

# Special Webcast

## Trends in Racial and Gender Gaps in the US Economy and Labor Markets

November 8, 2021



# Some of the critical questions and issues we will be answering today

- How did the pandemic impact racial and gender gaps in the US?
- Can remote work be used to reduce racial wage gaps?
- Why are the remaining racial and gender gaps still so large?
- What can companies do?



# Today's Speakers



**Elizabeth Crofoot**  
Senior Economist  
**The Committee for  
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The Conference Board**



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Partner  
**McKinsey & Company**



**Gad Levanon (Moderator)**  
Vice President, Labor  
Markets  
**The Conference Board**

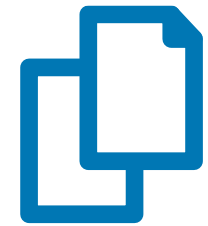
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# Overview

- Gender and racial economic and labor market gaps were very large before the pandemic
- In some ways, women and people of color, were harder hit by the pandemic.
- During 2020 and 2021, the focus on equality in corporate America significantly increased?
- Did it make a difference?
- At least for Black workers, the initial answer seems to be yes!
- The shift to remote work could be used to reduce gaps further



McKinsey  
Global Institute

# The economic state of Black America

Conference Board Presentation

November 2021

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# We evaluated five economic roles that individuals play in the economy to better understand Black economic participation



**Roles**

**Workers**

**Business Owners**

**Consumers**

**Savers / Investors**

**Residents**

**Key outcomes**

Participation in labor force & employment

Wages and compensation

Sector & occupational mix

Career progression

Business starts (realized entrepreneurship)

Business revenue & profits

Business capitalization

Spend & access by category

Prices paid for goods & services of similar quality

Intergenerational transfers

Participation and value of financial & non-financial assets






Types and value of debt

Spend and participation in public programs

Spend and quality of public services



# The concentration and severity of disparities across roles highlight areas for potential action

Roles					
	Workers	Business Owners	Consumers	Savers/Investors	Residents
Sample insights	<p><b>60%+</b></p> <p>of the \$220B aggregate wage gap is accounted for by &lt;4% of occupations</p>	<p><b>~70%</b></p> <p>of the \$1.6T aggregate revenue gap for Black-owned employer firms is concentrated in 5 industries</p>	<p><b>20%+</b></p> <p>Black households live a food desert, and they are concentrated in 5 states in the Southeast/South</p>	<p><b>~60%</b></p> <p>of the annual flows that lead to the 8:1 wealth gap come from intergenerational transfers</p>	<p><b>~\$1,800</b></p> <p>Lower average per pupil funding in K-12 public schools in majority Black vs. majority white schools</p>
Potential actions clients can take	<p>Explore skills-based hiring</p> <p>Up-/re-skill existing workers</p> <p>Expand paid apprenticeships / internships</p> <p>Increase workforce diversity at all levels</p>	<p>Draw lessons from and scale supplier diversity programs</p> <p>Shift corporate VC to disproportionately fund entrepreneurs of color</p>	<p>Design products with racial equity at the center</p> <p>Expand footprint to untapped communities</p>	<p>Explore new financial products to meet the needs of Black savers/investors</p> <p>Expand access to wealth-building benefits</p>	<p>Focus on increasing effectiveness of spending to improve disparate outcomes for Black residents</p>



# Our research helps identify the potential impact and mechanisms for unlocking racial equity gaps based on the five economic roles

## Workers

**~\$220 billion**

Annual occupation and wage gap: 20 occupations, i.e., <4 percent of all occupations, account for more than 60 percent of the aggregate value

## Business Owners

**~\$1.6 trillion**

Aggregate revenue opportunity if number of firms and per firm revenue were at parity for Black-owned employer firms

## Consumers

**\$300 billion  
(unsatisfied demand)**

Black consumers are disproportionately affected by consumer “deserts” and more like to have unmet quality/preferences for existing products

## Savers/Investors

**~\$300 billion**

Annual disparity in wealth flows to Black households. Intergenerational transfers account for ~60% of disparity in annual flows. Black savers and investors are less likely to participate and reap the benefits of financial products / services

## Residents

**Underserved and overburdened**

Black residents are more likely to be underserved by public programs and overburdened in their interactions with public institutions – e.g.,:

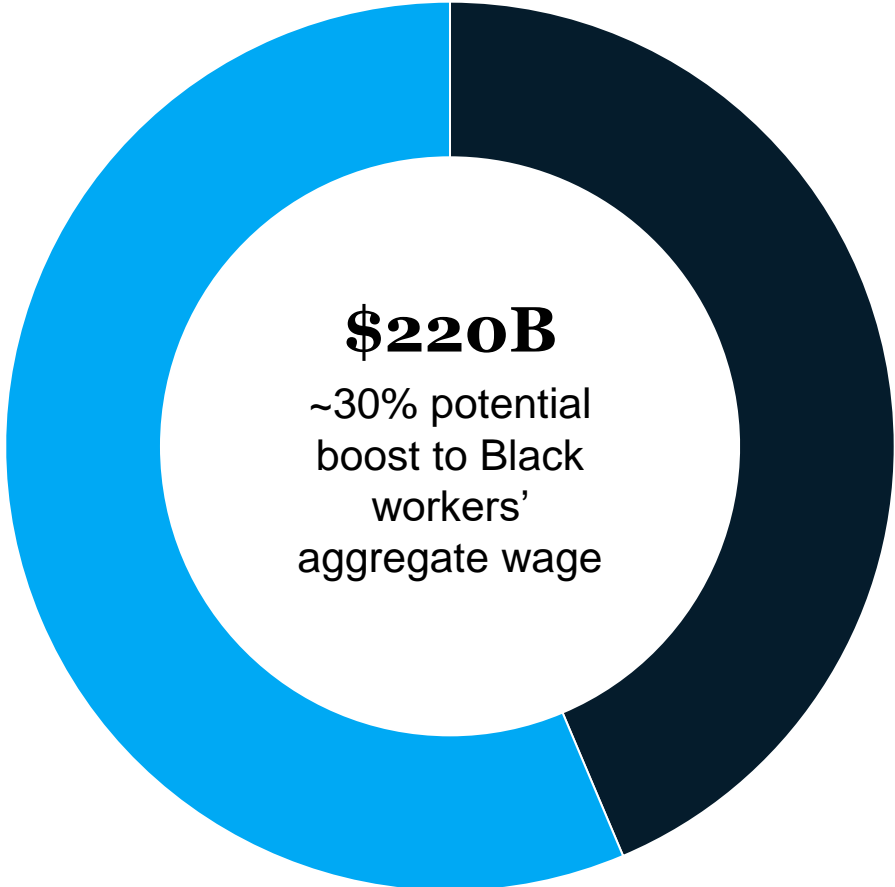
- Certain government expenditures amplify existing disparities (e.g., tax expenditures/credits favor wealthy)
- Residents in majority Black neighborhoods see less per capita spend (e.g., public K-12 education system) and face disparities in the quality of services delivered (e.g., health, housing)
- Disparities persist due to challenging program design and implementation (e.g., Medicaid eligibility rules)

# Parity in representation and wages within occupations would boost wages for Black workers by 30 percent, or about \$220 billion annually

**\$124B**

### Closing the representation gap

Improving Black representation in all occupations to match that of Black representation in the labor force<sup>1</sup>



**\$96B**

### Closing wage gaps within occupational categories

Closing wage gaps between Black workers and their white counterparts in the same occupational categories<sup>2</sup>

1. Based on adjusting the Black worker share within each occupation to match the Black share of the US labor force (~13%). Doing so involves adding almost one million additional Black workers to the labor force from the pool of the currently unemployed or inactive population.

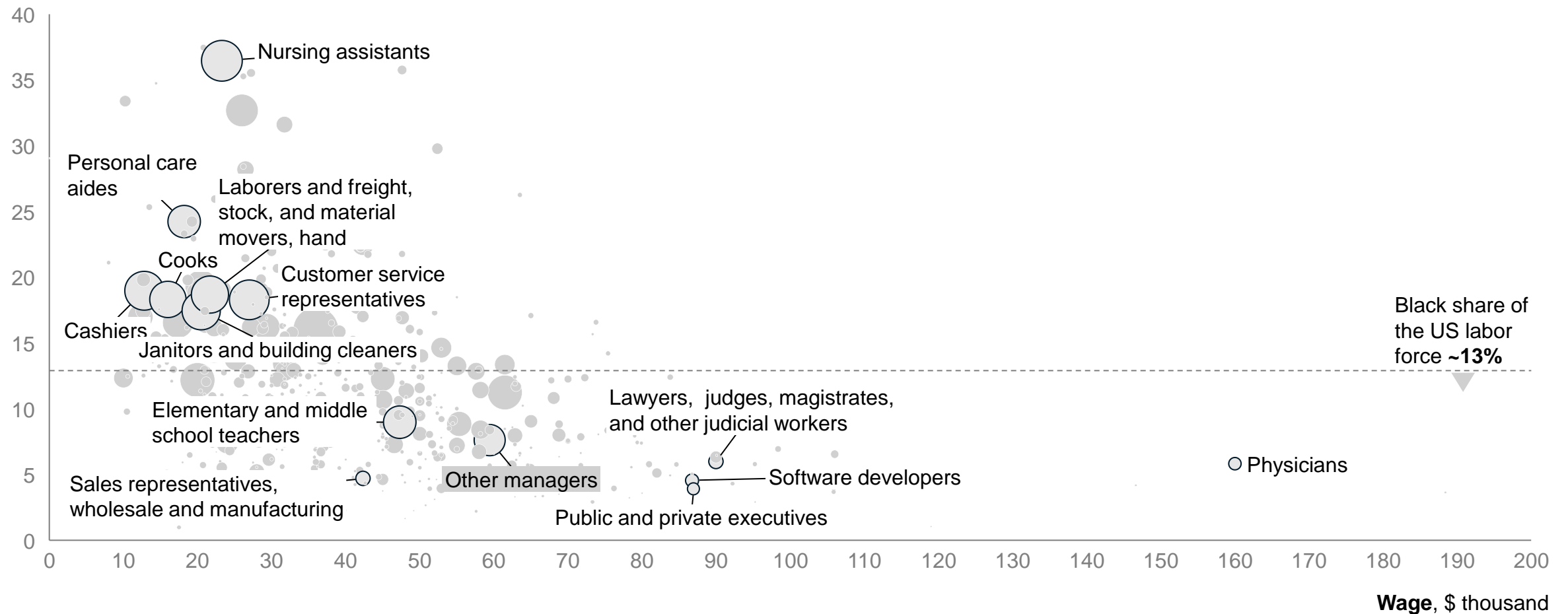
2. Analysis based on 530 occupations.

