding formulas for academic programs to student completion rates rather than to enrollment figures. For vocational programs, tie funding formulas to certificates of completion, degrees earned and job placements.
 - Create an “earn-back index” that provides financial rewards to community colleges when participants in their pre-employment programs (e.g., soft skill development, work readiness, etc.) receive wage increases
 - Reward colleges for increasing the rate of students transferred from remedial programs to technical certificate or academic programs.
4. ***Replicate sector strategies*** that align workforce investment, economic development, and education to connect people of color to good jobs while meeting employer needs.
- Create pathways within education and workforce systems that prepare and advance people of color in high-wage, high-demand industries.
 - Support strategies that work to reshape low-wage, “low-road” industries that employ high concentrations of people of color to provide better wages, benefits, and opportunities for career advancement.
 - Provide resources for culturally-sensitive sector initiatives that encourage collaboration between employers and community based organizations serving communities of color.
5. ***Implement innovative rural economic stimulus programs.***
- Implement state and local policies that support the development of local credit-service systems such as time-exchange programs and local currencies. Time Banks allow residents to earn “time dollars” by providing community services such as street cleaning or recycling. Community currency programs, such as the “Ithaca Dollar,” allow localities to issue currency to be used for the purchase of goods and commodities.

The Insight Center for Community Economic Development is a national research, consulting and legal organization dedicated to building economic health in disenfranchised communities.

This factsheet was produced as part of our **Closing the Racial Wealth Gap Initiative**, a national effort to close the racial wealth gap for the next generation by injecting over 140 members of the **Experts of Color Network** into the national debate on America's future. Experts on this issue include: [Tse Ming Tam](#), John Foster-Bey, [Saru Jayaraman](#), Diane Kelley, [Darrick Hamilton, Ph.D.](#), [Manuel Pastor, Ph.D.](#), [Kirsten Moy](#), and Harold Toro-Tulla.

For more information please visit www.racialwealthgap.org and www.expertsofcolor.org.

¹ Tinker, George E. and Loring Bush. "Native American Unemployment: Statistical Games and Coverups". In Shepherd Jr., George W. and David Penna, *Racism and the Underclass: State Policy and Discrimination Against Minorities*. New York: Greenwood Press, 1991.

² Bureau of Labor Statistics, Table A-15 Employment status of the civilian noninstitutional population by race, Hispanic or Latino ethnicity, sex, and age, accessed online at www.bls.gov, 3/4/09.

³ Census Bureau, *Income, Earnings, and Poverty Data from the 2007 American Community Survey*, "Table 1. Median Household Income in the Past 12 Months by Race and Hispanic," 9.

⁴ U.S. DeNavas-Walt, Carmen, Proctor, Bernadette D., and Jessica Smith. U.S. Census Bureau Current Population Reports, P60-233, *Income, Poverty and Health Insurance in the United States: 2006*, U.S. Government Printing Office, Washington, D.C., 2007.

⁵ Census Bureau. Statistical Abstract of the United States: 2004-2005. Table No. 663. "Money Income of Households—Distribution of Income and Median Income by Race and Hispanic Origin: 1999."

⁶ U.S. Census Bureau. Statistical Abstract of the United States: 2004-2005. Table No. 682. "People Below Poverty Level by Race, Sex, and Age: 1999."

⁷ Lui, Meizhu, B. Robles, B. Leondar-Wright, R. Brewer, R. Adamson, *The Color of Wealth: The Story Behind the U.S. Racial Wealth Divide*, The New Press, 2006.

⁸ Spalter-Roth, Roberta and Terri Ann Lowenthal. "Race, Ethnicity and the American Labor Market: What's At Work?" American Sociological Association, June 2005.

⁹ Holzer, Harry J. and Paul Offner. 2006. "Trends in Employment among Less-Educated Young Men, 1979-2000." In R. Mincy ed. *Black Males Left Behind*. Washington DC: Urban Institute Press. And, Lichter, Michael I. and Melvin Oliver. 2000. "Racial Differences in Labor Force Participation and Long-Term Joblessness Among Less-Educated Men." Pp. 220-48 in *Prismatic Metropolis: Inequality in Los Angeles* edited by Lawrence D. Bobo, Melvin L. Oliver, James H. Johnson Jr., and Abel Valenzuela Jr. New York: Russell Sage Foundation.

¹⁰ Spalter-Roth, 2005.

¹¹ Kalleberg, Arne L., Barbara F. Reskin and Ken Hudson. 2000. "Bad Jobs in America: Standard and Nonstandard Employment Relations and Job Quality in the United States." *American Sociological Review*, 65(2):256-78.

¹² Darity, William, Jr., David Guilkey, and William Winfrey. 1996. "Explaining Differences in Economic Performance Among Racial and Ethnic Groups in the USA: the Data Examined." *American Journal of Economics and Sociology* 55(4):411-26.

¹³ Slack, Tim and Leif Jensen, (2002). "Race, Ethnicity, and Underemployment in Nonmetropolitan America: A Thirty Year Profile." *Rural Sociology*, Vol. 67 (2), pp. 208-233.