

Racism and the Economy

focus on **Employment**



The Federal Reserve Banks of
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POLICY BRIEF

The 12 regional Federal Reserve Banks are partnering on an event series focused on the economic impacts of structural racism and lifting up ideas for disrupting it. [An event](#) held on November 17, 2020, focused on systemic racism and employment, raised important considerations for the Fed’s mandate to pursue maximum employment. The economy cannot reach its potential [if the labor market continues to exclude workers of color](#).

The event highlighted ambitious proposals for reform with measurable goals that can address racial inequities caused by three interconnected factors:

- **Occupational segregation:** This term describes the overrepresentation of people of color and especially women of color in jobs with lower wages and fewer labor protections. During the pandemic, many of these workers are not paid or treated commensurate with their “essential” designation.
- **Racial and ethnic discrimination:** Discrimination within employing firms contributes to racial disparities, but funding for the agency responsible for enforcing anti-discrimination has a significant backlog and is sometimes limited by outdated regulations.
- **Quality jobs:** Jobs offering family-sustaining wages and benefits are in scarce supply for workers of color. The pandemic has reinforced the importance of a safe workplace, reliable transportation, adequate health care, and livable wages.

Narratives about labor market inequalities often focus incorrectly on workers’ behaviors? instead of structural racism. Building a more inclusive economy will instead require changes to systemic and institutional practices. No single solution will reshape the labor market overnight, but the need for change is great; the issues discussed in this event require both a long-term view and a sense of impatience.

Experts in the field made several promising recommendations at the event, including:

- **Enforce antidiscriminatory laws:** Increased resources for the Equal Employment Opportunity Commission would create new accountability for employers. Funding and staffing increases would allow the agency to work through its backlog and more efficiently address employees’ concerns. [New data and stronger regulations](#) would help policymakers assess workforce composition at every level and support equitable access to good jobs.
- **Transform insecure work:** Policies should ensure that gig and temporary workers, who are disproportionately people of color, have meaningful opportunities to explore emerging opportunities to join the economic mainstream and acquire the same protections afforded the rest of the workforce. Collecting national data on this segment of the workforce and appropriately regulating terms of work are both important parts of this effort.
- **Promote employment inclusion for returning citizens:** The United States has the highest incarceration rates in the world, disproportionately impacting people of color. Strategies to [support returning citizens’](#) entry into the workforce include sentencing reforms, schooling during incarceration, and post-release training and job search assistance. These strategies are crucial to diminishing racial inequalities in labor outcomes.
- **Reduce bias in hiring and promotion decisions within firms:** Firms can adopt promising business practices such as those in the [Multiple Pathways Initiative](#), which help employers center recruitment and assessment decisions on skills. This initiative identifies and alters existing, seemingly race-neutral practices that have been shown to disadvantage workers of color.

For more information

If you have additional questions or would like to be connected with Federal Reserve staff in your area, contact:

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