# Black workers are concentrated in lower-paying occupations and underrepresented in higher-paying ones.

Black representation and wages by occupation

○ Bubble size represents 50,000 Black workers

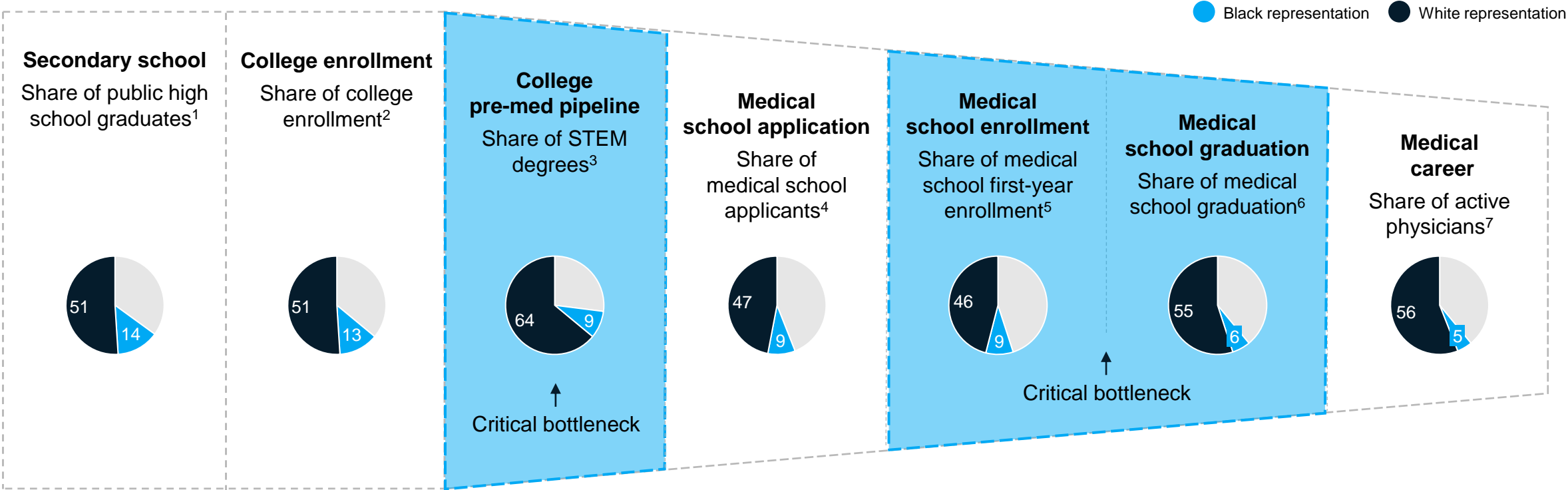
Black share of workforce in each occupation, %



1. The ACS occupational category is titled security guards and gaming surveillance.
2. The ACS occupational category is titled chief executives and legislators. Category includes corporate executives, small business owners, legislators, and executives of public entities.

# Doctors: The pipeline of Black doctors thins potentially due to lower attainment of pre-med college degrees

Racial representation at key points along the professional development pathway for physicians



1.NCES Public High School Graduates (2019).

2.NCES Undergraduate Enrollment (2019).

3.NCES percentage distribution of STEM degrees/certificates conferred to US citizens (2015-16).

4.From AAMC 2020-21 applications data.

5.From AAMC 2020-21 matriculation data.

6.From AAMC 2018-19 medical school graduation data.

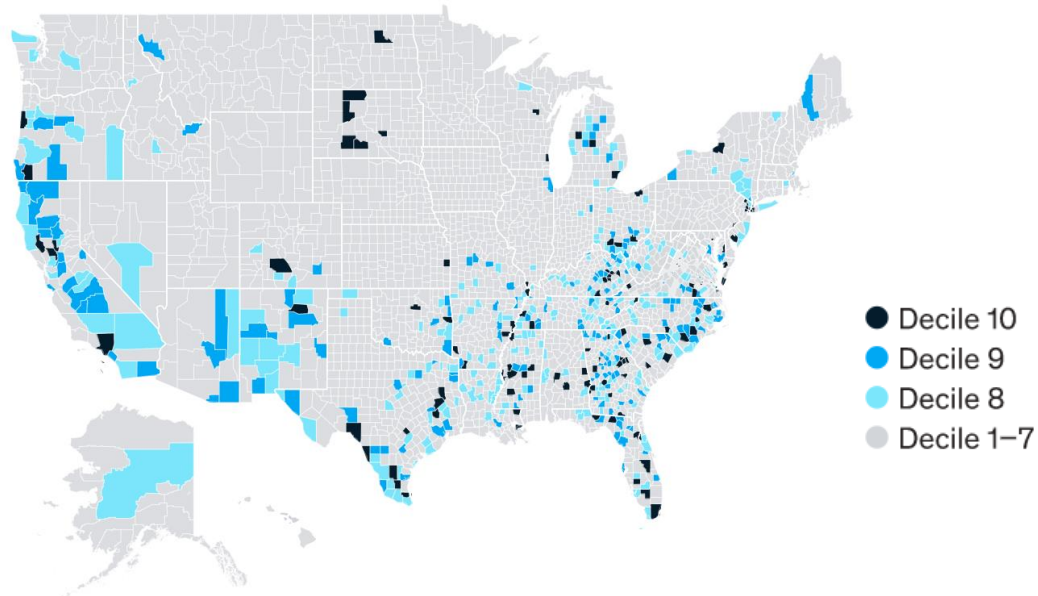
7.According to the AAMC, there are approximately 900,000 active practicing physicians in the United States.

Note: The Black share of the US population is 13.4 percent, while the white non-Hispanic share of the population is 60.1 percent. In a scenario of parity, with representation in the profession matching the Black share of the population, the United States would have some 77,000 Black doctors.

# Pre-crisis, Black Americans are almost twice as likely to live in places where the pandemic would likely cause outside disruption

## Counties<sup>1</sup> most at risk of disruption due to COVID-19

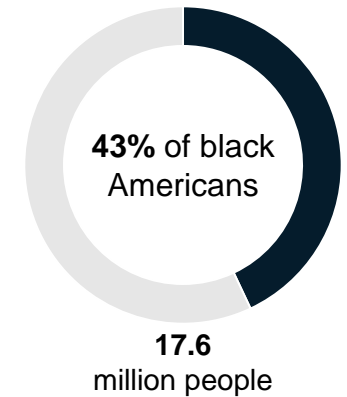
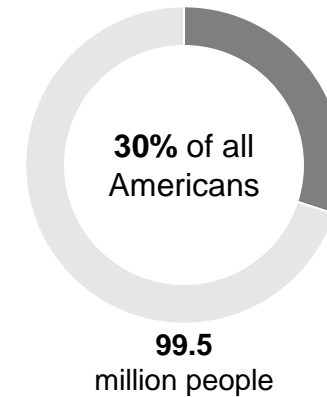
Heat map of highlighted counties in deciles 8-10, representing 30% of the population



### Indicators of disruption include:

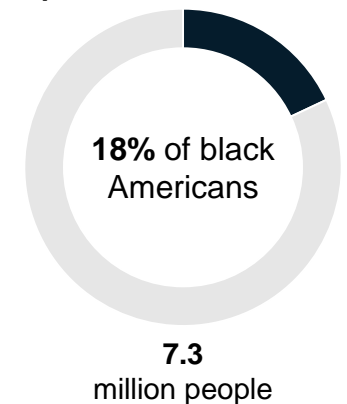
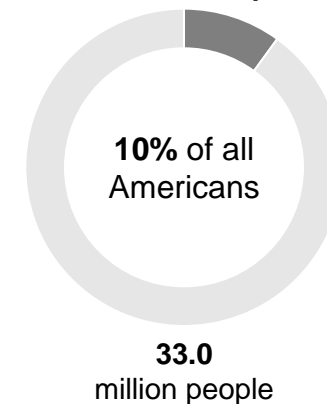
- 1) COVID-19 comorbidity rate
- 2) Poverty rate
- 3) Population density
- 4) Percentage of residents with severe housing problems
- 5) Number of hospital beds

### ● ● ● Deciles 8-10 (566 total counties)



Black Americans are clustered<sup>2</sup> in **244 counties**

### ● Decile 10 (127 total counties)



Black Americans are clustered in **72 counties**

# Systemic inequity increases black Americans' vulnerability to COVID-19

## Higher risk of contracting COVID-19

Black workers are:

- Less likely to be able to work from home
- Overrepresented in essential, frontline workforce<sup>1</sup>
- More likely to live in high risk housing situations (e.g., multi-generational home, multi-family housing)

# 20%

Of workers in low-wage, high contact, essential jobs are black<sup>1</sup>

## Lower access to testing

Black Americans are:

- More likely to live in states with below median access to testing<sup>2</sup>
- Less likely to have a primary care doctor to provide a referral for testing

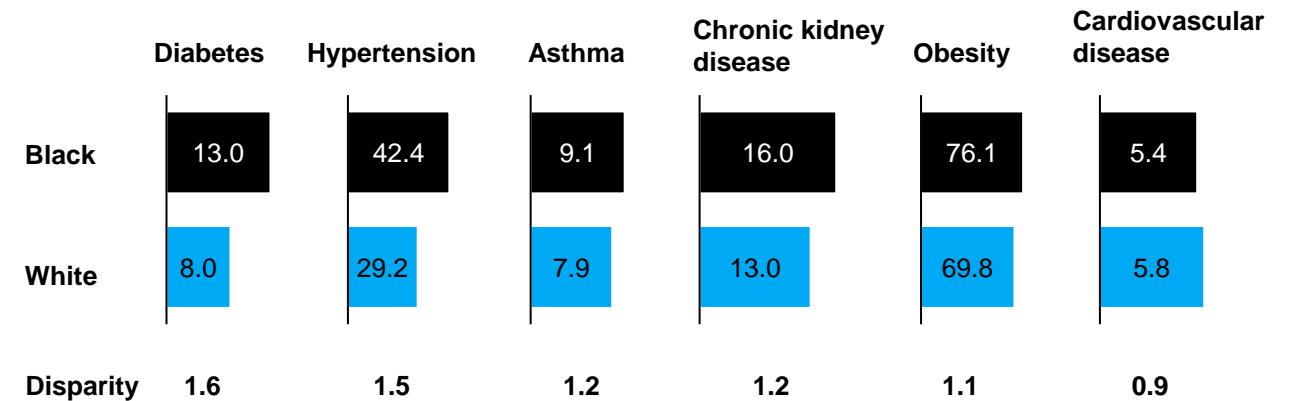
# 65%

Of Black Americans live in states with below median testing rates<sup>3</sup>

## Increased risk of complications and secondary effects

### Comorbid conditions for COVID-19<sup>4</sup>

Percentage



# 30%

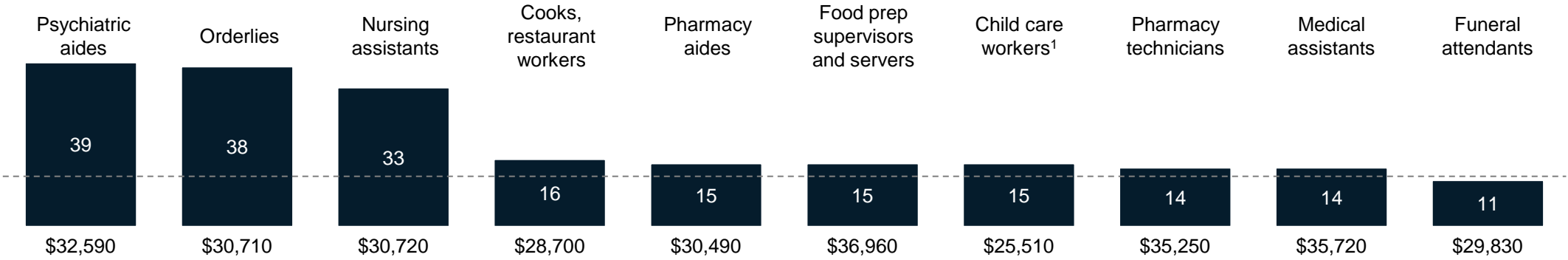
Of Black Americans have health conditions that exacerbate COVID-19<sup>4</sup>

1. McKinsey Global Institute analysis, US Bureau of Labor Statistics, and the National Center for O\*NET Development  
2. As of April 5, 2020

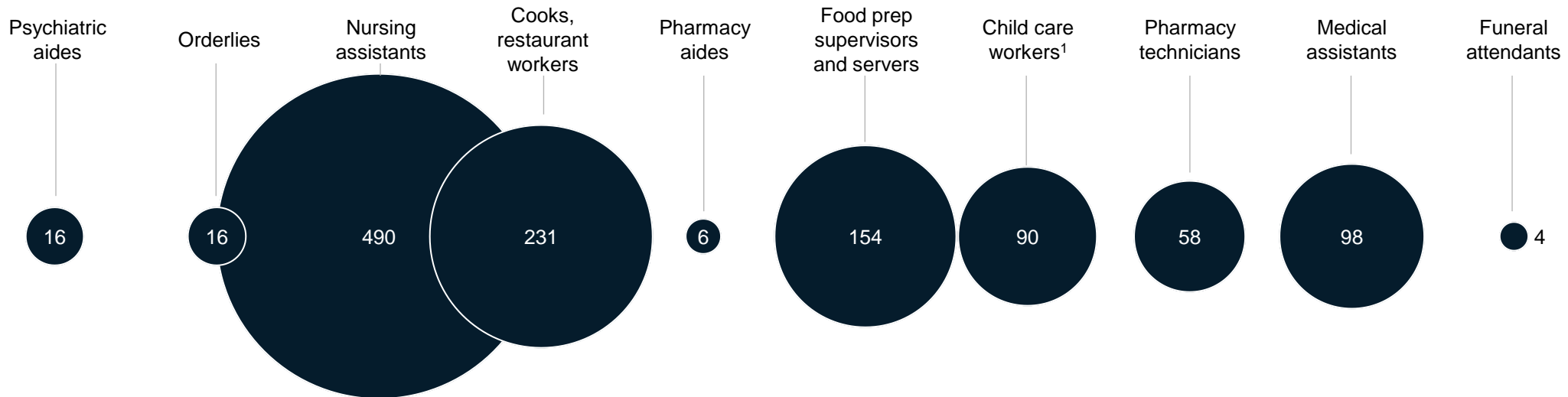
3. The COVID Tracking Project  
4. Centers for Disease Control

# Black Americans are overrepresented in nine of the ten lowest-wage jobs considered high-contact, essential services

Black Americans in high-contact essential services, by annual income, % share



Black Americans in high-contact essential services, thousands of employees



1. Inclusion of childcare workers as an essential service varies by locality



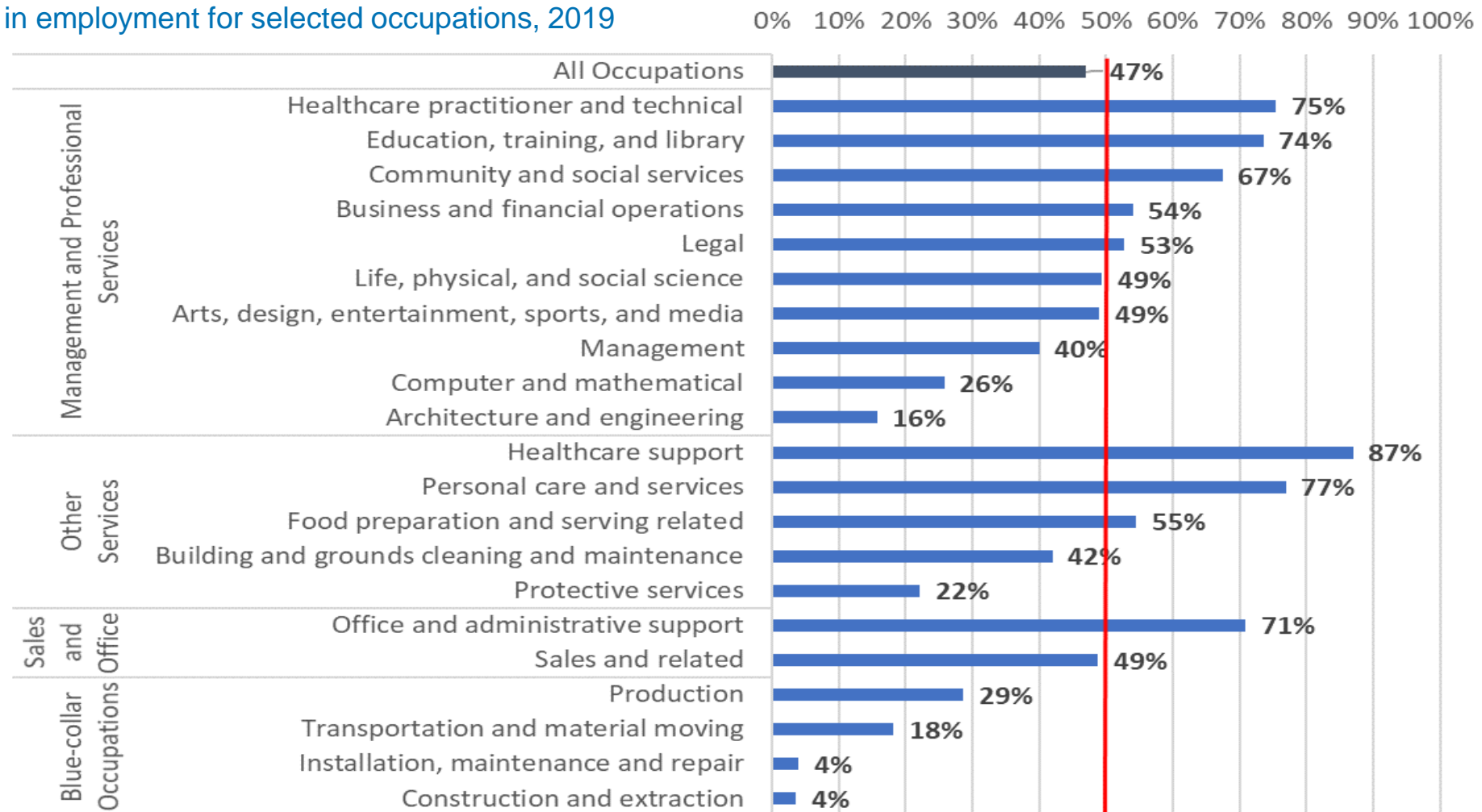


# COVID-19 Impact on Women



# A “gendered” workforce means women are concentrated in lower-wage and service-oriented jobs most impacted by social distancing

Share of women in employment for selected occupations, 2019

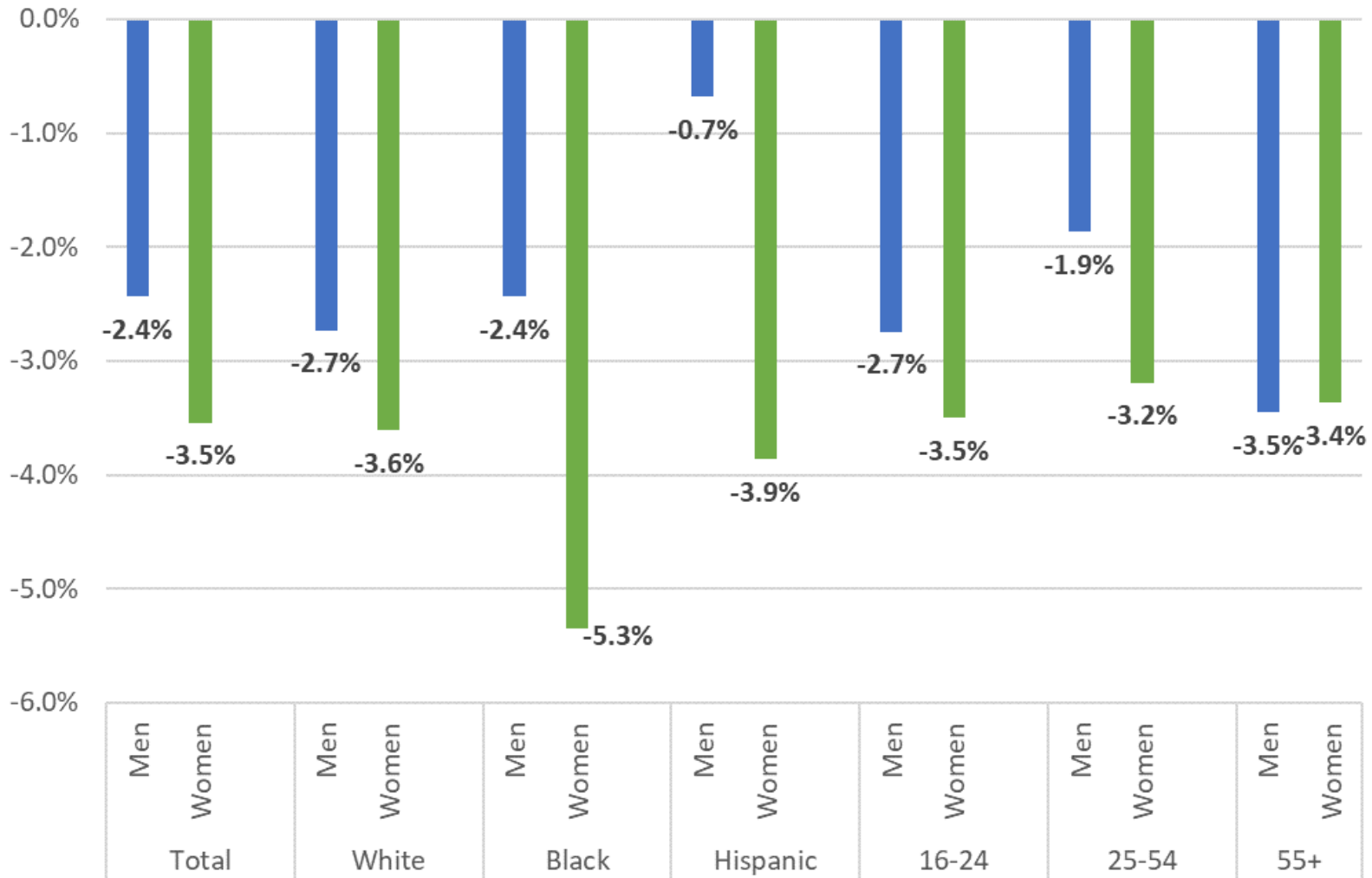


Source: US Bureau of Labor Statistics



# At the intersection of race and gender: Black and Hispanic women have been hardest hit by job losses

Percent change in employment from Feb 2020 (pre-pandemic) to **October 2021** for men and women, by race and age, seasonally adjusted

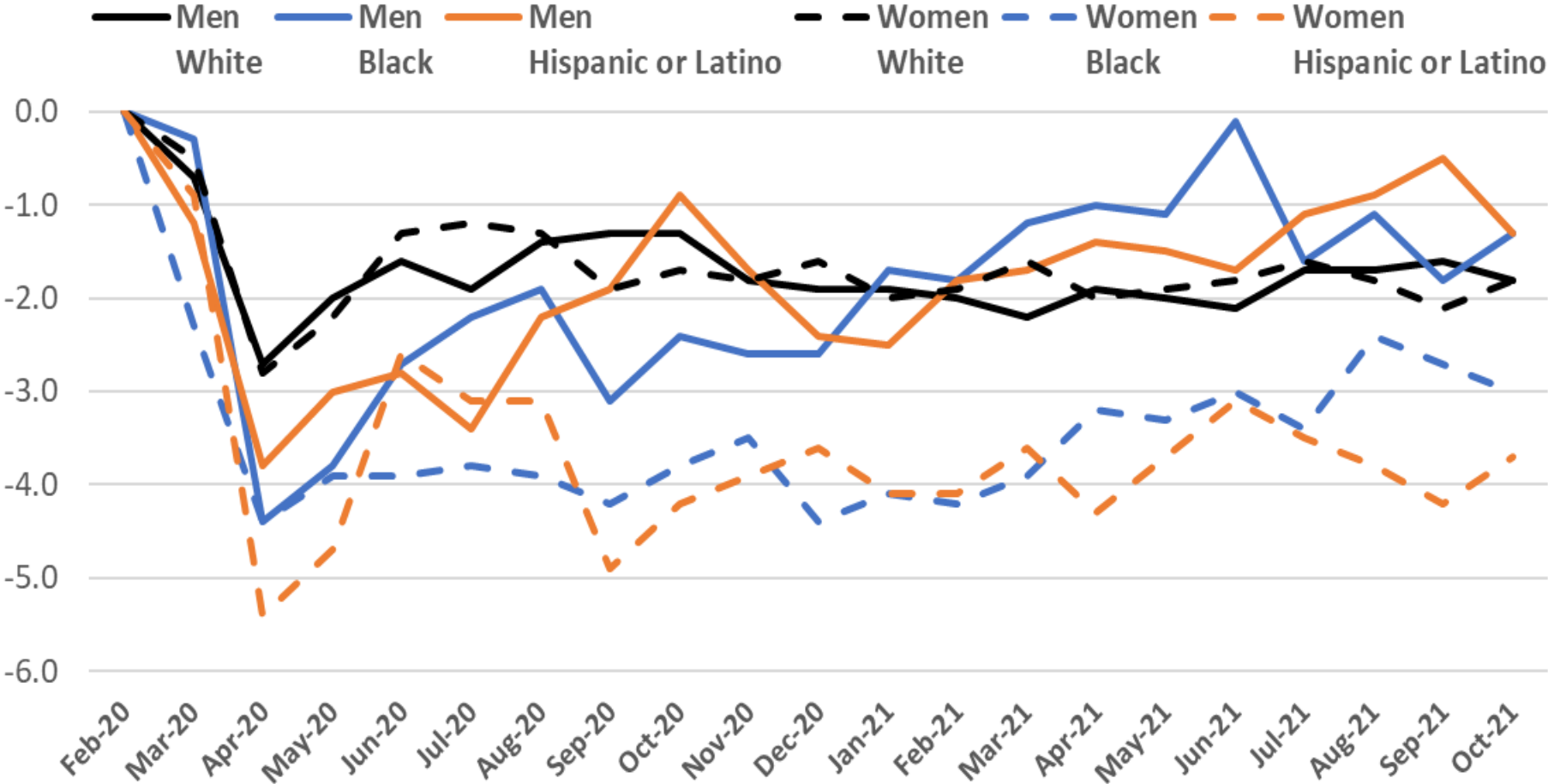


Note: Totals for men and women refer to persons ages 16 and older; racial breakdowns refer to persons ages 20 and older. Source: US Bureau of Labor Statistics



# Workforce exits being driven by women of color

Percentage point difference in labor force participation rates from February 2020, for men and women, ages 20+, by race or ethnicity

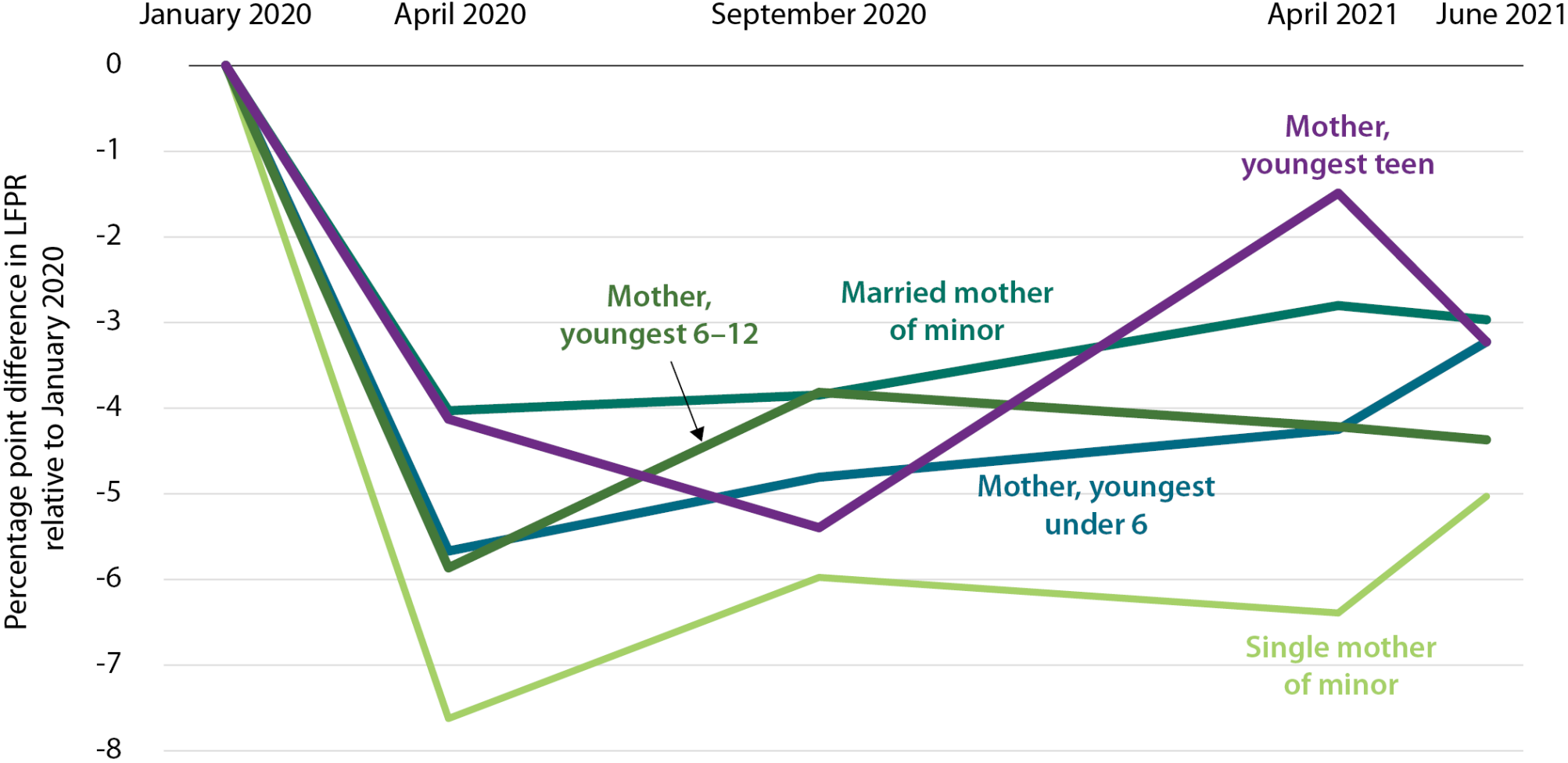


Note: Data refer to persons ages 20 and older. Source: US Bureau of Labor Statistics



# Mothers are leaving the labor force due to home/family care and school disruptions

Percentage point difference in labor force participation rates from January 2020, for mothers, ages 25-54, by marital status and age of child

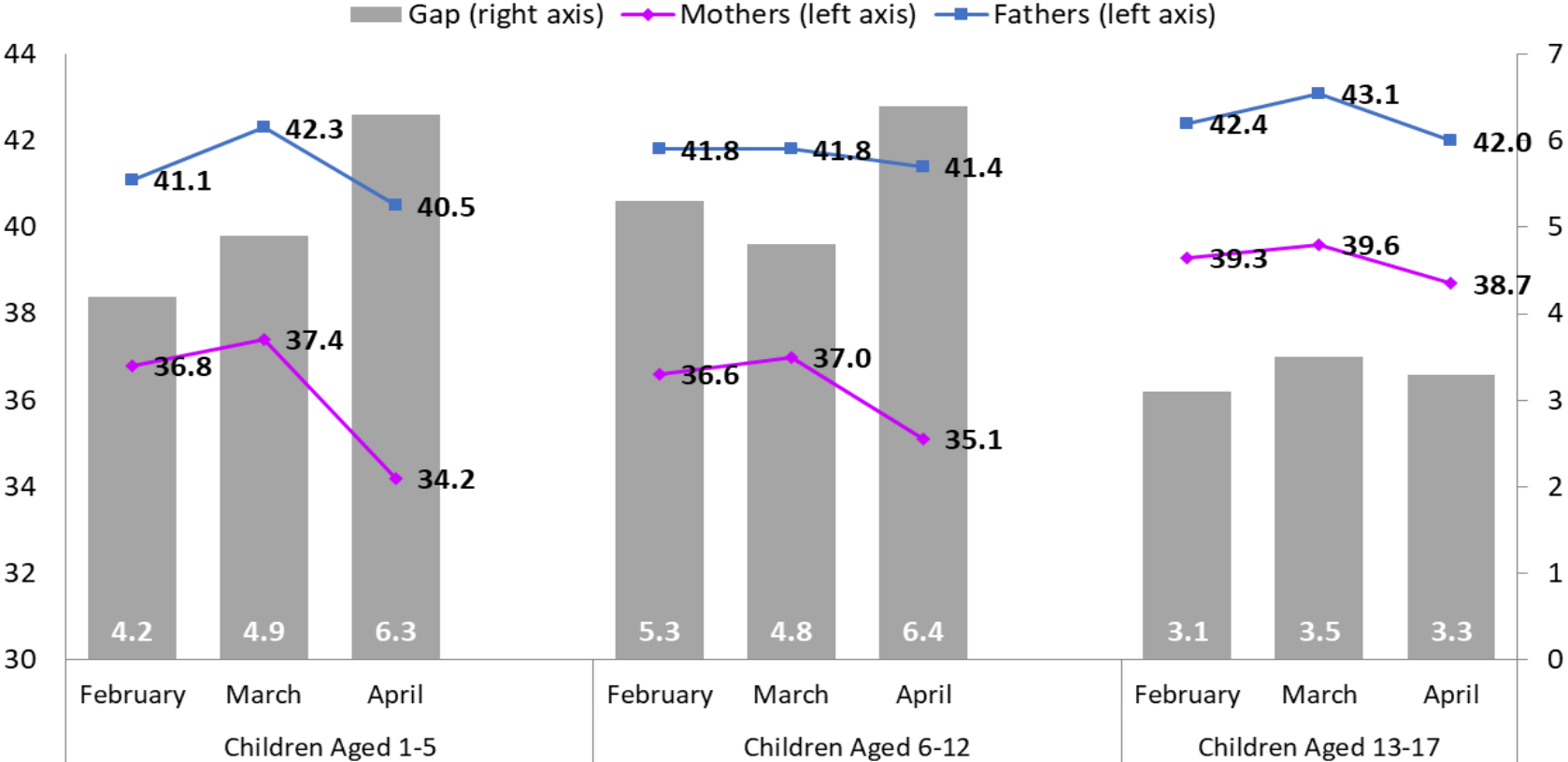


Source: US Bureau of Labor Statistics via Lauren Bauer, Sara Estep, and Winnie Yee, "Time Waited for no mom in 2020," Brookings, July 22, 2021.



# Mothers reduce work hours more significantly than fathers when both are working from home

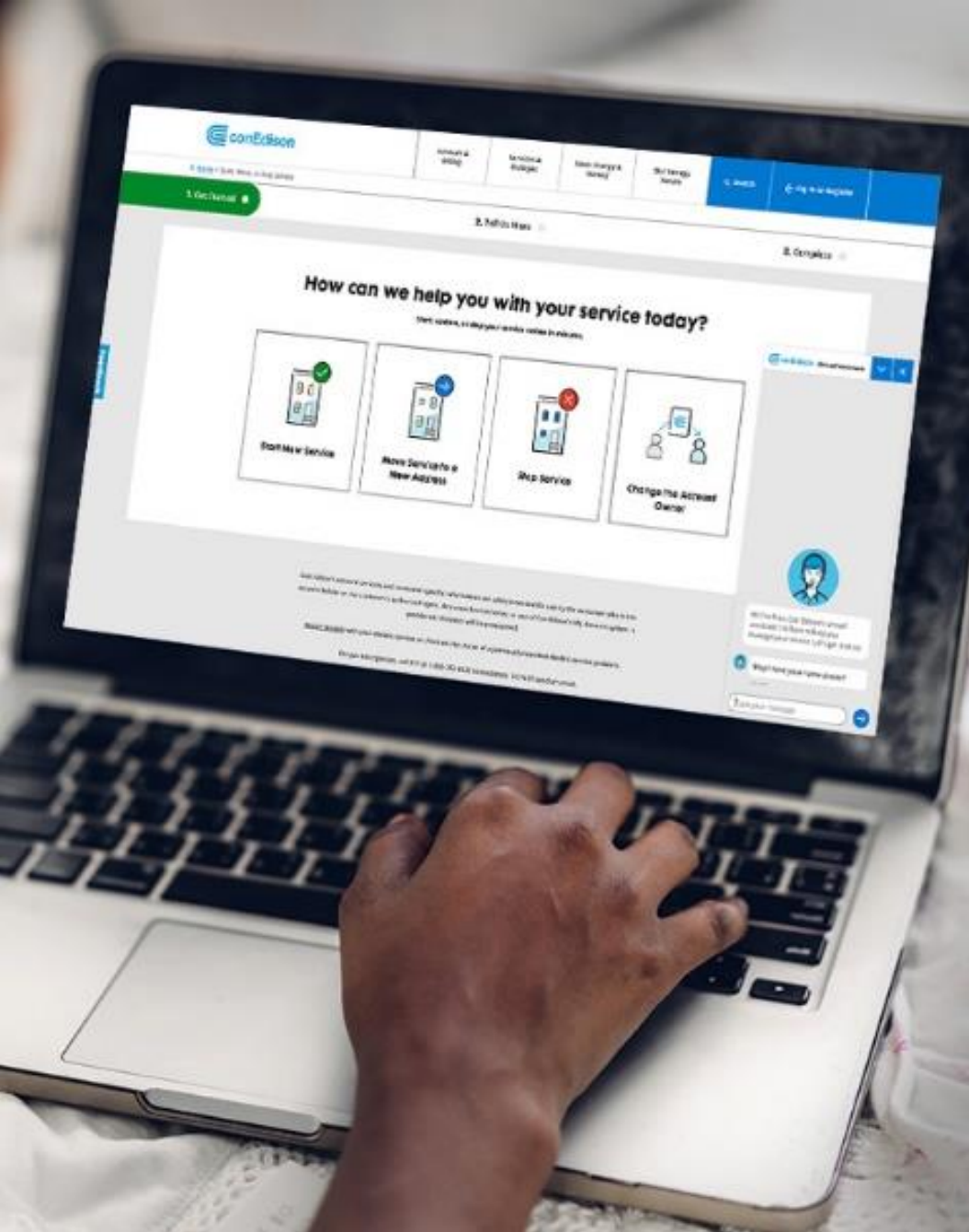
Gender gap in hours worked among married mothers and fathers, both employed in telecommuting-capable occupations February, March, and April 2020



Source: Current Population Survey via Caitlyn Collins, Liana Christin Landivar, Leah Ruppanner, William J. Scarborough, "COVID-19 and the gender gap in work hours," *Gender, Work, and Organization*, July 2, 2020.



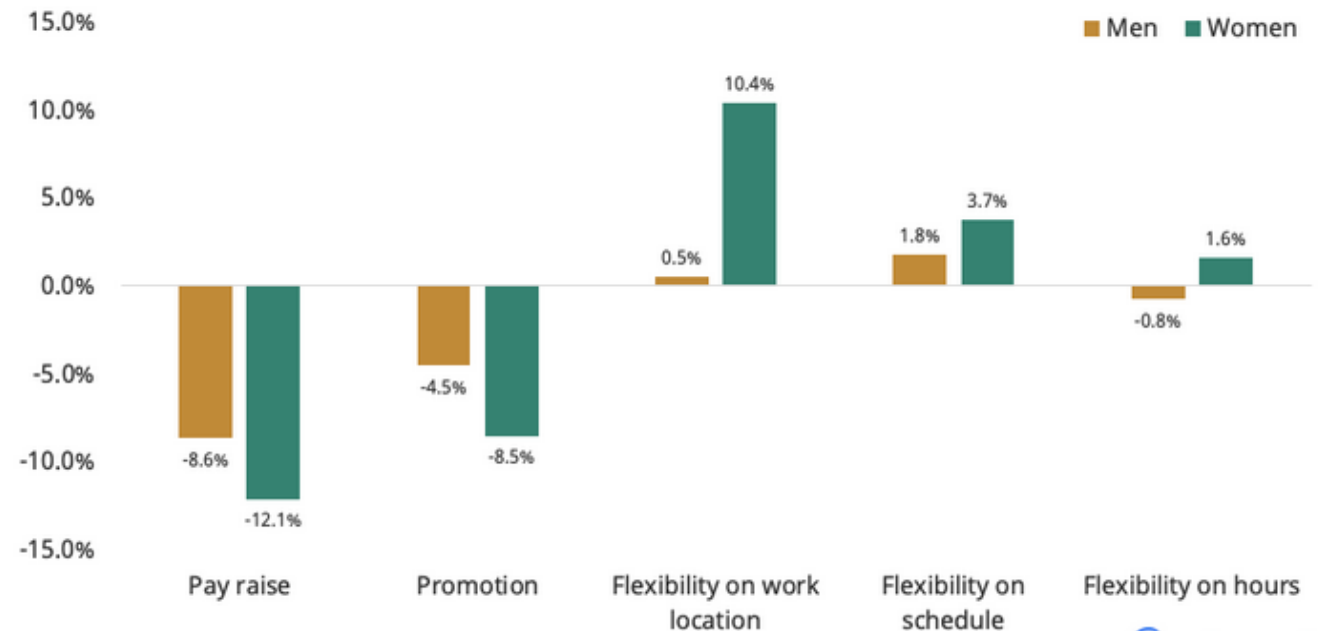




# Work from Home is not a Silver Bullet

“Flexibility in setting work schedules offsets some of the adverse impact of the pandemic on mothers’ employment, while the ability to work from home does not”

Percent Change from pre-COVID in being comfortable with asking for benefit



Source: Indeed



Source: “Parents in a Pandemic Labor Market,” Federal Reserve Bank of San Francisco, Feb 2021, and “Gender Gap in Requests for Pay, Promotion Widens in Pandemic,” Indeed, Mar 2, 2021.





# Recommendations for Leaders to Reverse the Impact of COVID-19 on Women

1. Normalize the use of flexible work options, such as remote work and flexible hours
2. Improve access to care options
3. Work to close the gap in pay equity
  - ✓ Examine compensation policies and efforts to correct pay disparities
  - ✓ Eliminate salary history questions and the ability to negotiate start pay
4. Use sponsorship, mentorship, and training programs to increase women's representation in leadership and improving their prospects for advancement
5. Adopt existing best practices for supporting and advancing women into leadership roles, including onto corporate boards
  - ✓ **Senior leadership sets the tone** in making D&I part of company strategy and corporate culture, and is held **accountable** for achieving measurable diversity objectives
  - ✓ **Involving men:** educating them about women's challenges; including them in women's career advisory networks

Source: "COVID-19's Impact on Women in the Workplace: Avoiding a Major Setback," The Committee for Economic Development of The Conference Board, December 2020



# PROGRESS

## In the business world

### Female CEOs on this year's *Fortune* 500 broke three all-time records

- The number of women CEOs of *Fortune* 500 businesses hit an all-time high:

41



- The number of Black women running *Fortune* 500 businesses:

2



- The highest-ranking business ever run by a female CEO



Source: Current Population Survey via Caitlyn Collins, Liana Christin Landivar, Leah Ruppanner, William J. Scarborough, "[COVID-19 and the gender gap in work hours](#)," *Gender, Work, and Organization*, July 2, 2020.



## Trends Black-White Racial wage gaps

- Despite efforts to reduce them, wage gaps between White and Black workers in the US, are large and have been increasing over the past decade
- Our research suggests that just maintaining these gaps, let alone reducing them, will be a major challenge
- A powerful trend is working in the opposite direction: Black workers are severely underrepresented in industries, occupations, and locations where the fastest growth in high-paying jobs is taking place
- Most noticeable example: the tech sector, and tech occupations in other industries, show a remarkable increase in the number of top earners in the past decade. But Black workers are severely underrepresented in these jobs.

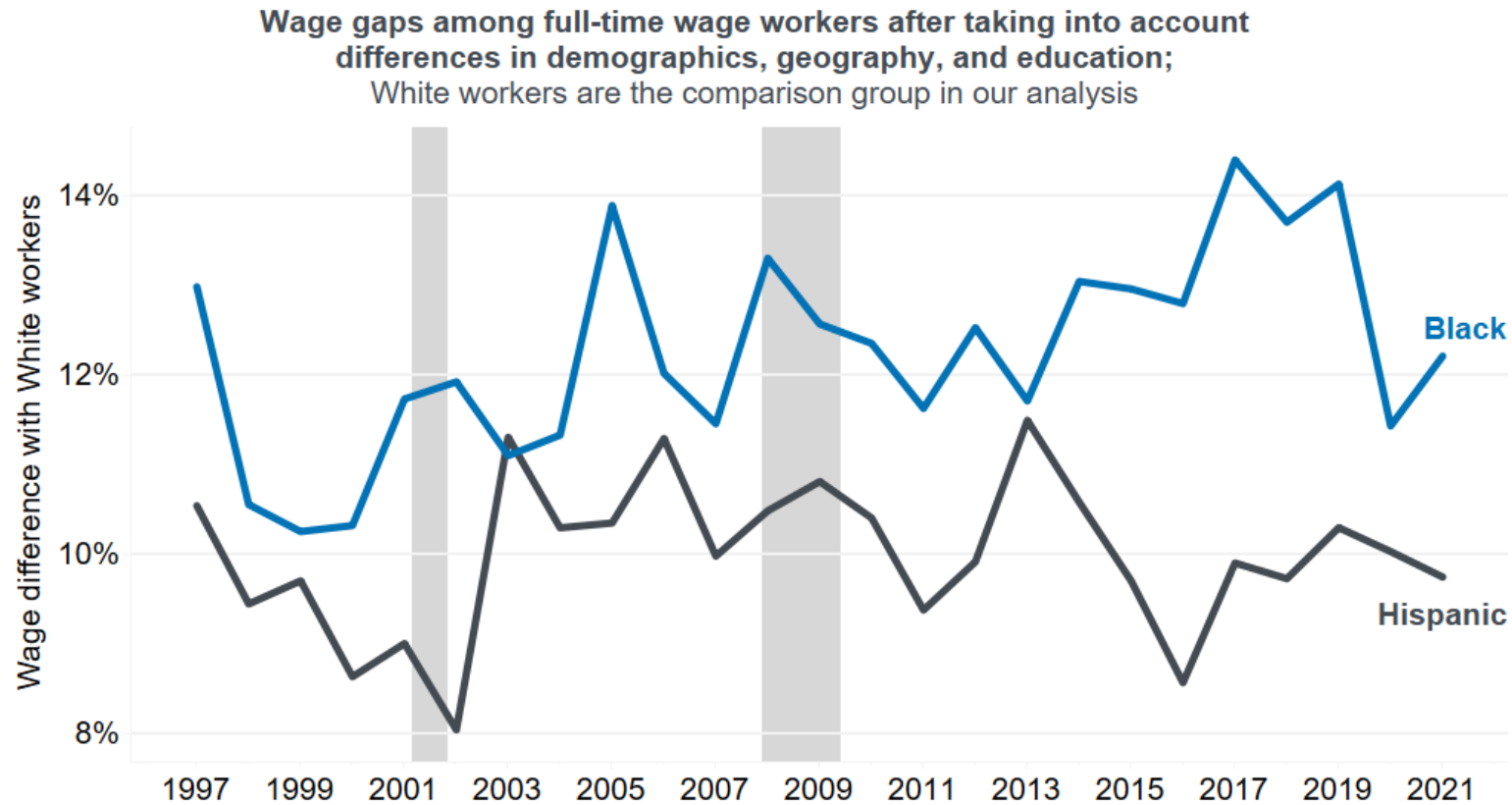


## Trends Black-White Racial wage gaps

- Given that most of the fast-growing tech hubs are in western cities with small Black populations— San Francisco, San Jose, Seattle, and Austin—tech companies trying to recruit Black workers may face a unique challenge
- These workers do exist. In metro areas with large Black populations, the share of Black tech workers tends to be much higher
- The shift to remote work poses a potential, though partial, solution: employers are more willing to hire remote workers, meaning they can cast a wider net when recruiting talent, to help achieve more ambitious diversity goals



# Are there signs that the Black-White wage gap is shrinking?



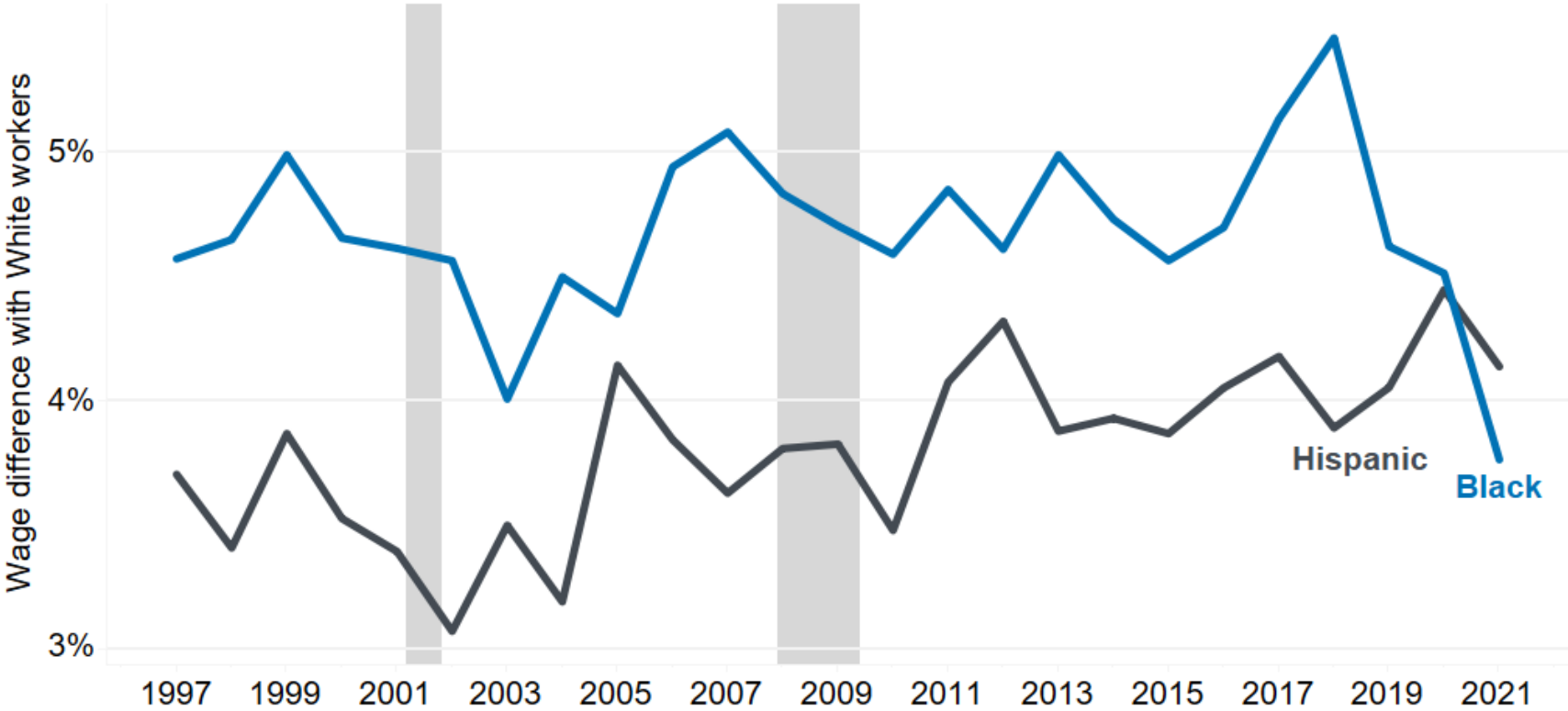
Source: The Conference Board using microdata from IPUMS-CPS, University of Minnesota

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Yes!

**Wage gaps among full-time wage workers that are a result of representation of workers in different occupations and industries; White workers are the comparison group in our analysis**

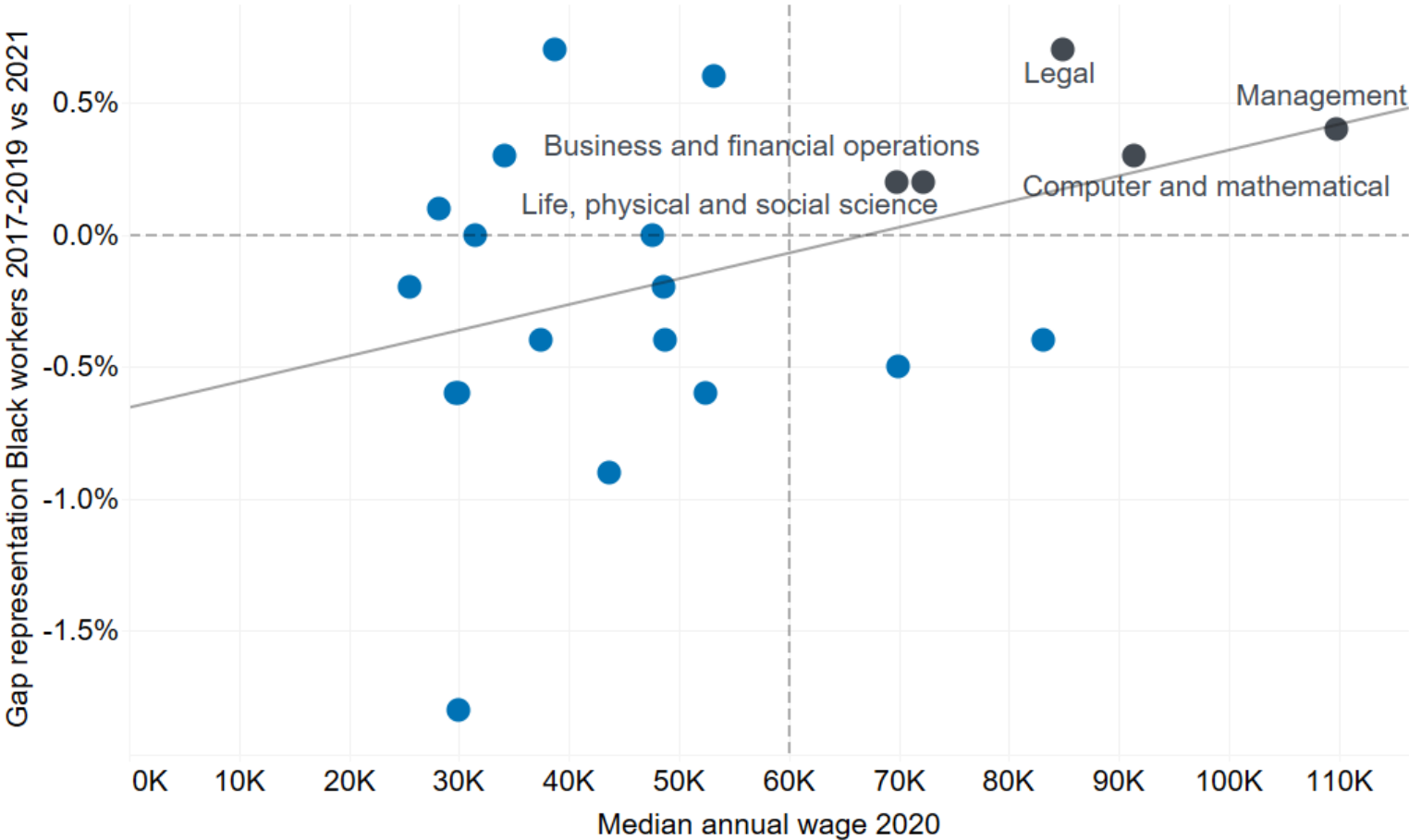


Source: The Conference Board using microdata from IPUMS-CPS, University of Minnesota

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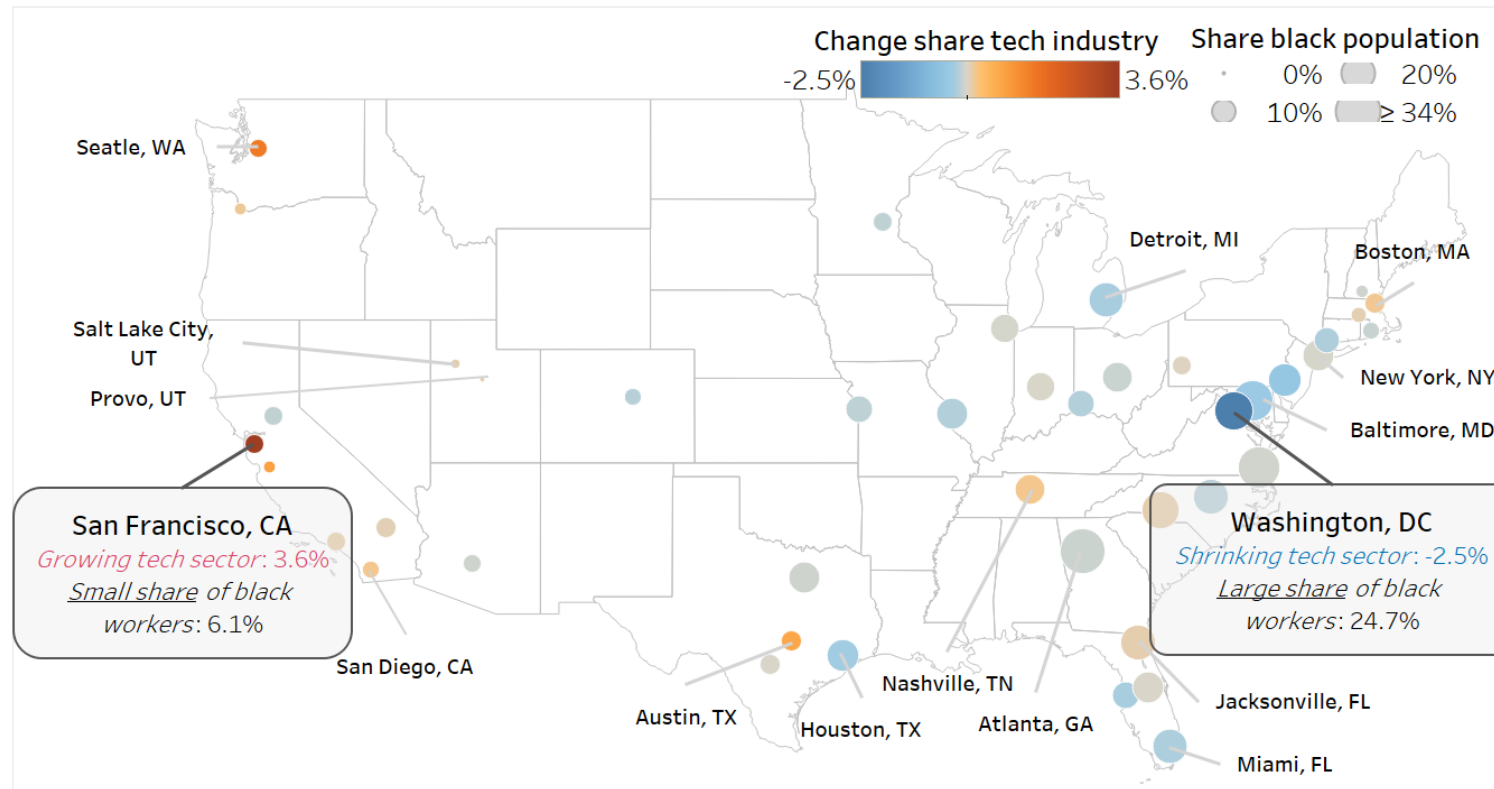
# Increased representation of Black workers in high paying occupations





# Metro areas with strong growth in tech jobs have a small share of Black residents

Change in share high earning tech jobs in selected metro areas between 2011-12 and 2018-19 (bubble color in map) and the share of Black workers in 2015-19 (bubble size in map)

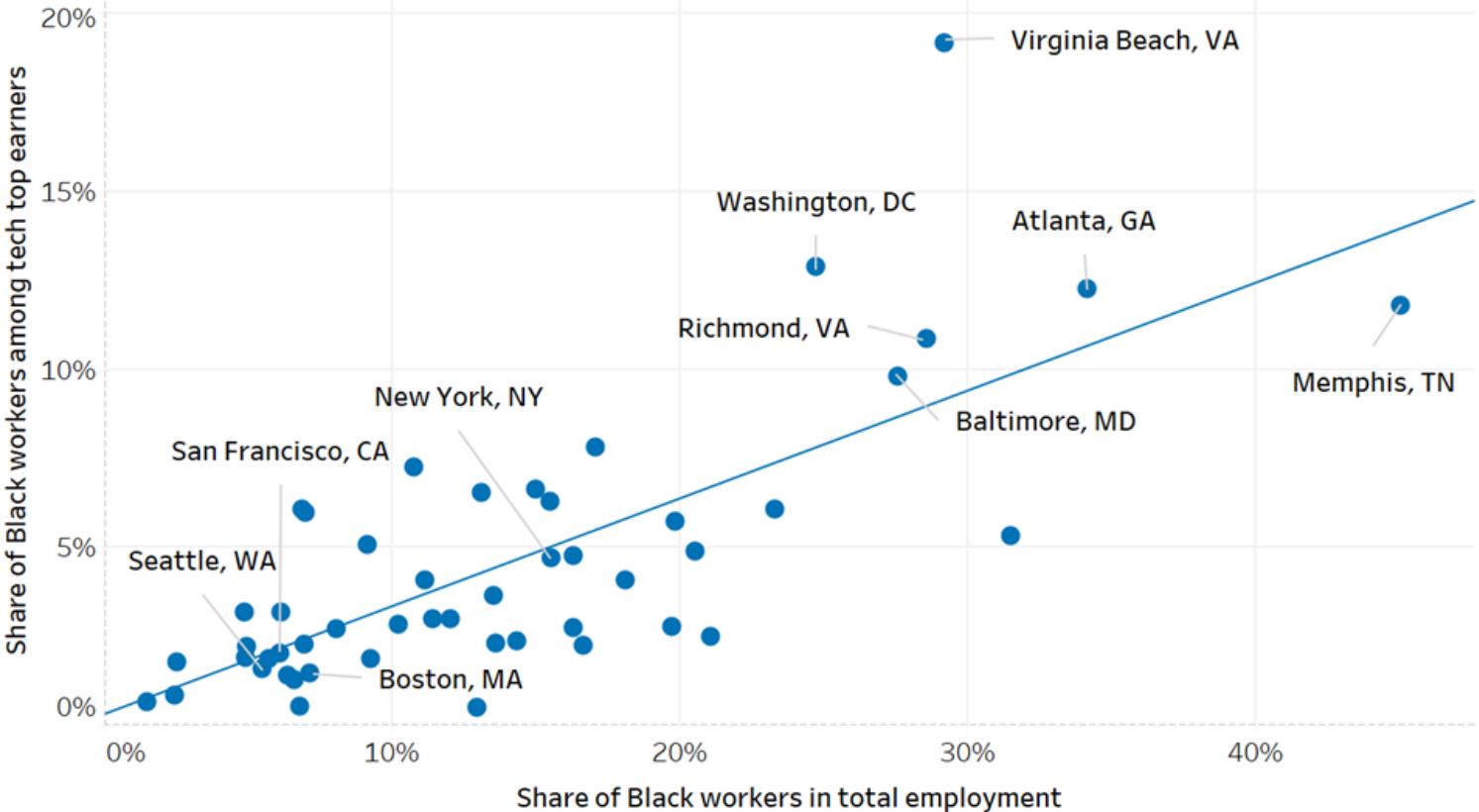


Note: The tech industry consists of the following industries: Software publishing, computer systems design and related services, data processing services, internet publishing and web search portals, and electronic shopping.  
Source: The Conference Board using microdata from IPUMS-ACS, University of Minnesota

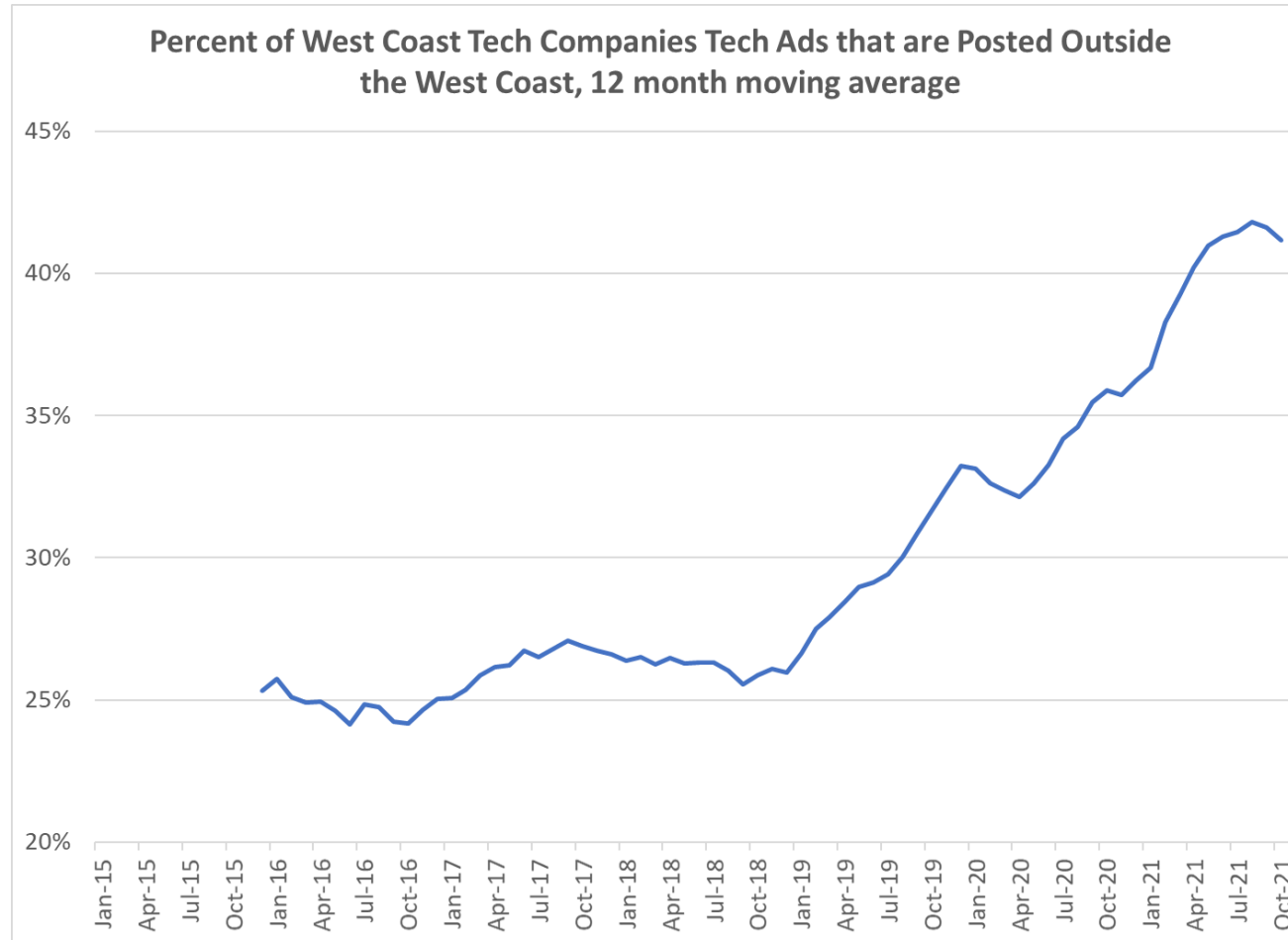


# Metro areas with larger Black populations have more tech top earners

Share of Black workers among tech top earners and in total employment, by metro area, 2015-2019 average



# Silicon Valley tech companies are increasingly hiring outside Silicon Valley



Sources: EMSI Burning Glass and Calculations by The Conference Board



## The feasibility of raising the usage of remote work to increase workforce diversity

- Could companies operating in areas with low racial/ethnic diversity in population, successfully use remote work to increase diversity in their workforce?
- How? Work from home? Opening office in diverse locations?
- What are potential pitfalls?
- What can organizations do to make this work?
- What can state and local government do?



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- [Talent Acquisition, Recruitment, and Retention in a Remote World \(Nov 10\)](#)
- [Labor Markets Watch \(Nov 17\)](#)

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## Labor Markets Charts Hub

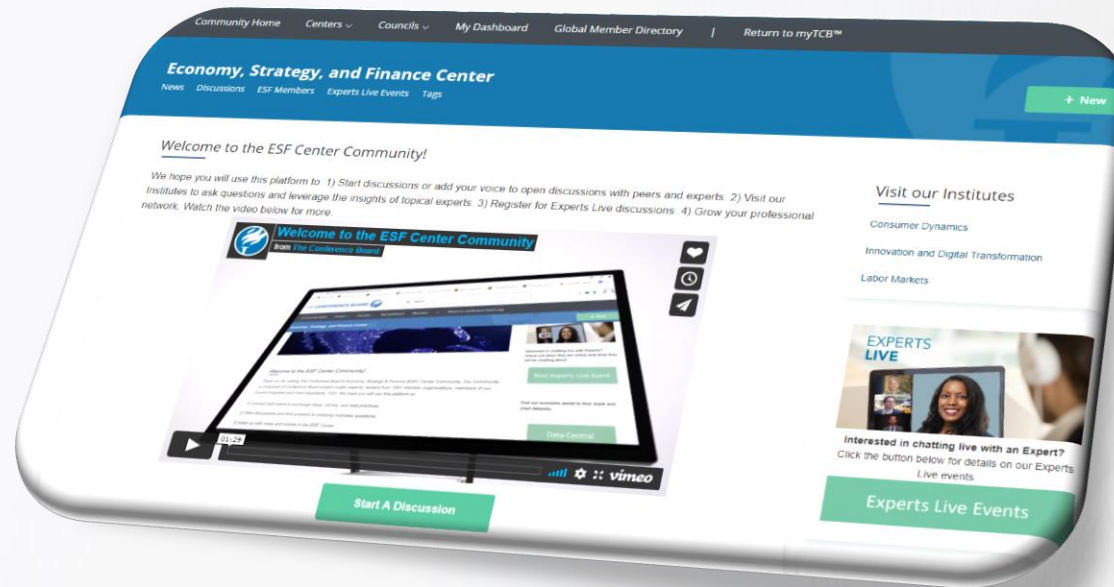
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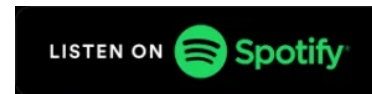
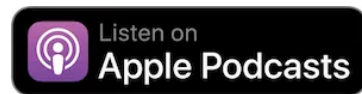


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